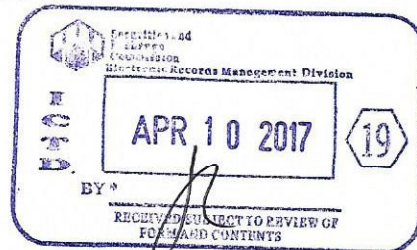


SECURITIES AND EXCHANGE COMMISSION

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 .....31 December 2016
2. SEC Identification Number ..... A200201756
3. BIR Tax Identification No. .... 216-303-212-000
4. Exact name of issuer as specified in its charter .....

**ROBINSONS RETAIL HOLDINGS, INC.**

5. Pasig City, Philippines .....  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. 43rd Floor, Robinsons Equitable Tower,  
ADB Avenue corner Poveda Sts., Ortigas Center,  
Pasig City  
Metro Manila  
Address of principal office 1605  
Postal Code
8. (632) 635-07-51.....  
Issuer's telephone number, including area code
9. Not Applicable.....  
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
---------------------	--

Common shares	1,385,000,000
---------------	---------------

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

Yes [ / ] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**PHILIPPINE STOCK EXCHANGE - COMMON SHARE**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and **SRC Rule 17.1** thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [ / ]      No [   ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ / ]      No [   ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

<b>Shares Held by Non-Affiliates as of December 31, 2016</b>	<b>Market Value per Share as of March 31, 2017</b>	<b>Total Market Value</b>
520,067,000 shares	P77.00	P40,045,159,000

#### **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) Any annual report to security holders;
- (b) Any [information statement](#) filed pursuant to [SRC Rule 20](#);
- (c) Any prospectus filed pursuant to SRC Rule [8.1](#).

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## **PART I – BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **(A) Business Development**

Robinsons Retail Holdings, Inc. was incorporated on February 4, 2002. The primary purpose of the Company and its subsidiaries is to engage in the business of trading goods, commodities and merchandise of any kind. The Company was listed at the Philippine Stock Exchange on November 11, 2013.

Robinsons Retail Holdings, Inc. (RRHI) is one of the leading multi-format retail groups in the Philippines. With over 30 years of retail experience, it possesses a deep understanding of Philippine consumers and enjoys market leading positions across all of its business segments. Since the opening of its first Robinsons Department Store in Metro Manila in 1980, RRHI has successfully expanded into five business segments, entering into the supermarket business in 1985, the Do-It-Yourself (DIY) business in 1994, the convenience store and specialty store businesses in 2000, the drugstore business in 2012, and the coffee shop business in 2015. It also launched Robinsons Townville, a chain of community malls in 2015, which are located in residential areas to bring its products closer and its services more convenient to its customers.

RRHI operates its supermarkets, department stores, consumer electronics and appliances stores, big box hardware stores, and community malls under the Robinsons brand name, and its other store formats are under well-known international brands, which include Handyman Do it Best, True Value, Topshop, Topman, Toys “R” Us, Ministop, Daiso Japan, and Costa Coffee; and domestic brands, such as South Star Drug and, in 2016, The Generics Pharmacy. RRHI operates one of the broadest ranges of retail formats of any retail group in the Philippines and, accordingly, is well-positioned to capture emerging consumer markets and take advantage of the continuing macroeconomic growth in the Philippines, particularly the increase in disposable income and consumption of the middle-income segment, one of its key target markets.

RRHI acquired major interest in The Generics Pharmacy, adding the country’s largest drugstore chain to its portfolio. It also acquired De Oro Pacific Home Plus, a standalone builders’ hardware chain in Northern Mindanao, to be managed by Robinsons Builders. Chic Centre Corporation, a distributor of cosmetics, nail care, and healthy slush products, was likewise acquired during the year.

The Company has a loyalty program “Robinsons Reward Card” which was introduced in May 2013. The loyalty program, which allows holders to collect and redeem points across the Robinsons formats, is intended to enhance the Company’s brand image and also increase customer loyalty. It also allows the Company to gather data on customer profiles in terms of their demographics, purchasing patterns, and product preferences. As of the end of 2016, Robinsons Rewards Cards is already accepted in most of the Company’s formats except for Costa Coffee, Ministop, South Star Drug, Savers Appliances and The Generics Pharmacy.

The Company has not been into any bankruptcy, receivership or similar proceedings since its incorporation.



Acquisitions by RRHI's subsidiaries

On October 3, 2016, Robinson's Incorporated (RI) acquired 100% ownership of Chic Centre Corporation.

On August 1, 2016, RHI Builders and Contractors Depot Corp. acquired 75% ownership of Home Plus Trading Depot, Inc., which operates three Home Plus stores in Northern Mindanao.

On May 17, 2016, South Star Drug, Inc. (SSDI) acquired 51% ownership of TGP Pharma Inc., which operates The Generics Pharmacy.

On September 1, 2015, Robinsons Inc. (RI), wholly owned subsidiary of RRHI, acquired 90% ownership of Savers Electronic World, Inc.

In July 2014, Robinson's Handyman, Inc. (RHMI) acquired 67% interest in RHI Builders and Contractors Depot Corp., which operates A.M. Builders' Depot, a Visayas-based builders hardware chain.

In June 2014, South Star Drug, Inc. acquired 100% ownership of GNC Pharma Corporation, which operates seven drugstore chains in Batangas called Chavez Pharmacy. Subsequently, in August 26, 2015, the Securities and Exchange Commission (SEC) approved the Articles and Plan of Merger of South Star Drug, Inc. and GNC Pharma Corporation wherein the former is the surviving corporation.

In January 2014, Robinsons Supermarket Corporation (RSC) acquired 100% ownership of JAS 8 Retailing Mngt. Corporation (JRMCI), the operator of a three-store supermarket chain called Jaynith's Supermarket. Subsequently, in 2016, the SEC approved the Articles and Plan of Merger of RSC and JRMCI wherein the former is the surviving corporation.

In December 2013, Robinsons Specialty Stores, Inc. acquired the assets of Beauty Skininnovations Retail, Inc., which operates eight Shiseido stores and two Benefit stores. The acquisition includes the right to sell Shiseido and Benefit cosmetics under the distribution agreement with Luxasia, Inc. and L Beauty Luxury Asia, Inc.

In September 2013, Robinsons Supermarket Corporation, a subsidiary, acquired 100% ownership of Eurogrocer Corp. (EC), the operator of a six-store supermarket chain in Northern Luzon. Subsequently, in 2016, the SEC approved the Articles and Plan of Merger of RSC and EC wherein the former is the surviving corporation.

The percentage contribution to the Company's revenues for each of the three years ended December 2014, 2015, and 2016 by each of the Company's business segments after elimination are as follows:

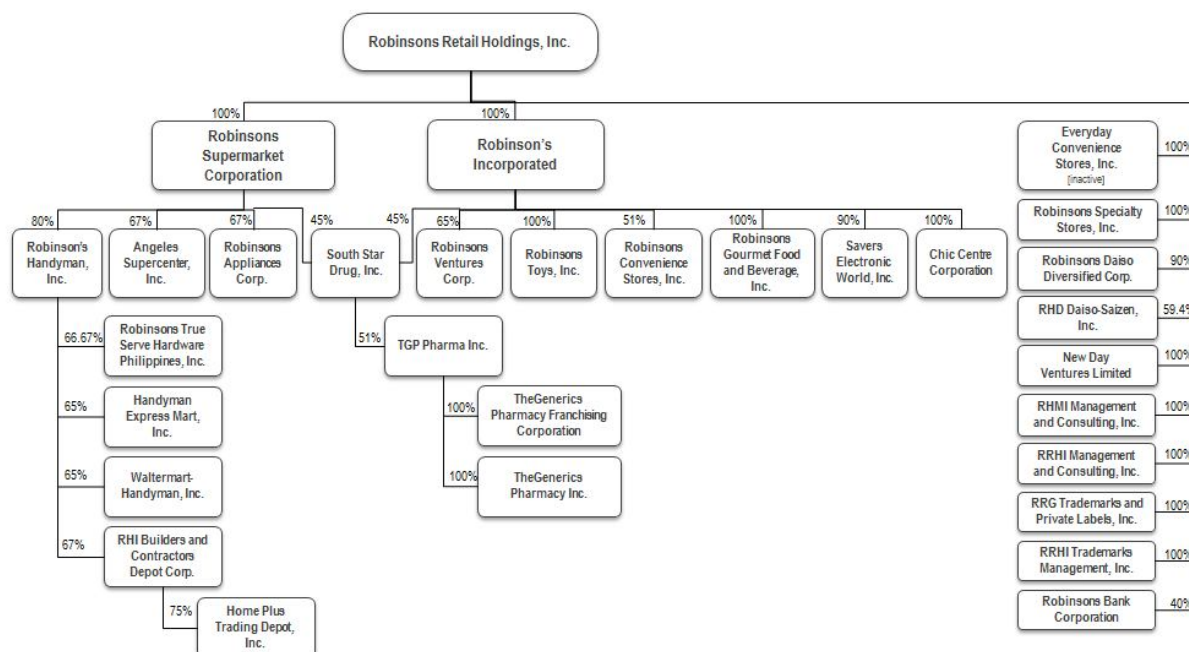
	For the years ended December 31		
	2014	2015	2016
Supermarket	48.8%	47.6%	46.0%
Department store	17.1%	16.4%	15.0%
Hardware	10.6%	10.9%	10.6%
Convenience store	5.7%	6.0%	5.4%
Drug store*	8.8%	8.9%	11.3%
Specialty segment	9.0%	10.2%	11.7%

\*Note: South Star Drug was only acquired in July 2012 and consolidated into RRHI beginning August 2012.

The Company ended 2016 with 1,578 stores with total gross floor area of 1,045,000 square meters.

## (B) Business of Issuer

The industry segments where the Company and its subsidiaries and affiliates operate are summarized below:



### (a) Description of the Registrant

(i) **Principal Products and Services.** The Company's core retail operations has six business segments — supermarkets, department stores, DIY stores, convenience stores, drug stores and specialty stores:

- **Supermarkets.** The supermarkets are operated under the Robinsons Supermarket brand name. Robinsons Supermarket Corporation (RSC) is the first major supermarket chain in the Philippines specifically positioned with a focus on health and wellness, which is the key point of differentiation from competitors. RSC actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the supermarkets and are made highly visible to customers. RSC uses nutritional labels to highlights its nutritional values of such products, and these are consistent with the Food and Nutrition Research Institute of the Philippines ("FNRI"). The FNRI evaluates and accredits the nutritional contents of all RSC's food products following the internationally-accepted CODEX Standards of Nutrition Classification. All healthy products are promoted in the stores and gondolas through the Green Shelf Tag labeling system. RSC's unique focus on providing health and wellness products will enable it to benefit from the trend towards healthier foods and lifestyles. Furthermore, it partners with the Best Fresh suppliers with proven expertise, resources and nationwide retail capability to ensure a consistent supply of high quality and nutritional fresh food products at affordable prices.

Robinsons Supermarket currently has five private label brands, namely Robinsons Supersavers, Breeder's Choice Dog Food, Nature's Pure, Healthy You, and Butcher's Choice which carry a range of products from both local and foreign manufacturers.

- *Department Stores.* The department stores are operated under the Robinsons Department Store (RDS) brand name and offer a large selection of both local and international branded products that are grouped into six categories: (i) shoes, bags and accessories (including Beauty and Personal Care), (ii) ladies' wear; (iii) men's wear, (iv) children's wear, (v) household items; and (vi) others. RDS is focused on catering to middle-income customers and approximately 91.0% of Robinsons Department Stores' sales for 2016 are on consignment basis.
- *DIY Stores.* The DIY stores are operated under the brand names Handyman Do it Best and True Value, of which the Companies are member-retailers in the Philippines and the recently acquired big box hardware A.M. Builders' Depot/Robinsons Builders/Home Plus. Each brand has its own specialized positioning, with Handyman Do it Best focused on affordable, high quality DIY and home improvement products; True Value positioned as an up market lifestyle home center; and A.M. Builders' Depot/Robinsons Builders focused on home builders. In 2016, around 64% of DIY store segment revenue was derived from sales of consigned merchandise.
- *Convenience Stores.* The Company is the exclusive Philippine master franchisee of Ministop Japan. Ministop began operations in the Philippines in 2000 and is a franchise of Ministop Co. Ltd., one of the largest convenience store chains in Japan. Revenue is primarily generated through selling of merchandise to franchisees. Ministop's key strength is its ability to provide fresh and ready-to-eat food for its customers.
- *Drug Stores.* In July 2012, RSC and Robinsons Inc. (RI), wholly-owned subsidiaries of RRHI, each acquired a 45% interest in South Star Drug, Inc.(SSDI). The acquisition represents a 90% interest on the shares of stock of SSDI. South Star Drug carries a wide range of prescription and over-the-counter pharmaceutical products together with a range of food, personal care and other products. On May 17, 2016, SSDI acquired 51.00% of TGP Pharma, Inc.
- *Specialty Stores.* Currently, the Company operates seven formats of specialty stores, namely: 1) toys and juvenile products retail under Toys "R" Us, 2) consumer electronics and appliances stores operated under Robinsons Appliances and Saver's Appliance Depot, 3) international fashion retail stores which carry brands such as Topshop, Topman, and Dorothy Perkins; 4) beauty brands Shiseido and Benefit; 5) one-price-point stores under Daiso Japan 6) coffee shops under Costa Coffee and 7) Nail care, cosmetics and healthy slush under Chic Centre.

The Company, as of end of 2016 has 1,578 stores, consisting of 140 supermarkets, 43 department stores, 178 DIY stores, 499 convenience stores, 412 drug stores and 306 specialty stores. This excludes 1,912 TGP franchised stores and 3,000 distribution outlets of Chic Centre. Of the total stores, 40.7% of these stores are located in Metro Manila, another 43.5% located in Luzon (outside Metro Manila) and with the balance situated in the Visayas and Mindanao regions.

- (ii) **Significant Subsidiaries.** As of December 31, 2016, Robinsons Retail Holdings, Inc. (RRHI) has twelve wholly-owned subsidiaries and seventeen partly-owned subsidiaries in which RRHI's ownership allows it to exercise control, all of which are consolidated with the Group's financial statements.

Key details of each of RRHI's subsidiary companies are set forth below.

1. ***Robinson's Supermarket Corporation.*** Robinson's Supermarket Corporation (RSC) was incorporated on August 21, 1990. RSC is 100% owned by RRHI. RSC's principal business is to engage in the business of buying, selling, distributing and marketing at wholesale and retail.
2. ***Angeles Supercenter, Inc.*** Angeles Supercenter, Inc. (ASI) was incorporated on December 23, 2003. ASI is 67% owned by RSC. ASI's principal business is to engage in the business of trading goods, commodities and merchandise of any kind.
3. ***Robinson's Handyman, Inc.*** Robinson's Handyman, Inc. (RHMI) was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on June 15, 1994 primarily to engage in the business of trading goods, commodities and merchandise of any kind. RHMI is 80% owned by RSC.
4. ***Robinsons True Serve Hardware Philippines, Inc.*** Robinsons True Serve Hardware Philippines, Inc. (RTSHPI) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 19, 2007, primarily to engage in general hardware business, both retail and wholesale. The Company started commercial operations on March 1, 2007. RTSHPI is 66.67% owned by RHMI.
5. ***Walmart-Handyman, Inc.*** Walmart-Handyman, Inc. (WHI) was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on July 15, 1996 primarily to engage in the business of trading goods, commodities and merchandise of any kind. WHI is 65% owned by RHMI.
6. ***Handyman Express Mart, Inc.*** Handyman Express Mart, Inc. (HEMI) was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on April 13, 2000. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. HEMI is 65% owned by RHMI.
7. ***RHI Builders and Contractors Depot Corp.*** RHI Builders and Contractors Depot Corp. (RHIB) was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on May 7, 2014. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. RHIB is 67% owned by RHMI.

8. ***Homeplus Trading Depot, Inc.*** was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on May 4, 2016. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. RHIB is 75% owned by RHIB.
9. ***Robinson's Incorporated.*** Robinsons Incorporated (RI), a wholly owned subsidiary of RRHI, is a stock corporation organized under the laws of the Philippines to engage in the business of trading goods, commodities and merchandise of any kind. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on April 9, 1987.
10. ***Robinson's Ventures Corporation.*** Robinsons Ventures Corporation (RVC) is a stock corporation organized under the laws of the Philippines on July 22, 1996 to engage in the business of trading goods, commodities, wares and merchandise of any kind and description. The Company was registered with the Securities and Exchange Commission (SEC) on August 5, 1996. The Company is 65% owned by RI.
11. ***Robinsons Toys, Inc.*** Robinsons Toys, Inc. (RTI) is a stock corporation organized under the laws of the Philippines primarily to engage in the business of selling general merchandise of all kinds, either at retail or wholesale. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on August 19, 2002. RTI is 100% owned by RI.
12. ***Robinsons Appliances Corp.*** Robinsons Appliances Corp. (RAC) was registered with the Philippine Securities and Exchange Commission (SEC) on August 21, 2000. RAC's principal business is to engage in the business of trading goods such as appliances on wholesale or retail basis. RAC is 67% owned by RSC.
13. ***Robinsons Gourmet Food and Beverage, Inc.*** Robinsons Gourmet Food and Beverage, Inc. (RGFBI), is a stock corporation organized under the laws of the Philippines primarily to engage in the business of establishing, operating and managing of retail coffee shops and espresso shops. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on July 8, 2013. RGFBI is 100% owned by RI.
14. ***Robinsons Convenience Stores, Inc.*** Robinsons Convenience Stores, Inc. (RCSI) was registered with the Philippine Securities and Exchange Commission (SEC) on March 15, 2000. Its primary purpose is to engage in the business of acquiring and granting licenses and/or rights to proprietary marks, trademarks, trade names, patents, copyrights, know-how, technology, processes, methods, techniques, devises, systems and the like. The Company is also engaged in the business of trading of goods, such as food and non-food, on a wholesale basis. RCSI is 51% owned by RI.

15. ***South Star Drug, Inc.*** South Star Drug, Inc (SSD) is a trading company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 2003. Its primary purpose is to carry on the business of pharmacy, selling all kinds of drugs, medicines, medical equipments, and all other items. SSDI is 45% owned by Robinsons, Inc. and 45% owned by Robinsons Supermarket Corporation.
16. ***TGP Pharma, Inc.*** - TGP Pharma, Inc. (TGPI) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 15, 2010. TGPI is 51% owned by RRHI through its subsidiary South Star Drug, Inc. TGPI's principal business is to engage in the trading of goods such as pharmaceutical products, food supplements, cosmetics and general merchandise on wholesale or retail basis.
17. ***The Generics Pharmacy Inc.*** – The generics Pharmacy Inc. (TPI) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 27, 2007. The Company is 100% owned by TGP Pharma Inc. TPI's principal business is to engage in the trading goods such as pharmaceutical products, food supplements, cosmetics and general merchandise on wholesale or retail basis.
18. ***The Generics Pharmacy Franchising Corporation-*** The Generics Pharmacy Franchising Corporation (TGPFC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 5, 2007. TGPFC is 100% owned by TGP Pharma Inc. TGPFC's principal business is to engage in wholesale and retail of pharmaceutical products as well as franchising the brand "The Generics Pharmacy".
19. ***Everyday Convenience Stores, Inc.*** Everyday Convenience Stores, Inc. (ECSI), wholly owned by RRHI and was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 8, 2000. Its primary purpose is to engage in the business of trading goods, commodities and merchandise of any kind.
20. ***Robinsons Specialty Stores, Inc.*** Robinsons Specialty Stores, Inc.(RSSI) is a stock corporation organized under the laws of the Philippines to engage in the business of trading goods, commodities and merchandise of any kind. The Company was registered with the Securities and Exchange Commission (SEC) on March 8, 2004. The Company is wholly owned by RRHI.
21. ***Robinsons Daiso Diversified Corp.*** Robinsons Daiso Diversified Corp. (RDDC) is a domestic corporation organized under the laws of the Philippines to engage in the business of retail and wholesale of goods. The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 16, 2008. The Company started commercial operations on April 29, 2009. RDDC is 90% owned by RRHI.

22. ***RHD Daiso-Saizen, Inc.*** RHD Daiso-Saizen, Inc. (RHDDS) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on November 29, 2011. The primary purpose of the Company is to engage in the business of trading of goods such as food and non-food on wholesale basis and acquiring and franchising licenses, and/or rights to propriety marks. RHDDS is 59.40% owned by RRHI.
23. ***RHMI Management and Consulting, Inc.*** RHMI Management and Consulting, Inc. was incorporated on May 27, 2013. Its primary purpose is to provide client companies, individuals, businesses or organizations, professional management advise and subject matter expertise in areas of finance, taxation, information technology, human capital, procurement, supply chain and others except management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2015, the Company has not yet started commercial operations.
24. ***RRHI Management and Consulting, Inc.*** RRHI Management and Consulting, Inc. was incorporated on May 27, 2013. Its primary purpose is to provide client companies, individuals, businesses or organizations, professional management advise and subject matter expertise in areas of finance, taxation, information technology, human capital, procurement, supply chain and others except management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2015, the Company has not yet started commercial operations.
25. ***RRG Trademarks and Private Labels, Inc.*** RRG Trademarks and Private Labels, Inc. was incorporated on May 23, 2013. Its primary purpose is to engage in the management and franchise of trademarks, brands and labels in the retail sector, provided, it shall not engage in the management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2015, the Company has not yet started commercial operations.
26. ***RRHI Trademarks Management, Inc.*** RRHI Trademarks Management, Inc. was incorporated on May 23, 2013. Its primary purpose is to engage in the management and franchise of trademarks, brands and labels in the retail sector, provided, it shall not engage in the management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI.
27. ***Savers Electronic World, Inc.*** Savers Electronic World, Inc. (SEWI), was incorporated on March 4, 2015. Its primary purpose is to engage in the business of trading goods such as appliances on wholesale or retail basis. Its primary competence is institutional sales. SEWI is 90% owned by RI.

28. **Chic Centre Corporation.** Chic Centre Corporation was registered with the SEC on August 1, 1977. Its primary purpose is to engage in manufacturing and trading goods. Chic Centre is 100% owned by RI.
29. **New Day Ventures Limited.** The Parent Company acquired New Day Ventures Limited to engage in business of investment holding.
- (iii) **Foreign Sales.** The Company has no record of foreign sales as it is not exporting any of its merchandise abroad.
- (iv) **Distribution Methods.** The Company relies significantly on distributors, third-party service providers and the distribution networks of its multinational suppliers for transportation, warehousing and the delivery of products to its stores. The majority of its merchandise is delivered to the distribution centers by its suppliers and from the distribution centers to its stores by third-party service providers.

The Company manages a strong and efficient supply chain that features just-in-time delivery. Many of its distribution centers employ a cross-docking system, where all non-perishable goods received from suppliers are sorted, consolidated and dispatched to the stores in Metro Manila within one to five days and in Visayas and Mindanao within three to ten days of their receipt, depending on the business segment. This reduces stocking requirements and permits faster delivery of products.

Some of its business segments, such as the supermarket, DIY and specialty stores (particularly toys and juvenile products), also employ a stock operation system equipped to handle high turnover and bulk items. For example, the supermarket segment implements a stock operation system for all top-tier vendors. An average of two weeks inventory of goods is ordered to be stocked and stored in the warehouse.

Distribution planners make daily plans for replenishment and delivery of the goods to stores to ensure that stores do not run out of the key items supplied by the top-tier vendors. With the stock operation system, the distribution centers are able to supply the stores regularly with top-selling SKUs with expediency at low inventory carrying cost.

The Company engages third-party service providers to provide trucking and shipping services to ensure timely delivery of merchandise from distribution centers to stores across the Philippines. Some suppliers also deliver products directly to the stores.

To operate its large-scale business efficiently and effectively, its operations are supported by advanced information technology systems. Its world-class management information systems include a merchandise management system from JDA Software Group Inc., and an advanced ARC merchandise analytics solutions system from Manthan Systems, Pvt. Ltd. These systems allow the Company to analyze and optimize merchandise performance, make proactive decisions on its day-to-day operations and provide the ability to quickly and efficiently respond to changes in customer trends.

The Company uses warehouse management systems to ensure on-time delivery and sufficient stock in stores, thus optimizing inventory levels across its



distribution centers and store network. Further, the Company utilizes financial and asset management systems from SAP AG.

The Company also deploys a POS and Loyalty system from the National Cash Register Corporation (NCR), and has a sophisticated supplier portal system that allows them to collaborate with its suppliers. Through this system, suppliers may have access to its database providing them with the ability to manage their own inventory, ensure high service levels and facilitate more targeted marketing activities.

- (v) **New Products and Services.** In May 2013, the Company introduced the Robinsons Rewards Card, a loyalty card that allows holders to redeem accrued points across its retail formats. As of end 2016, the Robinsons Rewards Card is accepted in most retail formats except for Ministop, South Star Drug, Savers Appliances, The Generics Pharmacy and Costa Coffee. The Robinsons Rewards loyalty program is a powerful tool to increase customer retention across all formats.

In 2015, RRHI, through a subsidiary, entered the coffee shop business with the opening of Costa Coffee shops in several locations in Metro Manila.

In 2016, RRHI, through a subsidiary, acquired Chic Centre Corporation, a distributor of nail care products, cosmetics, and slush and juice products. It has around 2,000 outlets for its beauty products and around 1,000 slush operators in the country.

- (vi) **Competition.** The Company competes principally with national and international operators retail chains in the Philippines, such as SM Investments, Puregold Price Club Inc., Metro Retail Stores Group, Rustan's, Ace Hardware, Mercury Drug Corporation, 7-Eleven, Family Mart and Suyen Corporation, among others. Each of these competitors competes with the Company on the basis of product selection, product quality, acquisition or development of new brands, customer service, price, store location or a combination of these factors.
- *Supermarkets.* The Philippine food retail market has become increasingly competitive in recent years. Robinsons Supermarket primarily competes with modern retail operators, including hypermarkets, supermarkets, convenience stores and local grocery stores, on the basis of location, store ambiance, presentation, price, supply chain and additional benefits such as loyalty programs. Main competitors are SM Retail, Rustan's/Dairy Farm Group, Puregold Price Club and Metro Retail Stores Group. Similar to Robinsons Supermarket, these retail chains have an established presence in the Philippines and continue to open supermarkets in the same cities, and often in the same neighborhoods where the Company has opened or intend to open its supermarkets.
  - *Department stores.* The Philippines' department stores industry is dominated by a few operators. RDS competes with major department store operators such as SM Retail, Metro Retail Stores Group, Landmark and Rustan's on the basis of location, brand recognition, store image, presentation, price, understanding of fashion trends and market demand and value-added customer services. Each of the competing department store chains has an established presence in the Philippines and has the same target market of middle and upper middle income consumer segments.

- *DIY stores.* The market for DIY and related products in the Philippines is highly competitive and fragmented. Retailers are largely classified into stand-alone big-box operators, mall-based DIY retailers and traditional hardware retailers.

For the mall-based formats Handyman Do it Best and True Value, the Company believes that its direct competitor is Ace Hardware, which has a scale of operations that is comparable to theirs. They compete with Ace Hardware primarily on the basis of product selection, price, promotions and customer service.

For the big-box hardware format, Robinsons Builders and Home Plus have a strong presence in the Visayas and Cagayan de Oro and it is directly competing against Citi Hardware which has a strong foothold in Visayas and Mindanao. The Company believes that it competes well against Citi Hardware in terms of brand assortment of hardware and construction products, product sourcing, quality merchandise, price, store location, marketing promotions and after-sales services against Citi Hardware.

Generally, the Company believes that competition in the DIY market is based broadly on pricing, delivery, brand recognition, quality and availability of products. It also believes that it competes favorably with respect to most of these factors.

- *Convenience stores.* Ministop faces direct competition from other chains of convenience stores, supermarkets and other retail outlets. With respect to their ready-to-eat products, Ministop also competes with other providers of these products, such as fast-food restaurants. The Company's primary convenience store competitors are 7-Eleven, Family Mart, and Lawson. Philippine Seven Corp, the operator of the 7-Eleven chain, is the largest convenience store chain in the Philippines. Family Mart is a Japanese convenience store franchise chain that entered the Philippine market in early 2013 under the ownership of, among others, the Ayala Corporation. The Company competes for customers primarily on the basis of store location and product assortment and quality.
- *Drug stores.* The drug store industry in the Philippines is intensely competitive. South Star Drug primarily competes with other retail drug store chains, such as Mercury Drug, Watson's, and Rose Pharmacy. The Generics Pharmacy likewise competes with Generika Drugstore. Increasingly, as well, the Company faces competition from discount stores, convenience stores and supermarkets as they increase their offerings of non-pharmaceuticals items, such as food and personal care products.
- *Specialty stores.*  
*Toys "R" Us.* Toys "R" Us is the second largest toys retailer after Toy Kingdom. Toys "R" Us competes with Toy Kingdom on the basis of its strong brand name. With its line of affordable but quality private labels and exclusive products, Toys "R" Us offers a complete and differentiated product offering to its shoppers.

*Robinsons Appliances and Savers Appliances.* Robinsons Appliances competes with SM Appliances, Abenson and Anson's primarily on the basis of price. It provides credit card payment services to support its customers' purchasing needs offering them longer payment options at interest free installment terms.

On the otherhand, Savers Appliances' strength is in its institutional sales, competing with Imperial Appliances and other stand-alone appliance stores in Northern Luzon in servicing corporate appliance needs. It offers various industrial and building solution products such as system air-conditioning, refrigeration and ventilating equipment and security system supported by its delivery, installation and after sales services.

*Daiso Japan.* Daiso Japan and Japan Home Center are currently the major players in the one-price discount stores operators in the Philippines. New competitors include Miniso and Mumuso. With the company's exclusive partnership with Daiso Industries Co. Ltd. of Japan, the stores are able to offer a broad range of authentic Daiso merchandise that boasts of product quality and aesthetic appeal at affordable prices starting at P88.

*International Fashion Specialty Retail.* The retail apparel market in the Philippines is fragmented and highly competitive, with a large number of single and multi-brand clothing and apparel companies, both foreign and domestic, competing with each other. H&M, Fast Retailing Philippines, Inc. (Uniqlo), Forever Agape and Glory, Inc. (Forever 21), Stores Specialists, Inc. (Zara, Gap, etc), Suyen Corporation (Cotton On, American Eagle Outfitters, etc) and Vogue Concepts, Inc. (Promod) are the major competitors of the Company's high-street fashion retail business.

*Beauty Division.* The Beauty Market (cosmetics and skin care) in the Philippines is very dynamic, with each retailer racing against each other for variety and a strong commercial presence. Competition is likewise coming from large international beauty companies which are setting up stand-alone stores in major malls aside from locating inside department stores (for example, MAC, Clinique, Lancome, Dior).

*Costa Coffee.* Costa Coffee competes with a large number of established international and local coffee chains. The British coffee chain competes with Starbucks, The Coffee Bean & Tea Leaf, Seattle's Best and a growing number of artisanal coffee shops such as, Toby's Estate, Bo's Coffee, Craft Coffee Revolution and Kuppa Roastery & Café amongst others. It competes primarily on the entire store experience from the creation of quality coffee, store ambiance and food offering.

*Chic Centre.* Chic Centre competes with a number of locally available cosmetic brands and suppliers of slush and juice ready mixes. For its nail care category, competing nail polish brands include Caronia, OMG and Klik while for make-up, it directly competes with Ever Bilena and Nichido brands. For its semi-frozen beverage line, the company potentially competes with local distributors of similar products, such as Family Mart's Slushy and KFC's Krushers brands. The company competes primarily on target markets based on product portfolio, placement and price range.

- (vii) **Suppliers.** Revenue is derived substantially from direct sales and sales of consigned merchandise, and the success depends on the ability to retain and attract new suppliers and consignors on favorable terms. The sourcing of products is dependent, in part, on the relationships with the suppliers. The Company maintains long-standing working relationships with a broad range of national and multinational suppliers across all business segments.

*Supermarkets.* With over 2,000 regular suppliers as of 2016, Robinsons Supermarket's supplier base is diversified between local suppliers such as San Miguel Corp. and Universal Robina Corporation (URC) and multinational corporations such as Nestle Philippines, Unilever and Procter & Gamble. Robinsons Supermarket's top five suppliers together accounted for 23.1%, 23.4% and 23.5% of the net sales in 2014, 2015 and 2016, respectively

*Department Stores.* For outright sales, Robinson Department s=Store sources and sells its own direct-purchase merchandise in its stores. Most of its outright sales consist of beauty and personal care, household merchandise and children's apparel. RDS' outright sales include a private label named Essentials that carries paper products. It has also strengthened sourcing for home and children's departments, thus adding more offerings to customers. As of 2016, Unilever, L'Oreal, Mondelez Phils. (Kraft Foods), Procter & Gamble, Brandlines (Nivea) and Johnson & Johnson were some of RDS' largest outright sales suppliers.

*DIY Stores.* For outright sales, the Company sources the DIY and other products at favorable terms primarily from large-scale local suppliers and from over 500 foreign vendors accredited by Do it Best Corporation and True Value. For the big-box format, it also sources its tiles, sanitary wares, wood, among others, from foreign vendors based in the Asia-Pacific region. The Company does not believe that it relies on any single supplier or group of suppliers for any of its products.

*Convenience Stores.* To effectively satisfy customer preferences, the Company has established working relationships with over 200 regular suppliers as of 2016. The supplier base is diversified from large local suppliers such as Globe, URC and San Miguel Corp; smaller local suppliers for Ministop's ready-to-eat and private label products; to multinational corporations such as Coca Cola, Phillip Morris Phils and Unilever Phils. Ministop selects its suppliers using a number of criteria, including customer preferences, suppliers' capacity to serve all Ministop stores, product assortment and quality, brand reputation, business plans and budgets and compliance with Ministop's commercial principles. The Company believes that the business as a whole is not dependent on any single supplier.

*Drug Stores.* South Star Drug sources pharmaceutical products from over 380 suppliers, such as United Laboratories, Pfizer Inc, Pascual Laboratories, Natrapharm, GSK, Abbot Nutrition, Boehringer, Intermed Marketing and Sanofi. SSD's top five largest pharmaceutical suppliers accounted for 31.0% of the total purchases in 2016 and 31.0% in 2015 and 25.4% in 2014. The Company only accepts products which are FDA-certified in the Philippines and ensures that the products it carries come from reputable and known manufacturers and companies. The Company sources non-pharmaceutical products from over 300 established suppliers and providers, such as Unilever, P&G, Nestle, Wyeth Nutritional and Mead Johnson.

*The Generics Pharmacy.* TGP sources generic and branded medicines from established distributors and toll-manufacturers that produce private label generic medicines for the Company. TGP selects its partners using a number of criteria, including quality, affordability and capacity to serve the Company's demands. All products are FDA-certified in the Philippines to ensure that the medicines are compliant with the prescribed standards of the regulatory agency. As of 2016, Eurohealth Group of Companies, Sandoz Philippines, Kylemed Group of Companies and Zuellig Pharma were among TGP's largest suppliers.

### *Specialty stores.*

*Toys “R” Us.* The Toys “R” Us private labels and exclusives, as well as importations (done through indentors/consolidators, which provide a differentiated offering), are directly sourced through the Toys “R” Us regional buying office where orders are consolidated to ensure that products are sourced at the lowest costs and margins are maximized. The Company also partners with local suppliers for locally developed merchandise both on outright or consignment.

*Robinsons Appliances and Savers Appliances.* Reliability and strong service network are some of the top requirements of customers in choosing consumer electronics and home appliances. That is why Robinsons Appliances and Savers Appliances partner with reputable suppliers such as Samsung Electronics, LG Electronics, Sony Philippines and Sharp Philippines in providing the best home entertainment solutions. Aesthetically appealing, functional and user-friendly home appliances are offered in partnership with Concepcion-Carrier Airconditioning, G.E., Panasonic Corporation, Electrolux Philippines and Whirlpool Home Appliances, among others.

*Fashion and Beauty Division.* As the country’s exclusive franchisee of the international brands it carries, RRHI-Fashion and RRHI-Beauty stores source their physical merchandise from legitimate distributors of its labels, which include Topshop, Topman, Warehouse, Dorothy Perkins, G2000, Miss Selfridge, Burton’s Menswear, and Benefit and Shiseido. The fashion division carries a broad portfolio on fashion under the categories urban lifestyle, young and mainstream fashion, and corporate apparel, while the beauty division offers a wide range of cosmetics, fragrances, and beauty products and services. The beauty division’s services include facials from Shiseido and facial waxing from Benefit.

*Daiso Japan.* Daiso’s one price point merchandise is composed of various items that have been evaluated and manufactured with the Japanese standards of Daiso Industries Co., Ltd. The stores are supplied primarily by the principal company, as well as approved international and local partners/suppliers that carry the Daiso brand. This ensures quality and the authenticity of the store’s diverse product range. Grounded on the pillars of variety, quality, and uniqueness, Daiso stores are home to practical and collectible home and kitchen ornaments, office knick-knacks, snacks, and beauty essentials.

*Costa Coffee.* With sustainability and exquisite quality in mind, Costa Coffee exclusively sources its coffee beans from farms with certification from Rain Forest Alliance, an organization that advocates sustainable and socially inclusive industries. The seal of approval assures that products are produced with minimal environmental impact and with maximized social benefits to communities, particularly in the agricultural sector. Ingredients and food items, such as sandwiches, baked goods, and salads, come from various suppliers that adhere to basic food safety standards of the FDA, from its production to delivery and storage in the Costa Coffee shops.

*Chic Centre.* Chic Center is the market leader of nail care products in the Philippines with a commanding 75% of the market share. With over 2,000 outlets, the product range includes Bobbie, Chic, Colortrends, and Rain for Nails. The company's latest endeavor was the establishment of its Food Division in May 2015, which distributes innovative slush and juice products for Ministop, Petron, BPOs, schools, and Movieworld. It has over 1,000 outlets and conducts manpower training for slush operations and technical servicing.











- (viii) **Dependence upon single or few suppliers or customers.** The Company believes that its business as a whole is not dependent on any single supplier. The Company's five largest suppliers accounted for 12.90% of consolidated net sales in 2016, 13.3% in 2015, and 11.90% in 2014. The Company does not rely a single or few customers but to the buying public in general.
- (ix) **Transactions with related parties.** In the ordinary course of business, the Company engages in a variety of transactions with related parties. The Company is controlled by the Gokongwei Family. Members of the Gokongwei Family also serve as directors and executive officers. Certain members of the Gokongwei Family are also major shareholders of JG Summit Holdings, Inc. The most significant transactions with the Gokongwei Family include leasing retail stores in the shopping malls owned by Robinsons Land Corporation (RLC), a company controlled by the Gokongwei Family. The Company policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

The Company rents a significant number of its stores, commercial centers and office buildings from RLC and its affiliates. Members of the Company, including primarily Robinsons Supermarket and Ministop, sourced significant amount of their products from URC. Consolidated Global Imports Inc., an entity owned by members of the Gokongwei Family, is the largest franchisee of Ministop stores as of 2016.







(x) **Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract.**

Following are the marks of the subsidiaries of RRHI as of December 31, 2016:

**Supermarket Trademarks**

<b>Name of Trademark</b>	<b>Symbol of Trademark</b>
1. ROBINSONS SUPERMARKET	
2. HEALTHY YOU	
3. ROBINSONS SUPERMARKET FIT & FUN WELLNESS BUDDY RUN	
4. NATURE`S PURE	
5. BREEDER`S CHOICE DOG FOOD	
6. ROBINSONS SUPERSAVERS	
7. ROBINSONS EASYMART	
8. ROBINSONS SELECTIONS	
9. JAYNITH`S SUPERMART	
10. Robinsons Townville	

**Department Store Trademarks**

<b>Name of Trademark</b>	<b>Symbol of trademark</b>
1. ROBINSONS DEPARTMENT STORE	
2. EXECUTIVE BY ROBINSONS	
3. PLAYGROUND	
4. PORTSIDE	
5. NITELITES	
6. BRIDGET`S CLOSET	

7. HOME ESSENTIALS



8. ESSENTIALS



9. B+ACTIVE



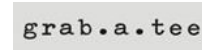
10. ALL ABOUT KIDS



11. RAFAEL



12. GRAB A TEE



13. NEVER BEEN KISSED



14. JUMPING BEANS



15. DAZED & CONFUSED



16. SIMPLY ME



17. PUNKBERRY



18. PRIVILEGED



19. HIP ACTIVE WEAR



20. FELICITY



21. SUN KISSED



22. MARJOLAINE



23. LIBERTE



24. STELLA



25. TED MOSS



26. VANITY



27. ICANDY



28. PORTSIDE ACTIVE



29. MALEBOX






30. BELLA



31. BOTTOMS UP












32. Workshop



33. Julia










### DIY Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS HANDYMAN	
2. THUNDER	
3. HIGH GEAR	
4. WISHY WASHY	
5. BOW WOW	
6. SUPER CHOW	
7. BATH BASICS	
8. ROBINSONS BUILDERS	
9. TRUE HOME	
10. BIANCA	
11. BLANCO	
12. BON GIORNO	
13. Home Plus Trading Depot	
14. A.M Builders Depot	







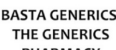




15. Icono
16. Icono Premio
17. Icono Classico
18. Imago







### Convenience Store Trademarks

Name of Trademark	Symbol of trademark
1. CHILLZ	
2. UNCLE JOHN'S FRIED CHICKEN	
3. MY SUNDAE	
4. MY CHOICE	
5. TOPPERS YUMMY RICE TOPPINGS ON THE GO	
6. KARIMAN	
7. Hotchix	

## Drug Store Trademarks

Name of Trademark	Symbol of trademark
1. SOUTH STAR DRUG	
2. SOUTH STAR DRUG MAPAGKAKATIWALAANG TUNAY	
3. MANSON DRUG TUNAY AT MURA ANG GAMOT	
4. TGP – The Generics Pharmacy	
5. The Generics Pharmacy	
6. The Generics Pharmacy Mabisa Na, Matipid Pa	
7. Basta Generics, The Generics Pharmacy	
8. TGP The Generics Pharmacy Mabisa Na, Matipid Pa!	 
9. TGP with LOGO	 

## Specialty Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS APPLIANCES	
2. ROBINSONS SPECIALTY STORES, INC.	
3. SAIZEN	
4. Saver's Appliances	

## Others

Name of Trademark	Symbol of trademark
1. R	
2. R ROBINSONS RETAIL HOLDINGS, INC	
3. ROBINSONS REWARDS	
4. ROBINSONS SHOP CARD	
5. CHIC CENTRE CORPORATION	
6. Nails by Chic Centre	
7. Bobbie Cosmetics	
8. Bobbie Nails	
9. Bobbie Tweens	
10. Smooch-Certified	
11. Be-you-tiful	
12. Chica Must-have	
13. Chic Conditioner	
14. GoNaturals	
15. Chic Nail Color	
16. Chic Shampoo	
17. Rain by Colortrends	
18. Chic	

19. Rain by Chic



20. Mwah! By Chic



21. Freezy



22. Bobbie Shop



23. Sippy



- (xi) **Government Approvals.** The Company and all its subsidiaries have obtained all permits, licenses and approvals from national and local government units and other government agencies necessary to lease store spaces and operate the same.

As a retailer, the Company and its subsidiaries are subject to the following laws and regulations: a) The Retail Trade Liberalization Act; b) The Food, Drug and Cosmetics Act; c) The Consumer Act; d) The Meat Inspection Code; e) The Price Act; f) The Philippine Food Fortification Act; g) The Comprehensive Dangerous Drugs Act; h) The Pharmacy Law; i) The Generics Act and j) The Philippine Labor Code.

- (xii) **Effects of Existing or Probable Governmental Regulations on the Business.** The Group operates its businesses in a highly regulated environment. These businesses depend upon permits issued by the government authorities or agencies for their operations. The suspension or revocation of such permits could materially and adversely affect the operation of these businesses.

- (xiii) **Research and Development**

None during the year.

- (xiv) **Cost and Effects of Compliance with Environmental Laws.** Operators of retail stores with total store areas (including parking) of over 10,000 square meters (sqm) and/or operators of supermarkets with food stalls are required to obtain an Environment Compliance Certificate (ECC) for each store prior to commencement of business to certify that the operation will not pose an unacceptable environmental impact. Operators of supermarkets may also apply for and secure a Certificate of Non-Coverage (CNC) which exempts them from securing an ECC for their projects.

The Company must obtain a Philippine Department of Environment and Natural Resources (DENR) identification number from the regional office of the Philippine Environmental Management Bureau (EMB) to dispose of hazardous waste. In the absence of an identification number, the Company may be penalized with a fine ranging from ₱600 to ₱4,000.

- (xv) **Employees.** As of December 31, 2016, the Group had 10,804 employees. The following table sets out certain details of the Company's employees by business segment, as follows:

<b>Supermarket</b>	<b>2,916</b>
<b>Department stores</b> .....	<b>844</b>
<b>DIY stores</b> .....	<b>1,525</b>
<b>Convenience stores</b> .....	<b>366</b>
<b>Drug stores</b> .....	<b>3,252</b>
<b>Specialty stores</b> .....	<b>1,901</b>

The Company anticipates that it will have approximately 17,075 employees within the next 12 months for the planned store openings in 2017. The Company's management believes that good labor relations generally exist throughout the operating companies. The Company has experienced no material work stoppages or strikes in the past three years. The Company currently has no labor union or any collective bargaining agreement with any group of employees.

(xvi) **Risks**

1. The Company may experience difficulty in implementing its growth strategy brought about by unsuccessful future store openings, unsuccessful expansion through acquisition and failure of existing stores to benefit from the current favorable retail environment. In addition, new stores may place a greater burden on its existing resources and adversely affect its business as it faces the risk of market saturation brought about by increased competition from other retail companies in the Philippines.
2. The Company depends on RLC and other mall operators for the development of parts of its business and leases all of its premises, thus it may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms thereby exposing the Company to risks relating to the leasing and sub-leasing of any of its stores as well as portions of its supermarket space.
3. The Company's retail business depends on its ability to source and sell the appropriate mix of products to suit the changing consumer preferences and relies on services rendered by independent contractors that may not always meet its requirements for quality or be available or completed within its budget. Also the success of its business depends in part on its ability to develop and maintain good relationships with its current and future suppliers and consignors. Likewise, the success of its business depends in part on its ability to develop and maintain good relationships with its franchisors and/or licensors. Thus, a deterioration of the value of its brand names and trademarks may have a material adverse effect on its business.

4. The Company operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines. Continued compliance with, and any changes in, environmental laws and regulations may adversely affect its results of operations and financial condition. The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration. The Company may face difficulty in hiring sufficient pharmacists to meet the demands of its drug store operations due to shortage of registered pharmacists in the Philippines thereby facing the risk of not being able to operate new drug store or be forced to close existing ones. Product liability claims in respect of defective goods sold in its stores and food safety and food-borne illness concerns could adversely affect its reputation and its financial prospects. Likewise, the sale of counterfeit products may affect its reputation and profitability. On the other hand, its senior citizen discounts for purchases of prescribed medicines and prime commodities may be subject to abuse or unchecked fraudulent practices by unqualified customers.
5. The Company is exposed to certain risks in connection with the substantial use of cash in its operations. Damage to or other potential losses involving, its assets may not be covered by insurance. Its business, financial performance and results of operations are subject to seasonality. The Company relies on dividends and distributions from its subsidiaries to fund its cash and financing requirements.
6. The Company is controlled by the Gokongwei Family and its interests may differ significantly from the interests of other shareholders as its business and operations are dependent upon key executives. The Company is party to a large number of related party transactions and its operating results and financial condition are affected by a significant minority shareholding in Robinsons Bank.
7. Its operations are concentrated in the Philippines, and therefore any downturn in general economic conditions in the Philippines could have a material adverse impact on its business operations. Any political instability in the Philippines may adversely affect its business operations. Continued terrorist activities and high-profile violent crime in the Philippines could destabilize the country, adversely affecting its business environment and the occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may materially adversely affect the Philippine economy and disrupt its operations.
8. Future changes in the value of the Peso against the U.S. dollar and other currencies may adversely affect its results of operations

**Item 2. Properties.** Commercial spaces for all of retail establishments from various entities across the Philippines are leased by the Company. The lease rates and terms for these commercial spaces follow standard market rates and practices for similar businesses. The following table is illustrative of the rates paid per region.

Region	Rental Scheme	Lease Rate	Term
Metro Manila	Fixed	P100 to P5,793 per sqm	1-20 years
	% to sales	2.0% to 7.2% of sales	1-20 years
	Fixed or % to sales, whichever is higher	P220 to P2,335 per sqm or 1.5% to 6% of sales	1-20 years
	Fixed plus % to sales	P260 to P3,322 per sqm plus 1.5% to 6% of sales	1-20 years
Luzon (outside Metro Manila)	Fixed	P49.87 to P2,132 per sqm	1-25 years
	% to sales	2.0% to 7.20% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P110 to P680 per sqm or 3.0% to 6% of sales	1-25 years
	Fixed plus % to Sales	P100 to P3,020 per sqm plus 2% to 6% of sales	1-5 years
Visayas	Fixed	P57.57 to P1,405 per sqm	1-25 years
	% to sales	2.0% to 7.2% of sales	1-5 years
	Fixed or % to sales, whichever is higher	P300 to P1,067 per sqm or 2.0% to 6% of sales	1-3 years
	Fixed plus % to Sales	P300 to P1,980 per sqm plus 1.5% to 6.0% of sales	1-5 years
Mindanao	Fixed	P151 to P2,563 per sqm	1-25 years
	% to sales	2.0% to 7.2% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P554 to P1,067 per sqm or 2% to 3% of sales	1-10 years
	Fixed plus % to sales	P300 to P990 per sqm plus 1.5% to 4% of sales	1-5 years



*Supermarket.* The following table sets out the location, number of stores and gross selling space of the Company's supermarkets that are leased as of December 31, 2016.

	No. of stores	Gross Selling Area in sqm
<i>Metro Manila</i>	47	124,099
<i>Luzon</i>	62	160,172
<i>Visayas</i>	20	55,954
<i>Mindanao</i>	11	36,039
<b>Total</b>	<b>140</b>	<b>376,264</b>

*Department stores.* The following table sets out the location, number of stores and gross selling space of the Company's department stores that are leased as of December 31, 2016.

	No. of stores	Gross Selling Area in sqm
<i>Metro Manila</i>	12	111,639
<i>Luzon</i>	17	90,201
<i>Visayas</i>	8	62,751
<i>Mindanao</i>	6	42,305
<b>Total</b>	<b>43</b>	<b>306,896</b>

*DIY Stores.* The following table sets out the location, number of stores and gross selling space of DIY stores as of December 31, 2016, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
<i>Metro Manila</i>	50	47,627
<i>Luzon</i>	74	53,362
<i>Visayas</i>	35	37,560
<i>Mindanao</i>	19	22,983
<b>Total</b>	<b>178</b>	<b>161,532</b>

*Convenience Stores.* The following table sets out the location, number of stores and gross selling space of Ministop stores as December 31, 2016, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
<i>Metro Manila</i>	319	31,500
<i>Luzon</i>	152	15,325
<i>Visayas</i>	28	2,241
<i>Mindanao</i>	—	—
<b>Total</b>	<b>499</b>	<b>49,066</b>

*Drug Stores.* The following table sets out the number of South Star Drug stores by region as December 31, 2016, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
<i>Metro Manila</i>	86	6,867
<i>Luzon</i>	273	30,436
<i>Visayas</i>	35	2,431
<i>Mindanao</i>	18	1,219
<b>Total</b>	<b>412</b>	<b>40,953</b>

*Specialty Stores.* The following table sets out the number of stores of *Robinsons Appliances and Savers Appliances* stores, *Toys “R” Us* stores (including the *Toy “R” Us Toybox* sections located in RDS stores), *Daiso Japan* stores, international fashion specialty retail and beauty brand formats, and Costa Coffee Stores as of December 31, 2016, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
<i>Metro Manila</i>	129	45,892
<i>Luzon</i>	109	50,615
<i>Visayas</i>	43	15,354
<i>Mindanao</i>	25	8,664
<b>Total</b>	<b>306</b>	<b>120,525</b>

**Item 3. Legal Proceedings.** As of December 31, 2016, neither the Company nor any of its subsidiaries or affiliates or any of their properties is engaged in or a subject of any material litigation, claims or arbitration either as plaintiff or defendant, which could be expected to have a material effect on its financial position and the Company is not aware of any facts likely to give rise to any proceedings which would materially and adversely affect business or operations.

**Item 4. Submission of Matters to a Vote of Security Holders.** There were no matters submitted to a vote of security holders during the fiscal year covered by this report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The common stock of the Company is listed on the Philippine Stock Exchange.

#### STOCK PRICES

##### 2017

	High	Low
January 2017	₱78.95	₱72.70
February 2017	83.95	77.90
March 2017	83.00	73.80

##### 2016

	High	Low
First Quarter	₱74.65	₱56.00
Second Quarter	86.60	72.00
Third Quarter	89.00	75.00
Fourth Quarter	81.00	71.00

##### 2015

	High	Low
First Quarter	₱90.10	₱74.50
Second Quarter	88.50	70.20
Third Quarter	80.00	63.80
Fourth Quarter	79.20	61.20

##### 2014

	High	Low
First Quarter	₱69.95	₱57.05
Second Quarter	74.00	62.10
Third Quarter	72.85	61.50
Fourth Quarter	79.85	60.55

##### 2013

	High	Low
Fourth Quarter		
November	₱60.50	₱53.60
December	58.00	48.00

**(B) Holders**

The number of shareholders of record as of December 31, 2016 was 29. Common shares outstanding as of December 31, 2015 were 1,385,000,000.

List of Top 20 stockholders as of December 31, 2016

Name of stockholder	Number of shares held	Percent to Total Outstanding
1. JE Holdings, Inc.	484,749,997	35.00%
2. PCD Nominee Corporation (Non-Filipino)	339,201,590	24.49%
3. PCD Nominee Corporation (Filipino)	143,412,457	10.35%
4. Lance Y. Gokongwei	126,727,500	9.15%
5. Robina Y. Gokongwei-Pe	105,952,500	7.65%
6. James L. Go	41,550,000	3.00%
7. Lisa Y. Gokongwei-Cheng	35,317,500	2.55%
7. Faith Y. Gokongwei-Lim	35,317,500	2.55%
7. Marcia Y. Gokongwei	35,317,500	2.55%
8. Lance Y. Gokongwei &/or Elizabeth Gokongwei	35,317,499	2.55%
9. Wilfred T. Co	2,027,936	0.15%
10. Lucio W. Yan &/or Clara Y. Yan	100,000	0.01%
11. Pacifico B. Tacub	2,000	0.00%
11. Stephen T. Teo &/or Teresita R. Teo	2,000	0.00%
12. Vicente Piccio Mercado	1,000	0.00%
12. John T. Lao	1,000	0.00%
12. David L. Kho	1,000	0.00%
13. Maria Lourdes Medroso Mercado	600	0.00%
14. Julius Victor Emmanuel D. Sanvictores	100	0.00%
14. Hector A. Sanvictores	100	0.00%
14. Felicitas F. Tacub	100	0.00%
14. Christine F. Herrera	100	0.00%
15. Dondi Ron R. Lingenco	11	0.00%
16. Owen Nathaniel S. Au ITF: Li Marcus Au	5	0.00%
17. John L. Gokongwei, Jr.	1	0.00%
17. Hope Y. Gokongwei-Tang	1	0.00%
17. Antonio L. Go	1	0.00%
17. Roberto R. Romulo	1	0.00%
17. Joselito T. Bautista	1	0.00%
Total outstanding	1,385,000,000	100.00%

**(C) Dividends**

On June 9, 2016, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of ₱0.63 per share from the unrestricted retained earnings of the Company as of December 31, 2015 to all stockholders of record as of June 29, 2016 and payable on July 25, 2016.

On July 16, 2015, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of ₱0.51 per share from the unrestricted retained earnings of the Company as of December 31, 2014 to all stockholders of record as of August 7, 2015 and payable on September 4, 2015.

On June 25, 2014, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of ₱0.41 per share from the unrestricted retained earnings of the Company to all stockholders of record as of July 17, 2014 and payable on August 12, 2014.

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

None

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

None

**Item 6. Management's Discussion and Analysis or Plan of Operation**

**December 31, 2016 vs December 31, 2015**

**Consolidated Results of Operations**

*(Amounts in Million Pesos)*

Robinsons Retail Holdings, Inc. recorded net income of ₱5,196 million for the twelve months ended December 31, 2016, an increase of ₱13.5% as compared to ₱4,577 million for the twelve months ended December 31, 2015. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱4,830 million for the twelve months ended December 31, 2016, an increase of 11.2% as compared to ₱4,342 million for the twelve months ended December 31, 2015.

Consolidated revenues increased by 15.9% from ₱90,883 million for the twelve months ended December 31, 2015 to ₱105,293 million for the twelve months ended December 31, 2016. The robust revenue growth was largely due to increase in sales volume from the 72 new stores that were added during the year, and the full year sales contribution of the stores that opened in 2015 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,863 million to ₱2,118 million, a growth of 13.7%, due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2016 amounted to ₱23,026 million, 16.6% higher than ₱19,749 million for the twelve months ended December 31, 2015. The increase was attributed to higher sales and vendor discounts.

Operating expenses grew by 16.4% from ₱16,883 million to ₱19,652 million for the twelve months ended December 31, 2016 due to higher rent and utilities expenses and the accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 16.2% from ₱4,729 million to ₱5,493 million for the twelve months ended December 31, 2016. As a percentage of sales, EBIT is at 5.2% this year same as last year.

Other income and charges increased by 4.9% from ₱1,119 million to ₱1,174 million for the twelve months ended December 31, 2016 primarily due to the increase in equity in net earnings in associate and interest income.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 18.1% from ₱6,376 million for the twelve months ended December 31, 2015 to ₱7,531 million for the twelve months ended December 31, 2016.

**Segment Operations**

- (i) ***Supermarket.*** Robinsons Supermarket continued to account for the largest share in the group's sales, EBIT and EBITDA for the full year ended 2016. Supermarket hit net sales of ₱48,465 million for the twelve months ended December 31, 2016, expanding by 12.1% from ₱43,239 million sales registered in 2015. The growth was driven by the store expansion this year with net addition of 16 new stores to 140 stores boosted by sustained performance of existing stores and strong like-for-like sales of 6.2%.

Cost of sales grew by 11.8% from 35,036 million in 2015 to 39,170 million in 2016. As a result, gross profit expanded to 9,295 million, 13.3% higher than last year's 8,203 million. The Supermarket segment continued to benefit from increasing scale, sustained vendor discounts and offering of value-added services to trade partners. As a percentage to sales, gross margin improved by 20 bps to 19.2% this year versus 19.0% last year.

After keeping operating expenses steady at 14.1% of sales in 2016, the improvement in the gross margin trickled down to the increase in EBIT and EBITDA. EBIT reached ₱2,707 million for the twelve months ended December 31, 2016, 13.7% growth from 2,380 in the same period last year. Likewise, EBITDA expanded by 14.7% to ₱3,453 million for the twelve months of 2016 against ₱3,009 million for the same period in 2015. As a percentage to sales, EBITDA stood at 7.1% in 2016 against 7.0% in 2015.

- (ii) **Department Stores.** Robinsons Department Store (RDS) ended 2016 with an over-all sales turn-over of ₱15,828 million, expanded by 6.2% from ₱14,906 million for the year 2015. The growth in sales is primarily a result of strong sales growth from existing stores at 5.1% and additional sales from new stores.

RDS' cost of sales amounted to ₱11,714 million for the twelve months ended December 31, 2016, relatively increasing with sales at 6.7% from ₱10,980 million for the same period last year. Gross margins as a result of this year's operations amounted to ₱4,114 million while last year was at ₱3,926 million. The 4.8% YOY growth in gross margin was due to an increase in sales with improved margins coming from additional discounts.

Despite the strong sales growth from existing stores, the over-all profitability of RDS was greatly affected by the underperformance of the new stores in Cebu and Tagum. The resulting EBIT (earnings before interests and taxes) of RDS for 2016 is lower at ₱839 million as against ₱919 million for 2015. RDS' EBITDA also went down to ₱1,139 million this year as compared to ₱1,153 million last year.

- (iii) **Convenience stores.** The convenience stores segment registered a systemwide sales and merchandise sales of ₱8,514 million and ₱5,666 million, respectively for the twelve months ended December 31, 2016, a 6.9% and 3.1% growth from ₱7,961 million and ₱5,493 million in the same period last year. The key driver for the increase was the higher number of operating stores from last year's 450 to this year's 519. Other income which mainly consists of Royalty Fee also posted an increase from ₱2,070 million last year to ₱2,291 million this year. Royalty Fee is computed as a percentage of systemwide gross profit and accounted for bulk of the total Other Income.

Cost of sales grew by ₱130 million or 2.6%, to ₱5,096 million for the twelve months ended December 31, 2015 from ₱4,966 million in 2015 due to higher sales volume. Gross margin increased from 9.6% last year to 10.1% this year on increasing scale. Convenience stores recorded a negative EBIT of ₱55 million this year versus last year's positive EBIT of ₱8 million.

EBITDA generated for the twelve months ended December 31, 2016 was ₱319 million, 17.7% higher than the ₱271 million recorded in the same period last year.

- (iv) **Drug Stores.** The drug store segment registered net sales of ₱11,931 million as of December 31, 2016, representing a growth of 47.9% from last year's net sales of

₱8,069.5 million. The growth was mainly driven by strong same store sales growth of 7.4%, as well as the sales contribution of TGP Pharma Inc. in the amount of ₱2,560.0 million. South Star Drug acquired 51% share in TGP Pharma, Inc. in May 2016.

The segment's cost of sales as of December 31, 2016 grew by 45.0% from ₱6,804.5 million to ₱9,863.3 million. Consequently, gross profit expanded by 63.5% from ₱1,265.1 million in 2015 to ₱2,067.9 million this year. In terms of margins, gross profit expanded by 160bps to 17.3% in 2016 against 15.7% last year.

EBIT as of December 31, 2016 reached ₱628.1 Million, more than doubling last year's ₱311.5 million. Likewise, EBITDA also grew by 90.6% from ₱372.9 million in 2015 to ₱710.7 million this year.

- (v) **DIY Stores.** The DIY segment ended the year of 2016 with healthy increases in sales and gross profit. Net sales lifted by 12.7% from ₱9,872 million to ₱11,129 million for the year ended December 31, 2015 and December 31, 2016, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the twelve new store additions for the period ended December 31, 2016.

DIY's cost of sales grew by 12.0% from ₱6,805 million for the year 2015 to ₱7,625 million for the year of 2016, a slight decrease versus the growth in net sales. Consequently, the gross profit increased at high teens or 14.2% to ₱3,503 million for the year ended December 31, 2016 from ₱3,067 million in the same period last year. As a percentage to sales, gross profit was at 31.5% against 31.1% last year. However, operating expenses as a percentage to sales was up 0.4 percentage points from 23.5% to 23.9% because the sales of the new stores are still ramping up.

As a result, EBIT jumped by 12.4% at ₱842 million for the year ended December 31, 2016 versus ₱747 million in same period last year. EBITDA improved by 12.8% to ₱1,067 million for the year 2016 against ₱945 million for the same period in 2015.

- (vi) **Specialty Stores Segment.** The net sales of the Specialty Stores segment increased by 29.5% from ₱10,359 million to ₱13,416 million for the twelve months ended December 31, 2015 and December 31, 2016, respectively. The higher net sales were attributed to sales contribution from the new stores and Savers Appliance Depot with 25 stores which were acquired last September 2015. The Specialty segment added 18 net new stores after end of December 2015 bringing the store network to 306 by the end of December 2016.

The cost of merchandise sold of Specialty Stores segment grew by 30.8% from ₱7,598 million to ₱9,940 million for the twelve months ended December 31, 2015 and December 31, 2016, respectively. This resulted in gross profit rising at slightly slower clip than net sales at 25.9% from ₱2,761 million to ₱3,476 million.

For the twelve months ended December 31, 2016, the Specialty Stores segment generated an EBITDA of ₱848 million, an increase of 33.5% from last year's EBITDA of ₱635 million.

## **Financial Position**

As of December 31, 2016, the Company's balance sheet showed consolidated assets of ₱76,695 million, which is 17.7% higher than the total consolidated assets of ₱65,160 million as of December 31, 2015.

Cash and cash equivalents significantly increased from ₱9,757 million as of December 31, 2015, to ₱12,718 million as of December 31, 2016. Net cash generated from operating activities totaled ₱6,169 million. Net cash used in investing activities amounted to ₱5,924 million, ₱3,244 million of which were used to acquire properties and equipment and ₱531 million were used to acquire available-for-sale investments. Net cash received from financing activities amounted to ₱2,709 million.

Trade and other receivables increased by 12.1% from ₱1,774 million to ₱1,988 million as of December 31, 2016.

Goodwill increased from ₱2,069 million to ₱3,381 million due to the acquisition of TGP Pharma, Inc.

Other noncurrent assets also increased from ₱1,328 million to ₱1,431 million due to additional security deposit for new stores.

Trade and other payables increased from ₱14,796 million to ₱16,797 million as of December 31, 2016.

Current loans payable increased due to availment of loans during the period.

Stockholder's equity grew from ₱45,505 million as of December 31, 2015, to ₱50,566 million as of December 31, 2016, due to higher net income during the period.

## **December 31, 2015 vs December 31, 2014**

### **Consolidated Results of Operations**

*(Amounts in Million Pesos)*

Robinsons Retail Holdings, Inc. recorded net income of ₱4,577 million for the twelve months ended December 31, 2015, an increase of 16.4% as compared to ₱3,933 million for the twelve months ended December 31, 2014. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱4,342 million for the twelve months ended December 31, 2015, an increase of 21.9% as compared to ₱3,561 million for the twelve months ended December 31, 2014.

Consolidated revenues increased by 13.0% from ₱80,401 million for the twelve months ended December 31, 2014 to ₱90,883 million for the twelve months ended December 31, 2015. The robust revenue growth was largely due to increase in sales volume from the 179 new stores that were added this year, the full year sales contribution of the stores that opened in 2014 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,433 million to ₱1,862 million or a 30% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2015 amounted to ₱19,749 million, 13.3% higher than ₱17,429 million for the twelve months ended December 31, 2014. The increase was on the back of higher sales and vendor discounts.

Operating expenses grew by 17.4% from ₱14,375 million to ₱16,883 million for the twelve months ended December 31, 2015 due to higher rent and utilities expenses and the accelerated store network expansion.



Earnings before interests and taxes (EBIT) grew by 5.4% from ₱4,487 million to ₱4,729 million for the twelve months ended December 31, 2015. As a percentage of sales, EBIT is at 5.2% this year as against 5.6% last year.

Other income and charges increased by 53% from ₱732 million to ₱1,119 million for the twelve months ended December 31, 2015 primarily due to the increase in interest income as a result of acquisition of AFS financial assets during the year which earned a total of ₱729 million interest income.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 10.6% from ₱5,768 million for the twelve months ended December 31, 2014 to ₱6,376 million for the twelve months ended December 31, 2015.

### **Segment Operations**

- (i) ***Supermarket.*** Robinsons Supermarket continued to account for the largest share in the group's sales, EBIT and EBITDA in 2015. Supermarket registered net sales ₱43,239 million for the twelve months ended December 31, 2015, a lift of 10.3% from ₱39,199 million of the same period last year. The growth was driven by the store expansion this year with addition of 13 new stores to 124 stores coupled with strong performance of existing stores.

Cost of sales grew by 10.0% from ₱31,836 million in 2014 to ₱35,036 million in 2015. As a result, gross margin expanded to ₱8,203 million, 11.4% higher than last year's ₱7,362 million. The improvement was due to the increasing scale which gives Supermarket a leverage in negotiating for higher discounts. As a percentage to sales, gross margin was at 19.0% this year against 18.8% last year.

After keeping our operating expenses steady at 14.0% of sales in 2015, the improvement in the gross margin trickled down to the increase in EBIT and EBITDA. EBIT reached ₱2,380 million for the twelve months ended December 31, 2015, 11.8% growth from ₱2,129 million in the same period last year. Consequently, EBITDA expanded by 12.9% to ₱3,009 million for the twelve months of 2015 against ₱2,664 million for the same period in 2014. As a percentage to sales, EBITDA stood at 7.0% in 2015 against 6.8% in 2014.

- (ii) ***Department Stores.*** Robinsons Department Store (RDS) completed the year 2015 with sales of ₱14,906 million, realizing growth of 8.5% from ₱13,738 million for the same period last year. This increase in net sales was mainly due to improved sales of existing stores and sales contribution of new and re-launched stores. RDS opened a store in RP Maxilom Cebu in December 2015.

RDS' cost of sales amounted to ₱10,975 million for the twelve months ended December 31, 2015, relatively increasing with sales at 8.3% from ₱10,132 million for the same period last year. As a result, gross profit amounted to ₱3,931 million for 2015 while last year's was at ₱3,607 million. The 8.9% YOY growth in gross margin was due to an increase in sales with improved margins coming from additional discounts.

Owing to higher sales, RDS was able to generate EBIT (earnings before interests and taxes) of ₱923 million for the twelve months ended December 31, 2015 representing 4.8% increase against ₱881 million in the same period last year. RDS' EBITDA grew at a faster clip of 9.6% YOY to ₱1,157 million for the year 2015 from ₱1,056 million in 2014.

- (iii) ***Convenience Stores.*** Convenience stores segment registered a systemwide sales and merchandise sales of ₱7,961 million and ₱5,493 million, respectively for the twelve months ended December 31, 2015, a 18.6% and 19.0% growth from ₱6,711 million and ₱4,615 million in the same period last year. The key driver for the increase was the higher

number of operating stores from last year's 450 to this year's 519. Other income which mainly consists of Royalty Fee also posted an increase from ₱1,544 million this year to ₱1,170 million last year. Royalty Fee is computed as a percentage of systemwide gross profit and accounted for bulk of the total Other Income.

Cost of sales grew by ₱784 million or 18.7%, to ₱4,966 million for the twelve months ended December 31, 2015 from ₱4,182 million in 2014 due to higher sales volume. Gross margin increased from 9.4% last year to 9.6% this year on increasing scale. Convenience stores recorded an EBIT of ₱8 million this year versus last year's ₱85 million.

EBITDA generated for the twelve months ended December 31, 2015 was ₱271 million, 6.2% lower than the ₱289 million recorded in the same period last year.

- (iv) **Drug Stores.** The drug store segment registered net sales of ₱8,070 Million as of December 31, 2015, representing a growth of 14.3% from last year's net sales of ₱7,061 Million. The growth was mainly driven by the strong same store sales growth of 3.3%, as well as the contribution of 47 new stores opened in 2015.

The segment's cost of sales as of December 31, 2015 reached ₱6,805 Million, representing an increase of 14.7% from the same period last year. Consequently, gross profit expanded by 12.1% from ₱1,129 Million in 2014 to ₱1,265 Million this year.

EBIT as of December 31, 2015 reached ₱311.5 Million, a 13.4% increase from last year. Likewise, EBITDA also grew by 16.2% from ₱321 Million in 2014 to ₱373 Million this year.

- (v) **DIY Stores.** The DIY segment ended the year of 2015 with healthy increases in sales and gross profit. Net sales lifted by 15.9% from ₱8,521 million to ₱9,872 million for the year ended December 31, 2014 and December 31, 2015, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the five new store additions from period ended December 2014.

DIY's cost of sales grew by 15.7% from ₱5,880 million in 2014 to ₱6,805 million in 2015, a slight decrease versus the growth in net sales. Consequently, the gross profit increased at high teens or 16.1% to ₱3,067 million from ₱2,641 million for the year ended 2015. As a percentage to sales, gross profit was at 31.1% this year against 31.0% last year. However, operating expenses as a percentage to sales swelled by 1.7 percentage points from 21.8% to 23.5% because the sales of the new stores are still ramping-up.

Consequently, EBIT was down by 4.3% at ₱747 million for the year 2015 versus ₱781 million in the same period last year. Nonetheless, EBITDA showed a modest growth of 3.8% to ₱945 million for the year ended December 31, 2015 against ₱911 million for the same period in 2014.

- (vi) **Specialty Stores.** The net sales of the Specialty Stores segment increased by 31.3% from ₱7,889 million to ₱10,359 million for the twelve months ended December 31, 2015. The higher net sales were attributed to sales contribution from the new stores. The Segment added 45 net new stores in 2015 including the 25 stores of Savers Appliance Depot through partnership with Savers Electronic World, Inc., bringing the store network to 288 by the end of December 2015.

The cost of merchandise sold of Specialty Stores segment increased by 34.7% from ₱5,642 million to ₱7,598 million in 2015. As a result, gross profit jump by 22.9% from ₱2,247 million in 2014 to ₱2,761 million in 2015.

For the twelve months ended December 31, 2015, the Specialty Stores segment generated an EBITDA of ₱635 million, an increase of 19.0% as compared to ₱533 million last year.

### **Financial Position**

As of December 31, 2015, the Company's balance sheet showed consolidated assets of ₱65,160 million, which is 13.3% higher than the total consolidated assets of ₱57,495 million as of December 31, 2014.

Cash and cash equivalents significantly decreased from ₱9,970 million as of December 31, 2014 to ₱9,757 million as of December 31, 2015. Net cash generated from operating activities totaled ₱4,449 million. Net cash used in investing activities amounted to ₱6,835 million, ₱3,099 million of which were used to acquire properties and equipment and ₱1,359 million were used to acquire available-for-sale investments. Net cash received from financing activities amounted to ₱2,172 million.

Trade and other receivables increased by 16.0% from ₱1,529 million to ₱1,774 as of December 31, 2015.

Goodwill increased from ₱1,355 million to ₱2,070 million due to the acquisition of Savers Electronic World, Inc.

Other noncurrent assets also increased from ₱1,216 million to ₱1,328 million due to additional security deposit for new stores.

Trade and other payables increased from ₱14,139 million to ₱14,796 million as of December 31, 2015.

Current loans payable decreased due to settlement of loans during the period.

Stockholder's equity grew from ₱41,237 million as of December 31, 2014 to ₱45,505 million as of December 31, 2015 due to higher net income during the period.

### **December 31, 2014 vs December 31, 2013**

#### **Consolidated Results of Operations**

*(Amounts in Million Pesos)*

Robinsons Retail Holdings, Inc. recorded net income of ₱3,933 million for the twelve months ended December 31, 2014, an increase of 26.2% as compared to ₱3,117 million for the twelve months ended December 31, 2013. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱3,560 million for the twelve months ended December 31, 2014, an increase of 29.7% as compared to ₱2,745 for the twelve months ended December 31, 2013.

Consolidated revenues increased by 19.5% from ₱67,254 million for the twelve months ended December 31, 2013 to ₱80,400 million for the twelve months ended December 31, 2014. The robust revenue growth was largely due to increase in sales volume from the 263 new stores that were added this year, the full year sales contribution of the stores that opened in 2013 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,321 million to ₱1,433 million or an 8.5% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2014 amounted to ₱17,429 million, 21.8% higher than ₱14,312 million for the twelve months ended December 31, 2013. The increase was on the back of higher sales and vendor discounts.

Operating expenses grew by 24.3% from ₱11,569 million to ₱14,375 million for the twelve months ended December 31, 2014 due to higher rent and utilities expenses and the accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 10.4% from ₱4,063 million to ₱4,487 million for the twelve months ended December 31, 2014. As a percentage of sales, EBIT is at 5.6% this year as against 6.0% last year.

Other income and charges increased by 185.9% from ₱256 million to ₱732 million for the twelve months ended December 31, 2014 primarily due to the increase in interest income as a result of acquisition of AFS financial assets during the year which earned a total of ₱425 million interest income.

Earnings before interests, taxes, depreciation, amortization and other non-cash items (EBITDA) expanded by 13.9% from ₱5,063 million for the twelve months ended December 31, 2013 to ₱5,768 million for the twelve months ended December 31, 2014.

### **Segment Operations**

- (i) **Supermarket.** Robinsons Supermarket concluded 2014 with 111 stores generating net sales of ₱39,199 million, a 20.6% growth from ₱32,491 million last year. The growth can be attributed to the strong performance of the existing stores and the sales contribution from 20 stores added from December 2013 to December 2014 which includes Jaynith's Supermarkets, a three-store supermarket chain acquired in January 2014.

Cost of sales as of the twelve months ended December 31, 2014 reached ₱31,836 million, resulting to a gross margin of ₱7,362 million, 21.9% higher than last year's ₱6,039 million. The increase was on the back of higher sales and vendor discounts. As a percentage to sales, gross margin increased by 20 bps to 18.8% in 2014 against 18.6% in 2013.

Operating expenses, as a percentage of net sales, reached 13.9% and 13.6% in 2014 and 2013, respectively.

EBIT reached ₱2,129 million for the twelve months ended December 31, 2014, a 17.6% jump from ₱1,810 million in the same period last year. Accordingly, EBITDA expanded by 19.0% from ₱2,240 million to ₱2,664 this year.

- (ii) **Department Stores.** Robinsons Department Store (RDS) generated sales of ₱13,738 million for the twelve months ended December 31, 2014, a growth of 15.7% from ₱11,877 million for the same period last year. This increase in net sales was mainly due to improved sales of existing stores and sales contribution of new stores. There were four (4) new stores that were opened during the year.

RDS' cost of sales amounted to ₱10,132 million for the twelve months ended December 31, 2014, an increase of 15.7% from ₱8,760 million for the same period last year. This resulted to a gross margin of ₱3,607 million for the twelve months ended December 31, 2014 against ₱3,116 million for the same period last year. The increase in gross margin was due to an increase in sales with improved margins coming from additional supplier discounts.

As a result of the foregoing, RDS generated EBIT of ₱881 million for the twelve months ended December 31, 2014 representing 6.1% increase against ₱830 million in the same period last year. Consequently, RDS' EBITDA of ₱1,056 million for the twelve months ended December 31, 2014, also grew by 7.1% against ₱986 million in the same period last year.

- (iii) **Convenience Stores.** Convenience stores segment registered a systemwide sales and merchandise sales of ₱6,711 million and ₱4,615 million, respectively for the twelve months ended December 31, 2014, a 6.7% and 9.8% growth from ₱6,292 million and ₱4,208 million in the same period last year. The key driver for the increase was the higher number of operating stores from last year's 386 to this year's 450. Other income which mainly consists of Royalty Fee also posted an increase to ₱1,170 million this year from ₱1,094 million last year. Royalty Fee is computed as a percentage of systemwide gross profit and accounted for bulk of the total Other Income.

Cost of sales grew by ₱340 million or 8.8%, to ₱4,182 million for the twelve months ended December 31, 2014 from ₱3,842 million in 2013 due to higher sales volume. Gross margin increased from 8.7% last year to 9.4% this year on increasing scale. Convenience stores recorded an EBIT of ₱85 million this year versus last year's ₱194 million.

EBITDA generated for the twelve months ended December 31, 2014 was ₱289 million, 17.7% lower than the ₱351 million recorded in the same period last year.

Ministop will continue with its store expansion particularly in the central business district areas. It will likewise continue to increase the offering of its ready-to-eat category, its main differentiator from its competitors, whose contribution to total sales increased from 25% in 2013 to 28% this year.

- (iv) **Drug Stores.** South Star Drug, Inc. (SSD) acquired 100% ownership of GNC Pharma Corporation (GPC), which manages Chavez Pharmacy, a seven (7)-store retail chain based in Batangas, last June 2014. GPC was subsequently consolidated to form part of the Drugstore Segment together with SSD.

The segment registered net sales of ₱7,061 million as of December 31, 2014, representing a 12.3% growth from last year's ₱6,287 million. The growth was mainly attributed to the 81 stores that opened during the year, as well as the full year sales contribution of the 21 net stores that opened in 2013.

SSD's cost of sales as of December 31, 2014 reached ₱5,932 million, resulting to a gross margin of ₱1,129 million or 16.0% of sales against 16.1% of sales in 2013. The slight decline in margins was mainly due to the lesser rebates and quarter end deals being offered by suppliers in 2014.

SSD generated EBITDA of ₱321 million as of December 31, 2014, representing 4.5% of sales, compared to 5.1% last year.

- (v) **DIY Stores.** DIY segment ended 2014 with increases in sales, gross margins and profitability. Net sales lifted by 20.1% from ₱7,095 million to ₱8,521 million for the twelve months ended December 31, 2013 and December 31, 2014, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the aggressive expansion of 35 new stores from 2013, which includes the 18 A.M. Builders' Depot stores acquired in July 2014.

DIY's cost of sales grew by 20.0% from ₱4,901 million in 2013 to ₱5,880 million in 2014. The increase was in line with the sales growth. As a result, gross profit expanded to ₱2,641 million from ₱2,194 million in the twelve months of 2013. As a percentage to sales, gross profit was at 31.0% this year against 30.9% last year. EBIT remains solid registering a 16.6% growth from ₱670 million in 2013 to ₱781 million in 2014.

EBITDA expanded by 18.2% to ₱911 million for the twelve months ended December 31, 2014 against ₱770 million for the same period in 2013. As a percentage to sales, EBITDA remains strong at 10.7% in 2014 against 10.9% in 2013.

- (vi) **Specialty Stores.** The net sales of the Specialty Stores segment increased by 35.7% from ₱5,813 million to ₱7,889 million for the twelve months ended December 31, 2013 and December 31, 2014, respectively. The Segment added 65 more stores after December 31, 2013 bringing the store network to 243 by the end of December 2014.

The cost of merchandise sold of Specialty Stores segment increased by 33.4% from ₱4,230 million to ₱5,642 million for the twelve months ended December 31, 2013 to December 31, 2014, respectively, a slower rate of increase than net sales mainly due to the additional discounts and support from vendors. As a percentage to sales, gross margin rose to 28.5% this year versus 27.2% last year, resulting to a 41.9% jump in gross profit from ₱1,583 million to ₱2,247 million for the twelve months ended December 31, 2013 and December 31, 2014, respectively.

For the twelve months ended December 31, 2014, the Specialty Stores segment generated an EBITDA of ₱533 million, an increase of 34.5% compared to ₱397 million last year. As a percentage to sales, EBITDA was maintained at 6.8% for the twelve months ended December 31, 2013 and December 31, 2014.

### **Financial Position**

As of December 31, 2014, the Company's balance sheet showed consolidated assets of ₱57,494 million, which is 9.9% higher than the total consolidated assets of ₱52,351 million as of December 31, 2013.

Cash and cash equivalents significantly decreased from ₱30,129 million as of December 31, 2013 to ₱9,970 million as of December 31, 2014. Net cash generated from operating activities totaled ₱2,848 million. Net cash used in investing activities amounted to ₱22,239 million, ₱3,713 million of which were used to acquire properties and equipment and ₱17,704 million were used to acquire available-for-sale investments. Net cash used in financing activities amounted to ₱332 million.

Trade and other receivables increased by 38.0% from ₱1,108 million to ₱1,529 as of December 31, 2014.

Goodwill increased from ₱1,114 million to ₱1,357 million due to the acquisition of JAS 8 Retailing Mngt. Corporation (JRMCI), GNC Pharma Corporation (GPC) and RHI Builders and Contractors Depot Corp. (RHIB).

Other noncurrent assets also increased from ₱959 million to ₱1,216 million due to additional security deposit for new stores.

Trade and other payables increased from ₱12,075 million to ₱14,139 million as of December 31, 2014.

Current loans payable decreased due to settlement of loans during the period.

Stockholder's equity grew from ₱37,982 million as of December 31, 2013 to ₱41,236 million as of December 31, 2014 due to higher net income during the period.

**Material Changes in the 2016 Financial Statements  
(Increase/decrease of 5% or more versus 2015)**

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Consolidated Statements of Comprehensive Income-Year Ended December 31, 2016 versus year ended December 31, 2015

*15.9% Increase in Sales*

The robust revenue growth was largely due to increase in sales volume from the 79 new stores that were added this year, the full year sales contribution of the stores that opened in 2015 as well as strong same stores sales growth.

*16.6% increase in Gross Profit*

The increase in gross profit was on the back of higher sales and vendor discounts.

*13.7% increase in royalty, rent and other income*

Primarily due to higher royalty fee income of the convenience store segment.

*16.4% increase in operating expenses*

Primarily due to accelerated store network expansion.

*19.4% increase in foreign exchange gain*

Primarily due to the increase in foreign exchange rate between peso and dollar.

*487.9% increase in interest expense*

Increase during the year is due to loan availments during the year.

*154.8% increase in equity in net earnings of an associate*

Due to higher operating income of RBC.

*15.8% increase in provision for income tax*

Due to higher taxable income of the subsidiaries.

*13.5% increase in net income*

Largely due to increased income from operations as a result of new store openings and strong same store sales growth.

*67.8% decrease in other comprehensive income*

Primarily due to movements in remeasurement in pension liability and available-for-sale investments.

**Consolidated Statements of Financial Position - December 31, 2016 versus December 31, 2015**

*30.3% increase in cash and cash equivalents*

This is due to the loans availed during the year.

*100% decrease in short-term investments*

The short term investment matured during the year.

*12.1% increase in trade and other receivables*

Due to increase in trade receivables relative to the growth of sales.

*26.2% increase in merchandise inventories*

Due to increased volume of inventories relative to the expansion of store network.

*29.4% increase in other current assets*

Due to increase in input value added tax.

*12.7% increase in property and equipment*

Due to the Group's continuing store expansion and renovation of existing stores.

*62.4% increase in intangible assets*

Due to increase in goodwill resulting from the acquisition of TGP Pharma Inc.

*61.0% increase in deferred tax asset-net*

Primarily due to the benefit on tax from remeasurement losses on defined benefit plans.

*7.7% increase in other noncurrent assets*

Due to additional security deposit for new stores.

*13.5% Trade and other payables*

The increase pertains to purchases in relation to store expansions.

*131.1% increase in current portion of loans payable*

Increase is due to short term loans availed during the year.

*21.5% increase in income tax payable*

Increase is due to increase in taxable income during the year.

*36.6% increase Other current liabilities*

Increase in other current liabilities is due to store expansion and acquisitions.

*59.1% increase in deferred tax liability*

Movement is due to deferred tax liability recognized due to acquisition of TGP.

*28.8% increase in pension liability*

Primarily due to increase in pension expense during the year.

*39.9% increase in other comprehensive income*

Increase is due to movements in fair value of AFS.

*25.2% increase in retained earnings*

Movement is due to net income during the year, net of dividends declared.

*50.3% increase in non-controlling interest in consolidated subsidiaries*

Primarily due to non-controlling interest's share in net income and NCI in newly acquired TGP.



## **Key Performance Indicators**

A summary of RRHI's key performance indicators follows:

<b>Key Performance Indicators</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(in millions)</i>		
Net sales	P105,293	P90,883	P80,400
EBIT	5,493	4,729	4,490
EBITDA	7,531	6,376	5,770
Core Net Earnings	4,120	3,624	3,422
<b>Ratios</b>			
Liquidity ratio:			
Current ratio	1.24	1.28	1.58
Profitability ratio:			
Gross profit margin	0.22	0.22	0.06
Debt to equity ratio	0.52	0.43	0.39
Asset to equity ratio	1.52	1.43	1.39
Interest rate coverage ratio	63.48	321.29	372.39

The manner in which the Company calculates the above key performance indicators is as follows:

### **Key Performance Indicators**

Net sales	= Gross sales net of VAT, less sales returns and allowances and sales discounts
EBIT	= Operating income
EBITDA	= Operating income add depreciation and amortization expense.
Core Net Earnings	= Net income less equity in net earnings of an associate less interest income on bond investments less unrealized foreign currency exchange gain (loss)
Current ratio	= Total current assets over current liabilities
Operating margin	= Operating income over net sales
Debt to equity ratio	= Total liabilities over total equity
Asset to equity ratio	= Total assets over total equity
Interest coverage ratio	= EBIT over interest expense

The Company pursued its efforts in converting the proceeds from its IPO into acquisition of investments and network expansion, thus lowering its current ratio from 1.28 to 1.24 times in 2015 and 2016, respectively. The Company does not expect any liquidity problems that may arise in the near future.

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

- a.) The Philippine retail industry has experienced strong growth in recent years, primarily due to robust domestic economic growth as well as the population's growing desire to upgrade their lifestyles. However, market concentration of the Philippines' store-based retailing industry remains relatively low, with only a few major retail chain operators having a sizeable presence. The leading incumbent domestic retailers have created high barriers to entry based on their nationwide network of stores, brand equity as well as deep understanding of the market. In addition, foreign retail presence is also relatively limited as foreign entry was highly regulated until 2000.

As one of the most underpenetrated markets in Asia, the Philippine store-based retail industry presents strong growth potential in the foreseeable future. Similarly, total retail space per capita in the Philippines is behind that of other emerging Asian economies such as China, Thailand, Malaysia and Vietnam.

Penetration level of the modern retail format is currently low in the Philippines, with only a few major retail chains. Small traditional sari-sari stores remain the dominant channel for the entire grocery retail market, especially in lower-tier cities where the level of economic activity does not yet justify significant development by the larger retail chains. Sari-sari, which means “variety”, indicates the wide array of grocery products sold by these small shops, which are prevalent, both in urban and rural areas. In provincial areas, the absence of supermarket chains and independent small grocers highlights the importance of sari-sari stores as the primary source of grocery products including packaged food, home care, and beauty and personal care, especially among the lower-income population.

With the rapid emergence of modern retail formats driven by increasing affluence in urban areas as well as the creation of a wider pool of higher-income consumers in provincial cities, the proportion of sales from traditional retail formats is expected to gradually decline and replaced by successful large-scale modern retailers.

- b.) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.**

**Not Applicable**

- c.) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entries or other persons created during the reporting period.**

**Not Applicable**

## **Item 7. Financial Statements**

The Consolidated financial statements are filed as part of this report.

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

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

**(A) External Audit Fees and Services****Audit and Audit - Related Fees**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Audit and Audit-Related Fees</b>			
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	P6,359,160	P5,813,695	P5,092,691
Professional Fees related to the Initial Public Offering	None	None	None
Tax Fees	None	None	None
All Other Fees	288,750	None	None
<b>Total</b>	<b>P6,647,910</b>	<b>P5,813,695</b>	<b>P5,092,691</b>

No other service was provided by external auditors to the Company for the calendar years 2016, 2015 and 2014.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Registrant

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

Currently, the Board consists of nine members, two of which are independent directors. The table below sets forth certain information regarding the members of our Board.

Name	Age	Position	Citizenship
John L. Gokongwei, Jr.	90	Director	Filipino
James L. Go	77	Vice Chairman	Filipino
Lance Y. Gokongwei	50	Chairman and Chief Executive Officer	Filipino
Robina Y. Gokongwei-Pe	55	President and Chief Operating Officer	Filipino
Lisa Y. Gokongwei-Cheng	48	Director	Filipino
Faith Y. Gokongwei-Lim	46	Director	Filipino
Hope Y. Gokongwei-Tang	46	Director	Filipino
Antonio L. Go*	76	Independent Director	Filipino
Roberto R. Romulo	78	Independent Director	Filipino

\* *He is not related to any of the other directors*

All of the above directors have served their respective offices since June 9, 2016. There are no other directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

Messrs. Antonio L. Go and Roberto R. Romulo are the independent directors of the Company.

The table below sets forth certain information regarding our executive officers.

Name	Age	Position	Citizenship
Bach Johann M. Sebastian	55	Senior Vice President, Chief Strategy Officer and Compliance Officer	Filipino
Mylene A. Kasiban	47	Chief Financial Officer	Filipino
Diosdado Felix A. Zapata III	54	Deputy Chief Financial Officer	Filipino
Graciela A. Banatao	41	Treasurer	Filipino
Rosalinda F. Rivera	46	Corporate Secretary	Filipino
Gilbert S. Millado, Jr.	43	Assistant Corporate Secretary	Filipino

A brief description of the directors and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

**John L. Gokongwei, Jr.**, 90, is a director of the Company and had been Chairman and Chief Executive Officer until his retirement in March 2016. He is also the Chairman Emeritus and a director of Robinson's Incorporated, Robinsons Convenience Stores, Inc., Robinsons Supermarket Corporation, Robinsons Specialty Stores, Inc., and Robinsons Toys, Inc. He is the Chairman Emeritus and a member of the Board of Directors of JG Summit Holdings, Inc. and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and a director of Cebu Air, Inc. and Oriental Petroleum and Minerals Corporation. He was elected a director of Manila Electric Company on March 31, 2014. He

is also a non-executive director of A. Soriano Corporation. Mr. John L. Gokongwei, Jr. received a Masters degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

**James L. Go**, 77, is the Vice Chairman of the Company. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

**Lance Y. Gokongwei**, 50, is the Chairman and Chief Executive Officer of the Company. He is the Chairman and Chief Executive Officer of Robinsons Supermarket Corporation, Robinson's Incorporated, Robinsons Convenience Stores, Inc., and Robinsons Handyman, Inc., Handyman Express Mart, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc., Angeles Supercenter, Inc., Everyday Convenience Stores, Inc., and Robinsons True Serve Hardware Philippines, Inc. He is the President and Chief Operating Officer of JG Summit Holdings, Inc. He is the President and Chief Executive Officer of Universal Robina Corporation and Cebu Air, Inc. He is the Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is also the Chairman of Robinsons Bank Corporation, and a director of Oriental Petroleum and Minerals Corporation, and United Industrial Corporation Limited. He is a director and Vice Chairman of Manila Electric Company. He is also a trustee and secretary of the Gokongwei Brothers Foundation, Inc. Mr. Lance Y. Gokongwei received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

**Robina Y. Gokongwei-Pe**, 55, is the President and Chief Operating Officer of the Company. She is a Director of JG Summit Holdings, Inc., Robinsons Land Corporation, Cebu Air, Inc., and Robinsons Bank Corporation. She is a Trustee of the Gokongwei Brothers Foundation Inc. and the Immaculate Conception Academy Scholarship Fund. She was also a member of the University of the Philippines Centennial Commission and was a former Trustee of the Ramon Magsaysay Awards Foundation. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. Ms. Pe joined the group in 1984 as a management trainee. She is a daughter of Mr. John L. Gokongwei, Jr.

**Lisa Y. Gokongwei-Cheng**, 48, is a Director of the Company. She is also the President of Summit Media, Director and President of Summit Media Informatix Holdings, Inc. and General Manager of GBFI. She graduated from Ateneo de Manila University with a Bachelor of Arts degree (Communications) in 1990 and obtained a Master of Science degree (Journalism) from Columbia University in 1993. She is the daughter of Mr. John L. Gokongwei, Jr.

**Faith Y. Gokongwei-Lim**, 46, is a Director of the Company. She is currently the General Manager of Costa Coffee and was the Vice President- Merchandising for Ministop. She is also currently the General Manager of Chic Centre Corporation, a cosmetics business and also an official distributor of Universal Robina Corporation's slush and juice drinks. Ms. Faith graduated from the De La Salle University with a Bachelor of Arts degree (English Literature). She started out as a management trainee and has over 24 years of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

**Hope Y. Gokongwei-Tang**, 46, is a Director of the Company. She is also the General Manager of Robinsons Appliances, effective as of April 1, 2012. She had been with the Robinsons Department Store for 21 years, starting out management trainee. She then became Vice President of the merchandising department of the Department Store. Ms. Hope graduated from De La Salle University with a Bachelor of Arts degree (English Literature). She has over 24 years of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

**Antonio L. Go**, 76, has been an independent director of the Company since July 4, 2013. He also currently serves as Director and President of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank and ALGO Leasing and Finance, Inc. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre HongKong, Oriental Petroleum and Minerals Corporation, Pin-An Holdings, Inc., Equicom Information Technology, Cebu Air, Inc., and Steel Asia Manufacturing Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

**Roberto R. Romulo**, 78, has been an independent director of the Company since July 4, 2013. He is the Chairman of AIG Philippines Insurance Inc., PETNET, Inc, Medilink Network Inc., Nationwide Development Corporation, and Romulo Asia Pacific Advisory. He is currently a board member of A. Soriano Corporation, Equicom Savings Bank, Philippine Long Distance Telephone Co. and Maxicare Healthcare Corporation. He was also a board member of United Industrial Corporation Limited from January 2003 to April 2010 and of Singapore Land Limited from January 2003 to August 2014. He is a Member of the Board of Counselors of McLarty Associates (formerly Kissinger McLarty Associates). He is also the Chairman of several non-profit organizations, namely, Zuellig Family Foundation, Carlos P. Romulo Foundation for Peace and Development, Foundation for Information Technology Education and Development and Asia Europe Foundation of the Philippines. He graduated with a Bachelor of Arts degree (Political Science) from Georgetown University, Washington, D.C. and a Bachelor of Laws degree from Ateneo de Manila University.

**(i) Officers**

*John L. Gokongwei Jr., see “i. Directors”.*

*James L. Go, see “i. Directors”.*

*Robina Y. Gokongwei-Pe, see “i. Directors”.*

**Bach Johann M. Sebastian**, 55, is Senior Vice President and Chief Strategy Officer of the Company. In addition, he is also Senior Vice President and Chief Strategy Officer of JG Summit Holdings Inc., Universal Robina Corporation, Robinsons Land Corporation and Cebu Air, Inc. Prior to joining JG Summit in 2002, he was Senior Vice President and Chief Corporate Strategist of RFM Corporation, Swift Foods Inc., Selecta Dairy Products Inc., Cosmos Bottling Corporation, and PSI Technologies Inc. Between 1981 and 1991, he was with the Department of Trade and Industry as Chief of Economic Research, and Director of Operational Planning. He received a Bachelor of Arts in Economics from the University of the Philippines in 1981, and a Master in Business Administration degree from the Asian Institute of Management in 1986.

**Mylene Kasiban**, 47, is the Chief Financial Officer (CFO) of the Company since May 2016. She has more than 15 years of experience as a CFO in country and regional capacities for multinational companies such as Mondelez, The Hershey Company and Johnson and Johnson. Mylene is a Certified Public Accountant and graduated Cum Laude with a Bachelor of Science in Accounting and Economics from St. Scholastica's College. She has a Masters in Business Administration from the University of Bath, UK and a Post Graduate Diploma in Financial Strategy from the Said Business School, University of Oxford.

**Diosdado Felix A. Zapata III**, 54, is the Deputy Chief Financial Officer for the Company and all of its subsidiaries. He joined the group in 1991. He started his career as a junior auditor of SGV in 1983. He graduated Cum Laude with a Bachelor of Accountancy degree from Polytechnic University of the Philippines. He became a Certified Public Accountant in 1983. He has more than 24 years of experience in the retail industry, all of which were obtained from the Company.

**Graciela A. Banatao**, 41, is the Company Treasurer. She graduated Cum Laude with a Bachelors Degree in Accountancy from St. Paul University (Tuguegarao City) in 1996 and became a Certified Public Accountant in the same year. She started her career in Sycip, Gorres and Velayo (SGV) as account-in-charge in 1996 and has a total of 19 years experience in treasury and accounting from companies such as SGV, Questronix Corporation, Abbott Laboratories and Universal Robina Corporation. She joined the Robinsons Retail group in 2014.

**Rosalinda Rivera**, 46, is the Corporate Secretary of the Company. She is also the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. Prior to joining the Company, she was a Senior Associate at Puno and Puno Law Offices. She received a degree of Juris Doctor degree from the Ateneo de Manila University School of Law and a Masters of Law degree in International Banking from the Boston University School of Law.

**Atty. Gilbert S. Millado Jr.**, 43, is the General Counsel and Assistant Corporate Secretary of the Company and the General Counsel and Corporate Secretary of all subsidiaries under the Company. He was previously the Corporate Legal Counsel of RLC from 2003 to 2012. He also served as the Corporate Legal Counsel of the Araneta Properties from 2000 to 2003. He received a Bachelor of Laws degree from Far Eastern University and was admitted to the Philippine Bar in 2000.

## **(B) Significant Employees**

The Company does not believe that its business is dependent on the services of any particular employee.

## **(C) Family Relationships**

- a. Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
- b. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.
- c. Ms. Robina Y. Gokongwei-Pe is the daughter of Mr. John L. Gokongwei, Jr.
- d. Ms. Hope Y. Gokongwei-Tang is the daughter of Mr. John L. Gokongwei, Jr.
- e. Ms. Faith Y. Gokongwei-Lim is the daughter of Mr. John L. Gokongwei, Jr.
- f. Ms. Lisa Y. Gokongwei-Cheng is the daughter of Mr. John L. Gokongwei, Jr.

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

As of December 31, 2016, and to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officers, in the past five years up to the date of this report: (i) have had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a three-year period of that time; (ii) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offences; (iii) have been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (iv) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

#### Item 10. Executive Compensation

Key management personnel of the Group include the President and Chief Operating Officer.

##### (A) Summary Compensation Table

The following table sets out the Company's chief operating officer and four most highly compensated senior officers for the last three years and projected for the ensuing year (2016).

Name	Position
Robina Y. Gokongwei-Pe. ....	President and Chief Operating Officer
Dahlia T. Dy ....	Managing Director - SSDI
Justiniano S. Gadia ....	General Manager - Robinsons Supermarket
Johnson T. Go ....	General Manager - Robinsons Department Store
Roena P. Sarte. ....	General Manager - Ministop

The aggregate compensation of executive officers and directors of the Company for last year and projected for the year 2016 are as follows:

##### ACTUAL

	Year	Salaries	Bonuses	Total
		(in ₱ million)		
President, managing director of SSDI, and general managers of Robinsons Supermarket, Robinsons Department Store and Ministop named above .....	2013	34.45	2.37	36.82
	2014	36.61	2.52	39.13
	2015	38.51	2.66	41.17
	2016	39.92	2.70	42.62
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed.....	2013	45.06	3.29	48.35
	2014	48.30	3.57	51.86
	2015	55.71	4.51	60.22
	2016	76.52	5.09	81.61



**(B)**

<b>PROJECTED 2016 (in ₦ million)</b>			
	Salaries	Bonuses	Total
President, managing director of SSDI, and general managers of Robinsons Supermarket, Robinsons Department Store and Ministop named above	40.27	2.81	43.08
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	57.82	5.78	63.60

**(C) Standard Arrangements**

Other than payment of reasonably per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which the directors are compensated directly or indirectly, for any services provided as a director.

**(D) Other Arrangements**

There are no other arrangements pursuant to which any of the directors is compensated, directly or indirectly, for any service provided as a director.

**(E) Terms and Conditions of any Employment Contract or any Compensatory Plan or Arrangement between the Company and the Executive Officers**

**Not applicable.**

**(F) Outstanding Warrants or Options Held by the Company's CEO, the Executive Officers and Directors.**

**Not applicable.**

## Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

### (A) Security Ownership of Certain Record and Beneficial Owners holding more than 5% of the Company's voting securities as of December 31, 2016

As of December 31, 2016, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	JE Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	484,749,997	35.00%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	339,201,590 (See note 3)	24.49%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	143,412,457	10.35%
Common	Lance Y. Gokongwei 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	126,727,500	9.15%
Common	Robina Y. Gokongwei-Pe 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	105,952,500	7.65%

Notes:

1. JE Holdings, Inc. is a company owned by members of the Gokongwei family. Under the By-Laws of JE Holdings, Inc., the President is authorized to represent the Corporation at all functions and proceedings. The incumbent President of JE Holdings, Inc. is Mr. John L. Gokongwei, Jr.
2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each

beneficial owner of shares through his participant are the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

- Out of the PCD Nominee Corporation (Non-Filipino) account, "The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct." and "Deutsche Bank Manila-Clients A/C" hold for various trust accounts the following shares of the Corporation as of December 31, 2016:

	<u>No. of shares</u>	<u>% to Outstanding</u>
The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct.	164,563,229	11.88%
Deutsche Bank Manila-Clients A/C	106,703,237	7.70%

Voting instructions are provided by the beneficial owners of the shares.

### **(B) Security Ownership of Management as of December 31, 2016**

Title of Class	Name of beneficial owner	Position	Amount & nature of beneficial ownership		Citizenship	% to Total Outstanding
			Direct	Indirect		
Named Executive Officers (Note 1)						
Common	1. John L. Gokongwei, Jr.	Director	1	-	Filipino	*
Common	2. Robina Y. Gokongwei-Pe		105,952,500	-	Filipino	7.65%
			Director, President and			
		Chief Operating Officer				
	Sub-Total		105,952,501	-		7.65%
Other Directors and Executive Officers						
Common	3. James L. Go	Director and Vice Chairman	41,550,000	-	Filipino	3.00%
Common	4. Lance Y. Gokongwei	Director, Chairman and Chief Executive Officer	162,044,999	-	Filipino	11.70%
		(Note 2)				
Common	5. Lisa Y. Gokongwei-Cheng	Director	35,317,500	-	Filipino	2.55%
Common	6. Faith Y. Gokongwei-Lim	Director	35,317,500	-	Filipino	2.55%
Common	7. Hope Y. Gokongwei-Tang	Director	1	-	Filipino	*
Common	8. Antonio L. Go	Director (Independent)	1	-	Filipino	*
Common	9. Roberto R. Romulo	Director (Independent)	1	-	Filipino	*
-	10. Bach Johann M. Sebastian	Senior Vice President, Chief Strategy Officer and Compliance Officer	-	-	Filipino	-
-	11. Mylene A. Kasiban	Chief Financial Officer	-	-	Filipino	-
-	12. Diosdado Felix A. Zapata III	Deputy Chief Financial Officer	-	-	Filipino	-
-	13. Graciela A. Banatao	Treasurer	-	-	Filipino	-
-	14. Rosalinda F. Rivera	Corporate Secretary	-	-	Filipino	-
Common	15. Gilbert S. Millado, Jr.	Assistant Corporate Secretary	500	-	Filipino	*
	Sub-Total		274,230,502	-		19.80%
All directors and executive officers as a group unnamed			380,183,003	-		27.45%

Notes:

- As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2016.
  - Sum of the shares in the name of "Lance Y. Gokongwei" for 126,727,500 shares and "Lance Y. Gokongwei &/or Elizabeth Gokongwei" for 35,317,499 shares.
- \* less than 0.01%

### **(C) Voting Trust Holders of 5% or more - as of December 31, 2016**

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

## **(D) Changes in Control**

As of December 31, 2016, there has been no change in the control of the Corporation since the beginning of its last fiscal year.

### **Item 12. Certain Relationships and Related Transactions**

See Note 25 (Related Party Transactions Disclosures) of the Notes to Consolidated Financial Statements.

The Company and its subsidiaries and affiliates, in their regular conduct of business, have engaged in transactions with each other and with other affiliated companies, consisting principally of sales and purchases at market prices and advances made and obtained.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

Please refer to the attached ACGR.

#### Corporate Objectives

Robinsons Retail Holdings, Inc. aims to retain its position as the second-largest multi-format retailer in the Philippines catering to the broad middle market. It plans to expand its store network across its retail formats with focus on regions outside of Metro Manila where modern retail penetration is still low. Aside from organic expansion, part of its strategy is to participate in the market's consolidation by entering into mergers and acquisitions in existing and complementary retail formats. Robinsons Retail targets consistent sales growth while improving margins to ensure sustainability of operations.

#### Dividend Policy

On July 4, 2013, the Company's dividend policy was approved by its Board. The Company intends to maintain an annual cash dividend payout ratio of twenty per cent (20%) of its audited consolidated net income for the preceding fiscal year subject to compliance with the requirements of applicable laws and regulations, the terms and conditions of its outstanding loan facilities and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, instances wherein the Company proposes to implement and undertake major projects and developments through its subsidiaries. There can be no guarantee that the Company will pay any dividends in the future.

In 2016, Robinsons Retail Holdings, Inc. (RRHI) confirmed its compliance with its Corporate Governance Manual which contains relevant provisions of the Code of Corporate Governance. RRHI submitted the following documents in compliance with Securities and Exchange Commission and the Philippine Stock Exchange mandate:

<b>Document</b>	<b>Submitted to</b>	<b>Date of Submission</b>
2013 Annual Corporate Governance Report (ACGR)	Securities and Exchange Commission (SEC)	May 30, 2014
2014 Annual Corporate Governance Report (ACGR)	Securities and Exchange Commission (SEC)	January 20, 2015 (uploaded in the Company website)
2014 Corporate Governance Guidelines Disclosure Survey	The Philippine Stock Exchange, Inc. (PSE)	March 27, 2015
Revised Corporate Governance Manual	Securities and Exchange Commission (SEC)	July 16, 2015
2015 Annual Corporate Governance Report (ACGR)	Securities and Exchange Commission (SEC)	January 31, 2016 (uploaded in the Company website)
2016 Annual Corporate Governance Report (ACGR)	Securities and Exchange Commission (SEC)	January 10, 2017 (uploaded in the Company website)

## **PART V – EXHIBITS AND SCHEDULES**

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

List of Corporate Disclosures / Replies to SEC letters  
Under SEC Form 17-C  
July 1, 2016 to December 31, 2016

<b>Date of Disclosure</b>	<b>Description</b>
July 29, 2016	Stockholders' approval of amendment to Articles of Incorporation.
August 3, 2016	Acquisition of Big Box Hardware Store Chain in Mindanao.
November 15, 2016	Press Release "Robinsons Retail's 3Q2016 Net Income Up 15.3%".

### Item 15. Use of Proceeds from Initial Public Offering

As disclosed in the Company's prospectus, gross and net proceeds were estimated at ₱26.79 billion and ₱26.07 billion, respectively for the Primary Offer (excluding any additional expenses that may be incurred in relation to the Over-allotment Option).

The Company received actual gross proceeds amounting to ₱26.79 billion from the Primary offering of 461,897,500 shares on November 11, 2013 and an additional ₱0.23 billion from the exercised over-allotment of 3,880,550 shares, and incurred ₱745.65 million IPO-related expenses, resulting to actual net proceeds of ₱26.27 billion.


For the year ended December 31, 2016, the application of the net proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱4,050,755,671
Renovation of existing stores	800,094,080
Repayment of bank loans	68,044,997
Other corporate purposes	264,038,488
Total	₱5,182,933,236


### SIGNATURES

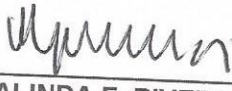
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the **PASIG CITY** on March 24, 2017.


By:

  
**LANCE Y. GOKONGWEI**  
Chairman of the Board and Chief Executive Officer

  
**ROBINA Y. GOKONGWEI-PE**  
President and Chief Operating Officer

  
**MYLENE A. KASIBAN**  
Chief Financial Officer


  
**ROSALINDA F. RIVERA**  
Corporate Secretary

  
**GRACIELA A. BANATAO**  
Treasurer

**SUBSCRIBED AND SWORN** to before me this APR 04 2017 day of April 20\_\_ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
<u>Lance Y. Gokongwei</u>	<u>TEIN: 116-312-586</u>		
<u>Robina Gokongwei-Pe</u>	<u>TEIN: 139-634-860</u>		
<u>Mylene A. Kasiban</u>	<u>Passport: EC4475232</u>		
<u>Rosalinda F. Rivera</u>	<u>SSS: 33-2484959-1</u>		
<u>Graciela A. Banatao</u>	<u>D.License: 006-06-255881</u>		

Notary Public

  
**ATTY. PATRICK ARNOLD P. TETANGCO**  
Notary Public for Pasig City  
Commission No. 207 (2016-2017)  
40th Flr., Robinsons Equitable Tower,  
Ortigas Center, Pasig City  
IBP No. 012633; Quezon City Chapter  
Roll No. 63825; 05/08/2014  
PTR No. 2241402; 01/11/2016; Q.C.  
MCLE No. V-0014374, 02/01/2016.

Doc No. 144  
Page No. 30  
Book No. 3  
Series of 2017

**2016**



**ANNUAL CORPORATE GOVERNANCE REPORT  
STATEMENT OF CHANGES FOR THE YEAR 2016**

06 January 2017

**Securities and Exchange Commission**  
SEC Building, Mandaluyong City

Attention: Director Justina F. Callangan  
Director, Corporate Governance & Finance Department

**Philippine Stock Exchange, Inc.**  
3/F Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City


Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

Gentlemen:

In compliance with SEC Memorandum Circular No. 12, Series of 2014 or the Clarification for Changes and Updates in the Annual Corporate Governance Report (ACGR), please find attached Robinsons Retail Holdings, Inc.'s Consolidated Changes in the ACGR for the year 2016.

Thank you very much.

Very truly yours,

  
**BACH JOHANN M. SEBASTIAN**  
Compliance Officer  
Robinsons Retail Holdings, Inc.



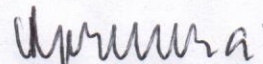
**ROBINSONS RETAIL HOLDINGS, INC.**

**SECRETARY'S CERTIFICATE**


I, ROSALINDA F. RIVERA, of legal age, Filipino, with office address at the 40<sup>th</sup> Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City, being the duly elected Corporate Secretary of **ROBINSONS RETAIL HOLDINGS, INC.**, ("Corporation") with office address at 110 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, after having been duly sworn in accordance with law, hereby depose and state that the following resolution was duly adopted by the Board of Directors of the Corporation on December 14, 2016:

"RESOLVED, that the Board of Directors of ROBINSONS RETAIL HOLDINGS, INC. ("Corporation") hereby approves the consolidated changes made to the Annual Corporate Governance Report of the Corporation for the year 2016 in accordance with SEC Memorandum Circular No. 12, Series of 2014.

APPROVED: December 14, 2016."

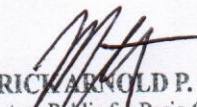
  
**ROSALINDA F. RIVERA**  
Corporate Secretary

ATTESTED BY:

  
**LANCE Y. GOKONGWEI**  
Chairman and Chief Executive Officer

SUBSCRIBED AND SWORN TO before me this \_\_\_\_ day of **JAN 10 2017** at **PASIG CITY** affiant exhibited to me her Social Security System ID with no. 33-2484959-1.

Doc No. 278 ;  
Page No. 57 ;  
Book No. II ;  
Series of 2017.

  
**ATTY. PATRICK ARNOLD P. TETANGCO**  
Notary Public for Pasig City  
Commission No. 207 (2016-2017)  
40th Flr., Robinsons Equitable Tower,  
Ortigas Center, Pasig City  
IBP No. 012638; Quezon City Chapter  
Roll No. 63825; 05/08/2014  
PTR No. 2241402; 01/11/2016; Q.C.  
MCLE No. V-0014374; 02/01/2016.

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*Note: All changes and updates for the year 2016 are underlined for easy reference.*

## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
Actual number of Directors for the year	9

#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director (as of 2016)	No. of years served as director reckoning from the election immediately following November 11, 2013 (IPO date)*
John L. Gokongwei, Jr.	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	<u>June 9, 2016</u>	Annual Meeting	<u>14</u>	<u>3</u>
James L. Go	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	<u>June 9, 2016</u>	Annual Meeting	<u>14</u>	<u>3</u>
Lance Y. Gokongwei	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	<u>June 9, 2016</u>	Annual Meeting	<u>14</u>	<u>3</u>
Robina Y. Gokongwei-Pe	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	<u>June 9, 2016</u>	Annual Meeting	<u>14</u>	<u>3</u>
Lisa Y. Gokongwei-Cheng	NED	N/A	Ma. Luisa B. Aquino	February 4, 2002	<u>June 9, 2016</u>	Annual Meeting	<u>14</u>	<u>3</u>
Faith Y. Gokongwei-Lim	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	<u>June 9, 2016</u>	Annual Meeting	<u>14</u>	<u>3</u>
Hope Y. Gokongwei-Tang	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	<u>June 9, 2016</u>	Annual Meeting	<u>14</u>	<u>3</u>
Antonio L. Go	ID	N/A	Ma. Luisa B. Aquino (no relationship with nominator)	July 4, 2013	<u>June 9, 2016</u>	Annual Meeting	<u>3</u>	<u>3</u>
Roberto R. Romulo	ID	N/A	Ma. Luisa B. Aquino (no relationship with nominator)	July 4, 2013	<u>June 9, 2016</u>	Annual Meeting	<u>3</u>	<u>3</u>

Note: \*-per SEC Memorandum Circular No. 9 Series of 2011 / RRHI's IPO was held last November 11, 2013

**Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.**

The Board has adopted the Revised Corporate Governance Manual in June 2, 2015 for the Company. The Manual elaborates on the governance roles and responsibilities of the Board and its Directors. The Board ensures that all material information about the Company is disclosed to the public on a timely manner. The Board likewise is strongly committed to respect and promote the rights of stockholders in accordance with the Revised Corporate

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

Governance Manual, the Company's Articles of Incorporation, and By-Laws.

The Board represents the shareholders' interests in its objective to continuously improve the value of the Corporation and to achieve a successful and long-term business. The Board believes that it has to be actively responsible to ensure that the Corporation is properly managed to attain this result. In addition to fulfilling its obligations for increased shareholder value, the Board has responsibility to other stakeholders as well – customers, employees, suppliers, financiers, government, business partners, and to the communities and environment it operates in, all of whom are important to a successful business.

**How often does the Board review and approve the vision and mission?**

The Board shall annually review and approve the vision and mission of the Company.

**(b) Directorship in Other Companies**

**(i) Directorship in the Company's Group<sup>2</sup>**

**Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:**

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
John L. Gokongwei, Jr.	Robinson's Incorporated	Executive, Chairman Emeritus
	Robinsons Supermarket Corporation	Non-Executive
	Robinsons Convenience Stores, Inc.	Executive, Chairman Emeritus
	Consolidated Global Imports, Inc.	Non-Executive
	Robinsons Specialty Stores, Inc.	Non-Executive
	Robinsons Toys, Inc.	Non-Executive
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
James L. Go	Robinson's Incorporated	Executive, Chairman
	Robinsons Venture Corp.	Non-Executive
	Angeles Supercenter, Inc.	Non-Executive
	Eurogrocer Corp.	Executive
	Robinsons Supermarket Corporation	Executive, Chairman
	Southstar Drug, Inc.	Non-Executive
	Robinsons Convenience Stores, Inc.	Executive , Chairman
	Consolidated Global Imports, Inc.	Executive
	Robinsons Handyman, Inc.	Executive, Chairman
	Handyman Express Mart, Inc.	Non-Executive
	Walmart Handyman Inc.	Executive
	RHD Daiso-Saizen, Inc.	Non-Executive

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Robinsons Toys, Inc.	Non-Executive
	Robinsons Daiso Diversified Corp.	Non-Executive
	Robinsons Appliances Corp.	Non-Executive
	Robinsons Gourmet Food and Beverage, Inc.	Executive
	Robinsons Specialty Stores, Inc.	Non-Executive
	Robinsons Toys, Inc.	Non-Executive
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
Lance Y. Gokongwei	Robinson's Incorporated	Executive
	Robinsons Venture Corp.	Executive, Chairman
	Angeles Supercenter, Inc.	Executive, Chairman
	Eurogrocer Corp.	Executive, Chairman
	Robinsons Supermarket Corporation	Executive
	Southstar Drug, Inc.	Executive, Chairman
	Robinsons Convenience Stores, Inc.	Executive
	Consolidated Global Imports, Inc.	Executive, Chairman
	Everyday Convenience Stores, Inc.	Executive, Chairman
	Robinsons True Serve Hardware Philippines, Inc.	Executive, Chairman
	Robinsons Handyman, Inc.	Executive
	Handyman Express Mart, Inc.	Executive, Chairman
	Walmart Handyman Inc.	Executive, Chairman
	RHD Daiso-Saizen, Inc.	Executive, Chairman
	Robinsons Toys, Inc.	Executive, Chairman
	Robinsons Daiso Diversified Corp.	Executive, Chairman
	Robinsons Appliances Corp.	Executive, Chairman
	Robinsons Gourmet Food and Beverage, Inc.	Executive, Chairman
	Robinsons Specialty Stores, Inc.	Executive, Chairman
	Robinsons Toys, Inc.	Executive, Chairman
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
Robina Y. Gokongwei-Pe	Robinson's Incorporated	Executive
	Robinsons Venture Corp.	Executive
	Angeles Supercenter, Inc.	Executive
	Eurogrocer Corp.	Executive
	Robinsons Supermarket Corporation	Executive
	Southstar Drug, Inc.	Executive
	Robinsons Convenience Stores, Inc.	Executive
	Consolidated Global Imports, Inc.	Executive
	Everyday Convenience Stores, Inc.	Executive
	Robinsons True Serve Hardware Philippines, Inc.	Executive
	Robinsons Handyman, Inc.	Executive
	Handyman Express Mart, Inc.	Executive
	Walmart Handyman Inc.	Executive
	RHD Daiso-Saizen, Inc.	Executive
	Robinsons Toys, Inc.	Executive
	Robinsons Daiso Diversified Corp.	Executive
	Robinsons Appliances Corp.	Executive
	Robinsons Gourmet Food and Beverage, Inc.	Executive

	Robinsons Specialty Stores, Inc.	Executive
	Robinsons Toys, Inc.	Executive
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
Lisa Y. Gokongwei-Cheng	N/A	N/A
Faith Y. Gokongwei-Lim	Eurogrocer Corp.	Non-Executive
	Southstar Drug, Inc.	Non-Executive
	Everyday Convenience Stores, Inc.	Non-Executive
	Robinsons True Serve Hardware Philippines, Inc.	Non-Executive
	Robinsons Gourmet Food and Beverage, Inc.	Non-Executive
Hope Y. Gokongwei-Tang	Eurogrocer Corp.	Non-Executive
	Southstar Drug, Inc.	Non-Executive
	Robinsons True Serve Hardware Philippines, Inc.	Non-Executive
	Robinsons Gourmet Food and Beverage, Inc.	Non-Executive
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
Antonio L. Go	N/A	N/A
Roberto R. Romulo	N/A	N/A

**(ii) Directorship in Other Listed Companies**

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
John L. Gokongwei, Jr.	JG Summit Holdings, Inc.	Executive
	Universal Robina Corporation	Executive
	Robinsons Land Corporation	Executive
	Cebu Air, Inc.	Non-Executive
	Oriental Petroleum and Mineral Corporation	Non-Executive
	A. Soriano Corporation	Non-Executive
	Manila Electric Company	Non-Executive
James L. Go	JG Summit Holdings, Inc.	Executive, Chairman
	Universal Robina Corporation	Executive, Chairman
	Robinsons Land Corporation	Executive, Chairman
	Cebu Air, Inc.	Non-Executive
	Oriental Petroleum and Minerals Corporation	Executive, Chairman
	Philippine Long Distance and Telephone Company	Non-Executive
	Manila Electric Company	Non-Executive

Lance Y. Gokongwei	JG Summit Holdings, Inc.	Executive
	Universal Robina Corporation	Executive
	Robinsons Land Corporation	Executive
	Cebu Air, Inc.	Executive
	Oriental Petroleum and Minerals Corporation	Non-Executive
	Manila Electric Company	Non-Executive
Robina Gokongwei-Pe	JG Summit Holdings, Inc.	Non-Executive
	Robinsons Land Corporation	Non-Executive
	Cebu Air, Inc.	Non-Executive
Antonio L. Go	Cebu Air, Inc.	Non-Executive
	Oriental Petroleum and Minerals Corporation	Non-Executive
Roberto R. Romulo	A. Soriano Corporation	Non-Executive

**(iii) Relationship within the Company and its Group**

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the Relationship
John L. Gokongwei, Jr.	JE Holdings, Inc.	Chairman
James L. Go	JE Holdings, Inc.	N/A
Lance Y. Gokongwei	JE Holdings, Inc.	Lance Y. Gokongwei is the Treasurer of JE Holdings, Inc.
Robina Gokongwei-Pe	JE Holdings, Inc.	Robina Gokongwei-Pe is a Director of JE Holdings, Inc.
Lisa Y. Gokongwei-Cheng	JE Holdings, Inc.	Lisa Y. Gokongwei-Cheng is the Director of JE Holdings, Inc.
Faith Y. Gokongwei-Lim	JE Holdings, Inc.	Faith Y. Gokongwei-Lim is the Director of JE Holdings, Inc.
Hope Y. Gokongwei-Tang	JE Holdings, Inc.	Hope Y. Gokongwei-Tang is the Director of JE Holdings, Inc.

**(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:**

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock Corporations. Guidelines observed are stated in Article III Section A.8 of the Revised Corporate Governance Manual.

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	A Director shall exercise due discretion in accepting and holding directorships and officerships in other corporations. A Director may hold any number of directorships or	The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock Corporations.
<b>Non-Executive Director</b>		
<b>CEO</b>		



	<p>officerships outside the Company provided that, in the Director's opinion, these other positions do not detract or compromise the Director's capacity to diligently perform his duties as a Director of the Company and compliant with the limit that may be set by the Board.</p>	
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(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company: ( as of December 31, 2016 )

Name of Director	Number of Direct Shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Lance Y. Gokongwei	126,727,500	0	9.15%
Lance Y. Gokongwei &/or Elizabeth Gokongwei	35,317,499	0	2.55%
Robina Y. Gokongwei-Pe	105,952,500	0	7.65%
James L. Go	41,550,000	0	3.00%
Lisa Y. Gokongwei-Cheng	35,317,500	0	2.55%
Faith Y. Gokongwei-Lim	35,317,500	0	2.55%
John L. Gokongwei, Jr.	1	0	0.00%
Hope Y. Gokongwei-Tang	1	0	0.00%
Antonio L. Go	1	0	0.00%
Roberto R. Romulo	1	0	0.00%
<b>TOTAL</b>	<b>380,182,503</b>	<b>0</b>	<b>27.45%</b>

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☐ No ☒

The roles and responsibilities of the Chairman of the Board of Directors and CEO are defined in the By-Laws and Revised Corporate Governance Manual to ensure that the Board gets independent views and perspectives.

The roles of Chairman and CEO are unified. However, the proper checks and balances were laid down to ensure that the Board gets the benefit of independent views and perspectives.

Identify the Chairman and CEO:

Chairman of the Board	<u>Lance Y. Gokongwei</u>
CEO	<u>Lance Y. Gokongwei</u>

**(b) Roles, Accountabilities and Deliverables**

**Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.**

The roles of Chairman and the Chief Executive Officer (CEO) may be separated in order to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and CEO upon their election.

If the roles of Chairman and CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

	<b>Chairman</b>	<b>Chief Executive Officer</b>
Role	<ol style="list-style-type: none"><li>1. Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary.</li><li>2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Directors and Management.</li><li>3. Maintain qualitative and timely lines of communication and information between the Board and Management.</li><li>4. Provide leadership to the Board and ensure that the Board works effectively and performs its duties responsibly.</li></ol>	<ol style="list-style-type: none"><li>1. The CEO shall have general care, management and administration of the business operations of the Company. He shall ensure that: (a) the business and affairs of the Company are managed in a sound and prudent manner; and (b) operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.</li><li>2. The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the Company's performance, financial condition, results of operations and prospects on a regular basis.</li></ol>
Accountabilities	See above	
Deliverables	<ol style="list-style-type: none"><li>1. Agenda for the meetings</li><li>2. Statement of Management's Responsibility for audited financial statements</li><li>3. SEC Form 17-A and 17-Q</li><li>4. Other reports required by law</li></ol>	<ol style="list-style-type: none"><li>1. Statement of Management's Responsibility for audited financial statements</li><li>2. SEC Form 17-A and 17-Q</li><li>3. Other reports required by law</li></ol>

**3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?**

One of the Company's core organizational systems is the Advancement Planning (AP) system. The AP system is an on-going process of identifying, assessing, and developing talents to ensure leadership continuity for all key positions and providing opportunities for key talents to grow within the organization. Incumbents / identified successors are assessed on 2 elements: performance over time and potential. Moreover, each identified successor is assessed based on his/her level of readiness to occupy the higher role. Specific development interventions per successor are also identified as part of the process. Every year, the AP System is reviewed by HR and top management to check whether the planned development interventions took place, and if the level of readiness of identified successors has progressed, among others.

The Competency-Based System and Performance Management System are two other core organizational systems that we have in place which allows the company to properly utilize the Advanced Planning System.

#### 4) Other Executive, Non-Executive and Independent Directors

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

The Board, with the assistance of the Governance, Nomination and Election Committee, implements a nomination and election process to ensure that all shareholders are given the opportunity to nominate and elect directors and to ensure a mix of knowledge, expertise, experience and balance among independent, non-executive and executive competent Directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

Qualification for directorship requires that the director must have a practical understanding of the business of the Corporation and must be a member of good standing in relevant industry, business or professional organizations. The Company has non-executive directors that are well experienced that allow them to give objective views, perspectives, and decisions on matters raised to the Board.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

	Executive	Non-Executive	Independent Director
Role	<p>A Director's Office is one of trust and confidence. A Director should act in the best interest of the Company in a manner characterized by transparency, accountability, and fairness. He should also exercise leadership, prudence, and integrity in directing the Company towards sustained progress.</p> <p>A Director should observe the following norms of conduct:</p> <ol style="list-style-type: none"> <li><b>Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.</b> The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should</li> </ol>	Same	Same

	<p>not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.</p> <p>2. <b>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</b> A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of and knowledgeable with the Company's operations to enable him to meaningfully contribute to the Board's work. He should attend at least 75% of the Board meetings and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.</p> <p>3. <b>Act judiciously.</b> Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.</p> <p>4. <b>Exercise independent judgment.</b> A director should view each problem or situation objectively. If a disagreement with other Directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollary, he should support plans and ideas that he thinks are beneficial to the Company.</p> <p>5. <b>Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation and By-Laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.</b> A director should also keep abreast with industry developments and</p>		
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	<p>business trends in order to promote the Company's competitiveness.</p> <p>6. <b>Observe confidentiality.</b> A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board. On the other hand, a Director should not take advantage for himself and/or his related interests or benefit from knowledge which is not generally available to the market.</p> <p>7. <b>Have a working knowledge of the Company's control systems.</b> A director shall ensure the continuing soundness, effectiveness, and adequacy of the Company's control environment.</p> <p>8. Disclose to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the Corporation's purchase of its shares from the market (e.g. share buy-back program).</p>		
Accountabilities	See above	See above	See above
Deliverables	<p>1. Exercises the powers of the Board of Directors as stated in the By-Laws</p> <p>2. Executes all resolutions and the minutes of the meetings of the Board of Directors</p>	<p>Exercises the powers of the Board of Directors as stated in the By-Laws</p>	<p>1. Exercises the powers of the Board of Directors as stated in the By-Laws</p> <p>2. Submits at the time of his election a certification confirming that he possesses the qualifications and none of the disqualifications to serve as an independent director of the Company.</p>

**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

The Company adopts the definition of an "independent director" provided by SEC Memorandum Circular No. 16, Series of 2002, as well as the Company's By-laws. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company and includes, among others, any person who:

1. Is not a director or officer or substantial stockholder of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
2. Does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders;
3. Is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
4. Is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
5. Has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years.
6. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or
7. Has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

**Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.**

The Company will comply with the term limits for independent directors prescribed under SEC Memorandum Circular No. 4, Series of 2017.

**5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

**(a) Retirement/Resignation/Death/Removal**

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
<u>John L. Gokongwei, Jr.</u>	<u>Chairman and CEO</u>	<u>March 18, 2016</u>	<u>Retirement</u>

**(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension**

**Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:**

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	The directors of the Company shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of shares shall equal, or by distributing such votes as the same principle among any number of candidates.	<ul style="list-style-type: none"> <li>• Must own at least one share of the capital stock of the Company in his own name.</li> <li>• A majority of the directors must be residents of the Philippines.</li> <li>• He must not have been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years or a violation of the Corporation Code, committed within five years before the date of his election.</li> <li>• He must be of legal age.</li> </ul>
(ii) Non-Executive Directors	The directors of the Company shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of shares shall equal, or by distributing such votes as the same principle among any number of candidates.	<ul style="list-style-type: none"> <li>• Must own at least one share of the capital stock of the Company in his own name.</li> <li>• A majority of the directors must be residents of the Philippines.</li> <li>• He must not have been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years or a violation of the Corporation Code, committed within five years before the date of his election.</li> <li>• He must be of legal age.</li> </ul>
(iii) Independent Directors	<ol style="list-style-type: none"> <li>1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Company's information or proxy statement or such other reports required to be submitted to the Commission.</li> <li>2. Nomination of independent director/s shall be conducted by</li> </ol>	<p>An independent director shall have the following qualifications:</p> <ol style="list-style-type: none"> <li>1.1 He should be a holder of at least at least one (1) share of stock of the Company;</li> <li>1.2 He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education</li> <li>1.3 He shall be at least twenty</li> </ol>

	<p>the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.</p> <p>3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.</p> <p>4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.</p> <p>5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting.</p> <p>6. Election of Independent Director/s</p>	<p>one (21) years old</p> <p>1.4 He must have a practical understanding of the business of the Corporation</p> <p>1.5 He shall have been proven to possess integrity and probity;</p> <p>1.6 He shall be diligent and assiduous in the performance of his functions; and</p> <p>1.7 He must be a member in good standing in relevant industry, business or professional organizations</p>
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	<p>6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.</p> <p>6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s is elected during the stockholders' meeting.</p> <p>6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees.</p> <p>6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.</p>	
<b>b. Re-appointment</b>		
(i) Executive Directors	Same process as stated above for selection/appointment of Executive Directors	Same criteria as stated above for selection/appointment of Executive Directors
(ii) Non-Executive Directors	Same process as stated above for selection/appointment of Non-Executive Directors	Same criteria as stated above for selection/appointment of Non-Executive Directors
(iii) Independent Directors	Same process as stated above for selection/appointment of Independent Directors	Same criteria as stated above for selection/appointment of Independent Directors
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	Same process as stated in the criteria for permanent disqualification of Executive Directors	<p>Any of the following shall be a ground for the permanent disqualification of a Director:</p> <p>1.1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or</p>

		<p>sale of securities as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</p> <p>1.2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as a director or officer of a bank, quasi-bank, trust company, investment house or as investment company; or (c) engaging in or continuing any conduct or practice in any of the capacities mentioned above or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person</p>
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		<p>is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.</p> <p>1.3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>1.4. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully</p>
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		<p>aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any of its rule, regulation or order;</p> <p>1.5. Any person judicially declared to be insolvent;</p> <p>1.6. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and</p> <p>1.7 Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p>
(ii) Non-Executive Directors	Same process as stated in the criteria for permanent disqualification of Non-Executive Directors	Same
(iii) Independent Directors	Same process as stated in the criteria for permanent disqualification of Independent Directors	Same. In addition, any person earlier elected as Independent Director who becomes an officer, employee or consultant of the same corporation shall likewise be permanently disqualified.
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	Same process as stated in the criteria for temporary disqualification of	The Board may provide for the temporary disqualification of a

	Executive Directors	<p>Director for any of the following reasons:</p> <ol style="list-style-type: none"> <li>1.1. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</li> <li>1.2. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family, or serious accident. This disqualification applies for purposes of the succeeding election;</li> <li>1.3. Dismissal/termination for cause as Director of any Company covered by this Code. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.</li> <li>1.4. If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</li> <li>1.5. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</li> </ol>
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		A temporarily disqualified Director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
(ii) Non-Executive Directors	Same process as stated in the criteria for temporary disqualification of Non-Executive Directors	Same
(iii) Independent Directors	Same process as stated in the criteria for temporary disqualification of Independent Directors	<p>He shall be disqualified during his tenure under the following instances or causes:</p> <p>2.1 He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;</p> <p>2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the Company where he is such director;</p> <p>2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;</p> <p>Such other disqualifications that the Corporate Governance Manual provides likewise apply.</p>
<b>e. Removal</b>		
(i) Executive Directors	<p>1. Removal must take place either at a regular meeting of the Company or at a special meeting called for that purpose;</p> <p>2. There must be previous notice to</p>	

	<p>the stockholders or members of the intention to propose such removal at the meeting;</p> <p>3. The removal must be by a vote of the stockholders holding or representing 2/3 of Outstanding Capital Stock;</p> <p>4. Removal may be with or without cause: Provided, that removal must always be with cause when a Director was elected by the minority.</p>	
(ii) Non-Executive Directors	Same	
(iii) Independent Directors	<p>In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.</p>	
<b>f. Re-instatement</b>		
(i) Executive Directors	Same process as stated above for selection/appointment of Executive Directors	Same criteria as stated above for selection/appointment of Executive Directors
(ii) Non-Executive Directors	Same process as stated above for selection/appointment of Non-Executive Directors	Same criteria as stated above for selection/appointment of Non-Executive Directors
(iii) Independent Directors	Same process as stated above for selection/appointment of Independent Directors	Same criteria as stated above for selection/appointment of Independent Directors
<b>g. Suspension</b>		
(i) Executive Directors	Same process as stated above for selection/appointment of Executive Directors	Same criteria as stated above for selection/appointment of Executive Directors
(ii) Non-Executive Directors	Same process as stated above for selection/appointment of Non-Executive Directors	Same criteria as stated above for selection/appointment of Non-Executive Directors
(iii) Independent Directors	Same process as stated above for selection/appointment of Independent Directors	Same criteria as stated above for selection/appointment of Independent Directors

**Voting Result of the last Annual General Meeting (held on May 20, 2016)**

Nominee	Votes In Favor		Votes Against		Votes Abstaining	
	Number of shares	% to Outstanding	Number of shares	% to Outstanding	Number of shares	% to Outstanding
John L. Gokongwei	<u>979,332,089</u>	<u>70.71 %</u>	<u>114,645,027</u>	<u>8.28 %</u>	<u>15,987,820</u>	<u>1.15 %</u>
James L. Go	<u>985,954,119</u>	<u>71.19 %</u>	<u>124,010,817</u>	<u>8.95 %</u>	-	<u>0.00 %</u>
Lance Y. Gokongwei	<u>1,053,670,094</u>	<u>76.08 %</u>	<u>56,294,842</u>	<u>4.06 %</u>	-	<u>0.00 %</u>
Robina Y. Gokongwei-Pe	<u>976,099,909</u>	<u>70.48 %</u>	<u>133,865,027</u>	<u>9.67 %</u>	-	<u>0.00 %</u>
Lisa Y. Gokongwei-Cheng	<u>1,030,119,251</u>	<u>74.38 %</u>	<u>79,845,685</u>	<u>5.77 %</u>	-	<u>0.00 %</u>
Faith Y. Gokongwei-Lim	<u>1,034,971,331</u>	<u>74.73 %</u>	<u>74,993,605</u>	<u>5.41 %</u>	-	<u>0.00 %</u>
Hope Y. Gokongwei-Tang	<u>1,034,971,331</u>	<u>74.73 %</u>	<u>74,993,605</u>	<u>5.41 %</u>	-	<u>0.00 %</u>
Antonio L. Go	<u>1,109,833,766</u>	<u>80.13 %</u>	<u>131,160</u>	<u>0.01 %</u>	-	<u>0.00 %</u>
Roberto R. Romulo	<u>1,082,886,184</u>	<u>78.19 %</u>	<u>27,078,752</u>	<u>1.96 %</u>	-	<u>0.00 %</u>

**6) Orientation and Education Program**

**(a) Disclose details of the company's orientation program for new directors, if any.**

Every director shall receive appropriate orientation upon his first appointment to the Board of Directors, in order to ensure that incoming Directors are familiar with the Company's business and governance processes. If necessary, a new Director may be required to attend a seminar on corporate governance that shall be conducted by a duly recognized private or government institute.

**(b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years:**

The John Gokongwei Institute for Leadership and Enterprise Development or JG-ILED is the integrated leadership platform for systematic and sustainable development programs of the conglomerate. JG-ILED was established in 2005 with the following objectives: to demonstrate the enterprise commitment to continued learning, organizational growth and career development; to enable leaders to develop strategies for competitiveness, and to develop and grow our employees and create a deep bench of talents.

Under JG-ILED is the Management Development Program (MDP) which aims to enhance the leadership capability and business acumen of all JGS leaders. The following are programs under MDP: Finance for Senior Executives, Strategic Communication Program, Executive Coaching Program, and Advanced Negotiation Skills. Our leadership core has attended these programs. Three new programs were launched recently, namely: Leading and Managing Change, Strategy Planning and Execution and Becoming People Leaders.

Aside from JG-ILED, key business units implement their respective and targeted continuing education programs for their key executives / managers.

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.



(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
John L. Gokongwei, Jr.	2015-onwards June 17, 2014	Exempted <sup>4</sup> Creating Advantage Through Governance	SGV & Co.
James L. Go	2015-onwards June 17, 2014	Exempted <sup>5</sup> Creating Advantage Through Governance	SGV & Co.
Lance Y. Gokongwei	<u>December 1, 2016</u> Nov 25, 2015 June 17, 2014	<u>Sustainability and ESG</u> Updates on Philippine Practice on Corporate Governance & Enterprise Risk Management Creating Advantage Through Governance	<u>thepurposebusiness</u> SGV & Co. SGV & Co.
Robina Y. Gokongwei-Pe	<u>December 1, 2016</u> June 17, 2014	<u>Sustainability and ESG</u> Creating Advantage Through Governance	<u>thepurposebusiness</u> SGV & Co.
Lisa Y. Gokongwei-Cheng	<u>December 1, 2016</u> Nov 25, 2015	<u>Sustainability and ESG</u> Updates on Philippine Practice on Corporate Governance & Enterprise Risk Management	<u>thepurposebusiness</u> SGV & Co.
Faith Y. Gokongwei-Lim	<u>December 1, 2016</u> Nov 25, 2015	<u>Sustainability and ESG</u> Updates on Philippine Practice on Corporate Governance & Enterprise Risk Management	<u>thepurposebusiness</u> SGV & Co.
Hope Y. Gokongwei-Tang	<u>December 1, 2016</u>	<u>Sustainability and ESG</u>	<u>thepurposebusiness</u>
Antonio L. Go	<u>December 1, 2016</u> Nov 25, 2015 June 17, 2014	<u>Sustainability and ESG</u> Updates on Philippine Practice on Corporate Governance & Enterprise Risk Management Creating Advantage Through Governance	<u>thepurposebusiness</u> SGV & Co.
Roberto R. Romulo	<u>Nov 23, 2016</u> June 17, 2014	<u>Digital Governance: Issues in Emerging Technologies</u> <u>Digital Transformation, Risk Management and Governance in the 21<sup>st</sup> Century</u> Creating Advantage Through Governance	<u>PLDT</u> SGV & Co.

<sup>4</sup> The SEC resolved to grant the request of the Company for Mr. Mr. James L. Go to be permanently exempted from the corporate governance training requirement as per memo dated November 12, 2015 signed by Director Justina F. Callangan.

<sup>5</sup> The SEC resolved to grant the request of the Company for Mr. John L. Gokongwei, Jr. to be permanently exempted from the corporate governance training requirement as per memo dated November 12, 2015 signed by Director Justina F. Callangan.

Bach Johann M. Sebastian	<u>December 1, 2016</u>	<u>Sustainability and ESG</u>	<u>thepurposebusiness</u>
	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
<u>Mylene Kasiban</u>	<u>December 1, 2016</u>	<u>Sustainability and ESG</u>	<u>thepurposebusiness</u>
Diosdado Felix A. Zapata III	<u>December 1, 2016</u>	<u>Sustainability and ESG</u>	<u>thepurposebusiness</u>
	Nov 25, 2015	Updates on Philippine Practice on Corporate Governance & Enterprise Risk Management	SGV & Co.
	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
<u>Graciela A. Banatao</u>	<u>December 1, 2016</u>	<u>Sustainability and ESG</u>	<u>thepurposebusiness</u>
Rosalinda F. Rivera	<u>December 1, 2016</u>	<u>Sustainability and ESG</u>	<u>thepurposebusiness</u>
	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Gilbert S. Millado, Jr.	June 17, 2014	Creating Advantage Through Governance	SGV & Co.

## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
1. Conflict of Interest	The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion is not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.	Same	Same
2. Conduct of Business and Fair Dealings	The Company's employees that recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions that they are involved in.	Same	Same
3. Receipt of gifts from third parties	The Company discourage the acceptance of gifts. However, gifts like advertising novelties maybe given or accepted during the Christmas season. There is no restriction in the value of the gift accepted. However, accepted gift with estimated value over Php2,000 must be disclosed to the Conflicts of interest Committee.	Same	Same
4. Compliance with Laws & Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.	Same	Same

5. Respect for Trade Secrets/Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after disclosure to the SEC and PSE by the Company's authorized officers.	Same	Same
6. Use of Company Funds, Assets and Information	Employees are required to safeguard Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.	Same	Same
7. Employment & Labor Laws & Policies	The Company's Human Resources Unit ensures compliance with employment and labor laws and policies.	Same	Same
8. Disciplinary action	Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that results from the employee's action. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.	Same	Same
9. Whistle Blower	<p>Any employee may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details:</p> <p>a. email address <a href="mailto:CICOM@robinsonsbretail.com.ph">CICOM@robinsonsbretail.com.ph</a>  b. fax number 395-3888  c. mailing address  Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only".</p> <p>CICOM  JG Summit Holdings, Inc.  44th Flr. Robinsons Equitable Tower  ADB Avenue, Cor., Poveda Road,  Pasig City</p> <p>The complaint shall be filed using the Complaint/Disclosure Form (CDF) available in the company website.</p> <p>All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM.</p>	Same	Same
10. Conflict Resolution	The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. Decision is done by the Executive Committee.	Same	Same

**2) Has the code of ethics or conduct been disseminated to all directors, senior management, and employees?**

Yes. The Company's Code of Business Conduct has been disseminated to all directors, senior management, and employees.

**3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.**

All new employees undergo an orientation program to familiarize themselves with the Code. Relevant disclosure and compliance statements are likewise secured prior employment or engagement with the Company. Further, all concerned employees of the Conglomerate are required to comply with the Annual Self-Disclosure Activity on an annual basis. Employees with the following position levels or functions are required to accomplish and submit the Handwritten Self-Disclosure Form (HSDF) to the Business Unit or Corporate Human Resources within fifteen (15) days after the end of each calendar year:

- All employees in the managerial and executive levels;
- All employees with procurement, retail merchandising, CAPEX project management, and leasing functions;
- Technical specialists involved in CAPEX projects
- All employees involved in engineering fabrications (whether OPEX or CAPEX)

Employees may also submit new HSDF anytime during the year if they would like to disclose new information to avoid potential conflict of interest.

**4) Related Party Transactions**

**(a) Policies and Procedures**

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Not applicable. RRHI is the Parent Company.
(2) Joint Ventures	Treated as arm's-length transaction
(3) Subsidiaries	Treated as arm's-length transaction
(4) Entities Under Common Control	Treated as arm's-length transaction
(5) Substantial Stockholders	Treated as arm's-length transaction
(6) Officers including spouse/children/siblings/parents	Treated as arm's-length transaction
(7) Directors including spouse/children/siblings/parents	Treated as arm's-length transaction
(8) Interlocking director relationship of Board of Directors	<p>The Company, adopts by law, the rules pertaining to interlocking directors, as follows:</p> <p>a) If the interests of the interlocking director in the corporations are both substantial (stockholdings exceed 20% of outstanding capital stock)</p> <p>General Rule: A contract between two or more corporations having interlocking directors shall not be invalidated on that ground alone.</p> <p>Exception: If the contract is fraudulent or not fair and reasonable.</p> <p>b) If the interest of the interlocking director in one of the corporations is nominal while substantial in the other</p>

	<p>(stockholdings 20% or more), the contract shall be valid provided the following conditions are present:</p> <ol style="list-style-type: none"> <li>1. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;</li> <li>2. That the vote of such director was not necessary for the approval of the contract;</li> <li>3. That the contract is fair and reasonable under the circumstances.</li> </ol> <p>Where (1) and (2) are absent, the contract can be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock or by the vote of the stockholders representing at least 2/3 of the members in a meeting called for the purpose. Provided that:</p> <ol style="list-style-type: none"> <li>i. Full disclosure of the adverse interest of the directors/trustees involved is made on such meeting;</li> <li>ii. The contract is fair and reasonable under the circumstances.</li> </ol>
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**(b) Conflict of Interest**

**(i) Directors/Officers and 5% or more Shareholders**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

None.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	Not applicable
Name of Officer/s	Not applicable
Name of Significant Shareholders	Not applicable

**(ii) Mechanism**

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p>The Corporate Governance Manual provides that a Director should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a Director, he should fully and immediately disclose it and should not participate in the decision-making process. A Director who has a continuing material conflict of interest should consider resigning from his position. A conflict of interest shall be considered material if the Director's personal or business interest is antagonistic to that of the Company, or stands to acquire or to gain financial advantage at the expense of the Company.</p> <p>The Company employs enhanced measures such as the</p>

	<p>creation of a Remuneration and Compensation Committee, which ensures that Full Business Interest Disclosure is part of the pre-employment requirements for all incoming Management Officers, which among others compel all Management Officers to declare under the penalty of perjury all of their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.</p> <p>The same Committee reviews recommendations concerning the existing Human Resources Development Handbook, with the objective of strengthening provisions on conflict of interest,</p>
Group	Same as above.

## 5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>6</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None		

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None		

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

## 6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Board shall establish and maintain an alternative

<sup>6</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

	dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including regulatory authorities.
<b>Corporation &amp; Third Parties</b>	The Company has adopted standard contracts some of which incorporate dispute resolution methods outside the courts.
<b>Corporation &amp; Regulatory Authorities</b>	None. Regulatory matters are subject to strict adherence and compliance by corporations as they are governed by laws, rules, and regulations.

### C. BOARD MEETINGS & ATTENDANCE

#### 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

These are scheduled at the beginning of the year

#### 2) Attendance of Directors

Board	Name	Date of Election (date of last election)	No. of Meetings Held during the year*	No. of Meetings Attended*	%
Chairman	Lance Y. Gokongwei	<u>June 9, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Vice Chairman	James L. Go	<u>June 9, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Member	John L. Gokongwei, Jr.	<u>June 9, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Member	Robina Y. Gokongwei-Pe	<u>June 9, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Member	Lisa Y. Gokongwei-Cheng	<u>June 9, 2016</u>	<u>6</u>	<u>5</u>	<u>83.3%</u>
Member	Faith Y. Gokongwei-Lim	<u>June 9, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Member	Hope Y. Gokongwei-Tang	<u>June 9, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Independent	Antonio L. Go	<u>June 9, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Independent	Roberto R. Romulo	<u>June 9, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>

\*Fiscal year 2016 of RRHI is from January 1, 2016 to December 31, 2016.

#### 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No.

#### 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

A majority of the board members constitute a quorum and every decision of a majority of the quorum duly assembled as a Board shall be a valid corporate act, except for the instances cited by the Corporation Code requiring the vote of a majority of all the members of the Board. Actual attendance of the Board of Director for each of the meeting for the fiscal year 2016 exceeded two-thirds of the board members.

## 5) Access to Information

### (a) How many days in advance are board papers<sup>7</sup> for board of directors meetings provided to the board?

The notice and agenda of the meeting and other relevant meeting materials shall be furnished to the Directors at least five (5) business days prior to each meeting.

### (b) Do board members have independent access to Management and the Corporate Secretary?

Yes. Board members have independent access to Management and the Corporate Secretary.

### (c) State the policy of the role of the company Secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Secretary shall attend all meetings of the stockholders and Board of directors and shall act as Secretary thereof and record the minutes of all proceedings in a book to be kept for that purpose. He shall perform similar duties for any Committee of the Board when required. The Secretary shall cause to be given notice of all meetings of the Board of Directors and the stockholders, and shall perform such other duties as may pertain to his office. He shall keep in safe custody the seal of the Company, and, when authorized by the Board, affix it when required to any instrument,

The Corporate Secretary shall:

1. Be loyal to the mission, vision, and objectives of the Company.
2. Work fairly and objectively with the Board, Management, and stockholders.
3. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company.
4. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Company.
5. Provide the Board of Directors the schedule of meetings before the start of the financial year and provide notice before every meeting.
6. As to agenda, get a complete schedule thereof and put the Board on notice at least five (5) business days before every meeting.
7. Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings together with the rationale and explanation of each item in the agenda and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
8. Release to the Exchange the notice of Annual Shareholders' Meeting (ASM) with detailed agendas and explanatory circulars, at least twenty eight (28) days before the date of the meeting.
9. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so.
10. Ensure that all Board procedures, rules, and regulations are strictly followed by the members.
11. Submit within five (5) business days from the end of the Corporation's fiscal year an advisement letter on the attendance of the Directors during Board meetings.

### (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should

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<sup>7</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.



the answer be in the negative.

Yes.

**(e) Committee Procedures**

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☒

No ☐

Committee	Details of the procedures
Executive	To enable the Directors to properly fulfill their duties and responsibilities, Management should provide the Directors with complete, adequate and timely information about the matters to be taken in their meetings.
Audit and Risk Management	
Governance, Nomination and Election	
Remuneration and Compensation	<p>Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a Director to enable him to properly perform his duties and responsibilities. Hence, the Directors are given independent access to Management and to the Corporate Secretary.</p> <p>The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.</p>

**6) External Advice**

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Directors, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Company's expense.	Same

**7) Change/s in existing policies**

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None		

## D. REMUNERATION MATTERS

### 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on the compensation structure and policies of the Company on salary adjustments, promotions and performance assessments.	
(2) Variable remuneration	None	
(3) Per diem allowance	Each director shall receive a reasonable per diem for his attendance at meetings	
(4) Bonus	Determined upon achievement of performance based matrix	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	Rice, medicine allowance and leave credits	

### 2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Performance based matrices		
Non-Executive Directors	Each director shall receive a reasonable per diem for his attendance at meeting		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
<u>Ratification of acts of the Board of Directors, its Committees, officers and Management</u>	<u>June 9, 2016</u>
Ratification of acts of the Board of Directors, its Committees, officers and Management	July 16, 2015
Ratification of acts of the Board of Directors, its Committees, officers and Management	June 25, 2014

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

(in ₱ million)				
ACTUAL	Year	Salaries	Bonuses	Total
President and Chief Operating Officer and four (4) most highly compensated senior officers of certain business segments of the Corporation: 1. Robina Y. Gokongwei-Pe – President and Chief Operating Officer 2. Dahlia T. Dy – Managing Director - South Star Drug, Inc. 3. Justiniano S. Gadia – General Manager - Robinsons Supermarket 4. Johnson T. Go – General Manager - Robinsons Department Store 5. Roena P. Sarte – General Manager - Ministop	2013	34.45	2.37	36.82
	2014	36.61	2.52	39.13
	2015	38.51	2.66	41.17
	<u>2016</u>	<u>39.92</u>	<u>2.70</u>	<u>42.62</u>
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	2013	45.06	3.29	48.35
	2014	48.30	3.57	51.86
	2015	55.71	4.51	60.22
	<u>2016</u>	<u>76.52</u>	<u>5.09</u>	<u>81.61</u>

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	See above	See above	See above
(b) Variable Remuneration	See above	See above	See above
(c) Per diem Allowance	See above	See above	See above
(d) Bonuses	See above	See above	See above
(e) Stock Options and/or other financial instruments	See above	See above	See above
(f) Others (Specify)	See above	See above	See above
<b>Total</b>			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Advances			
(b) Credit granted			
(c) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan	Healthcare coverage and benefits are provided by the Company through a		

	health maintenance organization.
(g) Car Plan	
(h) Others (Specify)	
<b>Total</b>	

#### 4) Stock Rights, Options, and Warrants

##### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not applicable				

##### (b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None		

#### 5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
None	

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive				N/A			
Audit and Risk Management	4		2	<p>The Audit and Risk Management Committee shall have the following functions:</p> <ol style="list-style-type: none"><li>1. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal controls, audit process and monitoring of compliance with applicable laws, rules and regulations.</li><li>2. Provide oversight over Management’s activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function may include regular receipt from Management of information on risk exposures and risk management activities.</li><li>3. Perform oversight functions over the Company’s Internal and External Auditors. It should ensure that the Internal and External Auditors are given reasonable access to all material records, properties and personnel to enable them to perform their respective audit functions.</li><li>4. Review the Annual Internal Audit Plan to ensure its conformity with the objectives of the Company. The Plan shall include the audit scope, resources and budget necessary to implement it.</li><li>5. Recommend the appointment, re-appointment and removal of External Auditor.</li><li>6. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and</li></ol>			

				<p>minimize duplication of efforts.</p> <p>7. Ensure the establishment of an Internal Audit Department and the appointment of a Corporate Auditor and the terms and conditions of its engagement and removal.</p> <p>8. Monitor, evaluate and confirm the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.</p> <p>9. Review the reports submitted by the Internal and External Auditors.</p> <p>10. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following:</p> <ul style="list-style-type: none"> <li>• any change/s in accounting policies and practices;</li> <li>• major judgmental areas;</li> <li>• significant related party transactions</li> <li>• significant adjustments resulting from the audit;</li> <li>• going concern assumptions;</li> <li>• compliance with accounting standards; and</li> <li>• compliance with tax, legal and regulatory requirements.</li> </ul> <p>11. Coordinate, monitor and facilitate compliance with laws, rules and regulations.</p> <p>12. Evaluate and determine the non-audit work, if any, of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. If the non-audit work is allowed, this should be disclosed in the Company's Annual Report.</p> <p>13. Establish and identify the reporting line of the Corporate Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit and Risk Management Committee.</p> <p>14. The Audit and Risk Management Committee shall</p>
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				ensure that, in the performance of the work of the Corporate Auditor, he shall be free from interference by outside parties.
Governance, Nomination and Election	4		1	<p>The Governance, Nomination and Election Committee shall be responsible for overseeing the development and implementation of corporate governance principles and policies and ensuring that the nomination and election of new members of the Board is transparent with the end objective of having the Board increase shareholder value and aligned with the Corporation's strategic direction. For this purpose, the Governance, Nomination and Election Committee shall:</p> <ol style="list-style-type: none"> <li>1. Pre-screen, evaluate the qualifications and shortlist all candidates nominated to become a Director in accordance with pertinent provisions of the Articles of Incorporation and By Laws of the Company, as well as established guidelines on qualifications, disqualifications and succession planning.</li> <li>2. Recommend guidelines in the selection of nominee/s for Director/s which may include the following based on the perceived needs of the Board at a certain point in time: <ul style="list-style-type: none"> <li>• Nature of the business of the Corporations which he is a Director of</li> <li>• Age of the Director nominee</li> <li>• Number of directorships/active memberships and officerships in other corporations or organizations</li> <li>• Possible conflict of interest</li> </ul> </li> <li>3. Recommend guidelines in the determination of the optimum number of directorships/ active memberships and officerships in other corporations allowable for Directors. The capacity of Directors to serve with diligence shall not be compromised.</li> <li>4. Recommend to the Board regarding the size and composition of the Board in view of long term business plans, and the needed appropriate skills and characteristics of Directors.</li> <li>5. Assess the effectiveness of the Board's processes and procedures in the election or replacement of Directors.</li> <li>6. Assist the Board of Directors in performing the</li> </ol>

				<p>corporate governance duties in compliance with the Corporation's Manual, the Revised Code of Corporate Governance, the Corporate Governance Guidelines and the listing rules of the Philippines Stock Exchange.</p> <p>7. Monitor, evaluate and confirm the Corporation's full compliance with the code of corporate governance and where there is non-compliance, identify and explain reasons for each such issue.</p> <p>8. Use professional search firms or other external sources of candidates when searching for candidates to the Board or Management as deemed necessary.</p>
Remuneration and Compensation	4		1	<p>The Remuneration and Compensation Committee recommends for Board approval a formal and transparent policy and system of remuneration and evaluation of the Directors and Management Officers. For this purpose, the Committee shall:</p> <ol style="list-style-type: none"> <li>1. Recommend a formal and transparent procedure for developing a policy on executive remuneration and evaluation and for fixing the remuneration packages of Directors and Management Officers that is consistent with the Company's culture, strategy, and business environment.</li> <li>2. Recommend the amount of remuneration, which shall be in a sufficient level to attract and retain Directors and Management Officers who are needed to run the company successfully.</li> <li>3. Disallow any Director to decide his remuneration.</li> <li>4. Ensure that Full Business Interest Disclosure is part of the pre-employment requirements for all incoming Management Officers, which among others compel all Management Officers to declare under the penalty of perjury all of their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.</li> <li>5. Review recommendations concerning the existing Human Resources Development Handbook, with the objective of strengthening provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically</li> </ol>



				met in their respective posts.
				6. Provide in the Company's Annual Reports, information and proxy statements a clear, concise and understandable disclosure of aggregate compensation of its Executive Officers for the previous fiscal year and the ensuing year as prescribed by the Commission or other regulatory agency.
Others (specify)	None			

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee**	No. of years served as director reckoning from the election immediately following January 2, 2012*

### (b) Audit and Risk Management Committee

Office	Name	Date of last Appointment	No. of Meetings Held***	No. of Meetings Attended**	%	Length of Service in the Committee**	No. of years served as director reckoning from the election immediately following January 2, 2012*
Chairman (ID)	Antonio L. Go	<u>June 9, 2016</u>	4	4	100%	<u>3 years</u>	<u>4</u>
Member (ED)	John L. Gokongwei, Jr.	<u>June 9, 2016</u>	4	4	100%	<u>3 years</u>	<u>4</u>
	James L. Go	<u>June 9, 2016</u>	4	4	100%	<u>3 years</u>	
	Lance Y. Gokongwei	<u>June 9, 2016</u>	4	4	100%	<u>3 years</u>	
	Robina Gokongwei-Pe	<u>June 9, 2016</u>	4	4	100%	<u>3 years</u>	
Member (ID)	Roberto R. Romulo	<u>June 9, 2016</u>	4	4	100%	<u>3 years</u>	<u>4</u>

Note: \*-per SEC Memorandum Circular No. 9 Series of 2011

\*\*as of 2016

\*\*\* for the year 2015

### Disclose the profile or qualifications of the Audit Committee members.

1. The Board establishes the Audit and Risk Management Committee and appoints the members of the Committee.
2. This Audit and Risk Management Committee reports functionally to the Board.
3. The Audit and Risk Management Committee shall be composed of at least three (3) members from the Board, at least one (1) of whom shall always be an Independent Director. The Board shall ensure that each member should have adequate competence and/or experience on accounting, finance and audit to enable them to discharge their responsibilities.
4. The Board shall appoint an Independent Director as Committee Chairman.
5. The Audit and Risk Management Committee, as a body, shall have neither executive nor managerial powers and duties in the Company except those relating to the management of the Corporate Auditor.

**Describe the Audit Committee's responsibility relative to the external auditor.**

Following are the responsibilities of the Audit and Risk Committee relative to the external auditor:

1. Perform oversight functions over the Corporation's Internal and External Auditors. It should ensure that the Internal and External Auditors are given reasonable access to all material records, properties and personnel to enable them to perform their respective audit functions.
2. Recommend the appointment, re-appointment and removal of External Auditor.
3. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
4. Review the reports submitted by the Internal and External Auditors.
5. Evaluate and determine the non-audit work, if any, of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. If the non-audit work is allowed, this should be disclosed in the Company's Annual Report.

**(c) Governance, Nomination and Election Committee**

Office	Name	Date of last Appointment	No. of Meetings Held***	No. of Meetings Attended***	%	Length of Service in the Committee**	No. of years served as director reckoning from the election immediately following January 2, 2013*
Chairman (ED)	John L. Gokongwei, Jr.	<u>June 9, 2016</u>	1	1	100%	<u>3 years</u>	<u>3</u>
Member (ED)	James L. Go	<u>June 9, 2016</u>	1	1	100%	<u>3 years</u>	<u>3</u>
	Lance Y. Gokongwei	<u>June 9, 2016</u>	1	1	100%	<u>3 years</u>	
	Robina Gokongwei-Pe	<u>June 9, 2016</u>	1	1	100%	<u>3 years</u>	
Member (ID)	Roberto R. Romulo	<u>June 9, 2016</u>	1	1	100%	<u>3 years</u>	<u>3</u>

Note: \*-per SEC Memorandum Circular No. 9 Series of 2011

\*\*as of 2016

\*\*\* for the year 2015

**(d) Remuneration and Compensation Committee**

Office	Name	Date of last Appointment	No. of Meetings Held***	No. of Meetings Attended***	%	Length of Service in the Committee **	No. of years served as director reckoning from the election immediately following January 2, 2013*
Chairman (ED)	John L. Gokongwei, Jr.	<u>June 9, 2016</u>	Discussed at Board Meetings			3 years	<u>3</u>
Member (ED)	James L. Go	<u>June 9, 2016</u>				3 years	<u>3</u>
	Lance Y. Gokongwei	<u>June 9, 2016</u>					
	Robina Gokongwei-Pe	<u>June 9, 2016</u>					
Member (ID)	Antonio L. Go	<u>June 9, 2016</u>				3 years	<u>3</u>

Note: \*-per SEC Memorandum Circular No. 9 Series of 2011

\*\*as of 2016

\*\*\* for the year 2015

**(e) Others (Specify)**

**Provide the same information on all other committees constituted by the Board of Directors:**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
There are no other committees constituted by the Board of Directors.						

**3) Changes in Committee Members**

**Indicate any changes in committee membership that occurred during the year and the reason for the changes:**

Name of Committee	Name	Reason
Executive	None	
Audit and Risk Management		
Governance, Nomination and Election Committee		
Remuneration and Compensation		
Others (specify)		

**4) Work Done and Issues Addressed**

**Describe the work done by each committee and the significant issues addressed during the year.**

Name of Committee	Work Done	Issues Addressed
Executive	N/A	N/A
Audit and Risk Management	Review of the following areas: cash management and revenue, inventory management, asset management, operating expenses, special projects, unreleased checks, leave balances, scrap disposal.	No significant issues that would put the Company at major risk.
Nomination and Election Committee	Recommendation of nominees to be included in the final list of independent directors.	No significant issues that would put the Company at major risk.
Remuneration and Compensation	Recommendation of budgets for merit increase and salary adjustments.	No significant issues that would put the Company at major risk.
Others (specify)	None	

## 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	N/A
Audit and Risk Management	Internal audit plan for the coming fiscal year	No significant issues that would put the Company at major risk
Nomination and Election Committee	Pre-screen qualifications of nominees for independent directors	No significant issues that would put the Company at major risk
Remuneration and Compensation	Review and evaluate existing remuneration policies and procedures	No significant issues that would put the Company at major risk

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

The Company aims to create a systematic, disciplined approach to evaluate and improve the effectiveness of risk management. For that purpose, an Internal Audit Committee is formed to examine and evaluate whether the Company's risk management, controls, and processes, as designed by Management, are adequate, efficient, and functioning.

#### (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

At the end of each calendar year, the Chief Executive Officer (CEO) and Chief Audit Executive (CAE) executes a written attestation that a sound internal audit, control and compliance system is in place and working effectively. The attestation is presented to and confirmed by the Audit and Risk Management during the meeting.

#### (c) Period covered by the review;

The Audit and Risk Management Committee periodically reviews the risk management system of the company through its meetings and review of required reports. The functions of the Audit and Risk Management Committee may include regular receipt from Management of information on risk exposures and risk management activities.

#### (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

This is done on an annual basis. In consultation with the Chief Executive Officer and Management Officers, the Internal Audit Committee prepares a detailed and flexible Annual Internal Audit Plan using risk-based, process focused methodology. This Annual Internal Audit Plan is submitted to the Audit and Risk Management Committee for approval.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<i>Credit risk</i>	<p>Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.</p> <p>The Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.</p> <p>The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.</p> <p>The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. The Group's policies include the following: setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.</p>	<p>The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.</p> <p>Key management recognizes the critical importance of having efficient and effective risk management systems in place.</p>
<i>Market risk</i>	N/A	N/A
<i>Foreign currency risk</i>	<p>Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.</p> <p>The Group manages its foreign currency risk exposure by matching, as much as</p>	<p>The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.</p>

	possible, receipts and payments in each individual currency.	Key management recognizes the critical importance of having efficient and effective risk management systems in place.
<i>Interest rate risk</i>	<p>Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.</p> <p>The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates.</p> <p>The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.</p>	
<i>Liquidity risk</i>	<p>Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.</p> <p>The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.</p>	

**(b) Group**

**Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:**

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Credit risk</i>	<p>Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.</p> <p>The Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.</p> <p>The Group has adopted a no-business</p>	<p>The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.</p> <p>Key management recognizes the critical importance of having efficient</p>

	<p>policy with customers lacking an appropriate credit history where credit records are available.</p> <p>The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. The Group's policies include the following: setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.</p>	and effective risk management systems in place.
<i>Market risk</i>	N/A	N/A
<i>Foreign currency risk</i>	<p>Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.</p> <p>The Group manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency.</p>	<p>The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.</p> <p>Key management recognizes the critical importance of having efficient and effective risk management systems in place.</p>
<i>Interest rate risk</i>	<p>Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.</p> <p>The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates.</p> <p>The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.</p>	
<i>Liquidity risk</i>	Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.	

	The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.	
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**(c) Minority Shareholders**

**Indicate the principal risk of the exercise of controlling shareholders' voting power.**

<b>Risk to Minority Shareholders</b>
Due to statutory limitations on the obligations of majority shareholders with respect to minority shareholders, minority shareholders are subject to the risk of the exercise by the majority shareholders of their voting power. However, the Corporation Code provides for minority shareholders' protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. The Corporation Code also grants shareholders an appraisal, right allowing a dissenting shareholder to require a corporation to purchase his shares in certain instances.

**3) Control System Set Up**

**(a) Company**

**Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:**

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<i>Credit risk</i>	Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.	<p>The Company's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.</p> <p>The Company has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.</p> <p>The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. The Group's policies include the following: setting up of exposure limits by each</p>



		counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.
<i>Market risk</i>	N/A	N/A
<i>Foreign currency risk</i>	Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	The Group manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency.
<i>Interest rate risk</i>	Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.  The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates.	The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.
<i>Liquidity risk</i>	Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.	The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

**(b) Group**

**Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:**

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<i>Credit risk</i>	Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.	The Company's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.  The Company has adopted a no-business policy with customers

		<p>lacking an appropriate credit history where credit records are available.</p> <p>The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. The Group's policies include the following: setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.</p>
<i>Market risk</i>	N/A	N/A
<i>Foreign currency risk</i>	Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	The Group manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency.
<i>Interest rate risk</i>	<p>Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.</p> <p>The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates.</p>	The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.
<i>Liquidity risk</i>	Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.	The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

**(c) Committee**

**Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:**

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors (BOD)	The BOD of the Company and the respective BOD of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks. Each BOD has created the board-level Audit and Risk Management Committee to spearhead the managing and monitoring of risks.	The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include: 1. Definition of the duties and responsibilities of the CEO; 2. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO; 3. Evaluation of proposed Senior Management appointments; 4. Evaluation of appointments of Management Officers; and 5. Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.
Audit and Risk Management Committee	The Audit and Risk Management Committee shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems, and both the internal and external audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.	The Audit and Risk Management Committee aims to ensure that: a. financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements; b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management; c. audit activities of internal and external auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal and external auditors; and d. the Group's BOD is properly assisted in the development of policies that would enhance the

		risk management and control systems.
Internal Controls Group	With the leadership of the Company's Chief Financial Officer (CFO), internal control is embedded in the operations of the company and each BU thus increasing their accountability and ownership in the execution of the BU's internal control framework.	To accomplish the established goals and objectives, BUs robust and efficient process controls to ensure: <ul style="list-style-type: none"> <li>a. Compliance with policies, procedures, laws and regulations</li> <li>b. Economic and efficient use of resources</li> <li>c. Check and balance and proper segregation of duties</li> <li>d. Identification and remediation control weaknesses</li> <li>e. Reliability and integrity of information</li> <li>f. Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud.</li> </ul>
Compliance Officer	The Compliance Officer assists the BOD in complying with the principles of good corporate governance.	He shall be responsible for monitoring actual compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties on such infringements for further review and approval of the BOD, among others.

#### Risk Management Support Groups

The Company's BOD created the following Corporate Center Units (CCU) to support the risk management activities of the Company's and its BUs:

1. Corporate Advertising and Public Relations (CAPR) – manages the brand image risk of the Conglomerate. CAPR ensures that communication initiatives that extend to the public are consistent with the established corporate image by monitoring the implementation and content of public relations programs and above-the-line media activities for the various BUs and Affiliates.
2. Corporate Affairs (CA) – acts as the official spokes group of the Company to national and local government offices as well as to the media to address reputational risk. CA helps in establishing strong relationships with internal and external partners and stakeholders that will enable the Conglomerate to promote a positive appreciation of corporate goals, initiatives and activities as well as champion advocacies and shape legislation critical to the business.
3. Corporate Governance Management Systems (CGMS) - ensures compliance with government regulatory requirements for Publicly Listed Companies (PLC), formulates and disseminates risk-controlled policies and procedures and approval authority matrices.

Under the supervision of CGMS and Corporate Procurement, the Corporate Supplier Accreditation Team (CORPSAT) administers supplier accreditation and enterprise-wide procurement policies to address procurement risks and ensure availability of goods and services of high quality and standards to all BUs.

4. Corporate Insurance Department (CID) - administers the insurance programs of BUs to mitigate risks concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances.
5. Corporate Planning (CORPLAN) – facilitates and administers the strategic planning, budgeting and performance review of the BUs.
6. Corporate Resources Group (CRG) consisting of:
  - a. Corporate Human Resources – ensures continuity of business operations by having the right and adequate pool of talents through succession planning, employee training and employee engagement.
  - b. Corporate Outsourcing – manages risks related to the engagement of third party management services.
  - c. Corporate Security and Safety – administers enterprise-wide implementation of policies affecting physical security of resources exposed to various forms of risks.
7. Corporate Tax Group – provides advisory and assists Top Management in ensuring risks related to tax are addressed and regulatory requirements are appropriately complied with.
8. Corporate Treasury – assists Top Management in managing finance-related risks including interest, foreign exchange, liquidity, investment and debt management etc.
9. General Counsel Group – sets the strategy and implementing guidelines from a legal perspective to address regulatory risks and ensure that the Conglomerate conducts its business in compliance with laws and regulations.

## **G. INTERNAL AUDIT AND CONTROL**

### **1) Internal Control System**

**Disclose the following information pertaining to the internal control system of the company:**

**(a) Explain how the internal control system is defined for the company;**

Internal Control System covers systematic measures which include reviews, checks and balances, methods and procedures. The company conducts its business in an orderly and efficient manner, safeguards its assets and resources, deters and detects errors and fraud, ensures the accuracy and completeness of its accounting data, prepares reliable and timely financial and management information and complies with the Company policies and procedures.

**(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;**

The Board through the Audit and Risk Committee monitors, evaluates and annually confirms the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security.

The company understands that the primary responsibility for the design, implementation and maintenance of internal control rest on Management; while the Board and its Audit and Risk Management Committee oversee actions of Management and monitor the effectiveness of controls put in place.

Audit and Risk Management Committee's purpose is to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security. And this committee meets quarterly and as often as necessary.

**(c) Period covered by the review;**

Preceding financial year.

**(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and**

Every quarter, the Corporate Internal Audit reports to the Audit and Risk Management Committee the summary of results of audit engagements / reviews and audits covering operational units of the Company and specific areas identified by Management. Material issues and its remedial measures, as reported by the Corporate Internal Audit group are monitored by Management and Audit and Risk Committee.

**(e) Where no review was conducted during the year, an explanation why not.**

Not applicable.

**2) Internal Audit**

**(a) Role, Scope and Internal Audit Function**

**Give a general description of the role, scope of internal audit work and other details of the internal audit function.**

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Corporate Internal Audit's role is to provide an independent and objective assurance and consulting services within the Company, designed to add value and improve the Corporation's operations.	-Scope of internal audit includes the examination and evaluation of the Company's risk management, controls, and processes.	In-house	Mr. Emmanuel B. De Pano	Corporate Internal Audit, headed by Corporate Audit Executive, reports functionally to the Audit and Risk Management of the Board of Directors

**(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

Ensure the establishment of an Internal Audit Department and the appointment of a Corporate Auditor and the terms and conditions of its engagement and removal.

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Corporate Internal Auditor functionally reports directly to the Audit and Risk Management Committee. As such, the Audit and Risk Management Committee establishes and identifies the reporting line of the Internal Auditor to enable the Internal Audit Group to properly fulfill its duties and responsibilities. The Audit and Risk Management ensures that, in the performance of the work of the Internal Audit, said group shall be free from interference by outside parties.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
<u>Melanie San Juan</u>	<u>Transferred to URC-International</u>
<u>Riolane Paragas</u>	<u>Transferred to another company (Bank of Makati)</u>
<u>Kathleen Cristina Cesar</u>	<u>Transferred to another company (Deutsche Bank)</u>
<u>Lalaine Arcilla</u>	<u>For health issue</u>
<u>Maricris Ganitnit</u>	<u>Transferred to another company (Anchor Land)</u>
<u>Janmarc Jenesis Martinez</u>	<u>Transferred to another company (Metrobank)</u>

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	On-going
<b>Issues<sup>8</sup></b>	No significant issues that would put the Company at major risk.
<b>Findings<sup>9</sup></b>	No significant findings that would put the Company at major risk.
<b>Examination Trends</b>	No significant examination trends were noted.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1. Preparation of an audit plan inclusive of timeline and milestones;
2. Conduct of examination based on the plan;
3. Evaluation of the progress in the implementation of the plan;
4. Documentation of issues and findings as a result of the examination;
5. Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6. Conduct of the foregoing procedures on a regular basis.

<sup>8</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>9</sup> "Findings" are those with concrete basis under the company's policies and rules.

**(f) Audit Control Policies and Procedures**

**Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”**

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<ol style="list-style-type: none"><li>1. Prepare a forward Strategic Audit Plan to set the direction and approach of audits in the long term.</li><li>2. In consultation with the Chief Executive Officer and Management Officers, prepare a detailed and flexible Annual Internal Audit Plan using risk-based, process focused methodology. This Annual Internal Audit Plan is submitted to the Audit and Risk Management Committee for approval.</li><li>3. Implement the approved Annual Internal Audit Plan in an effective, professional, and timely manner.</li><li>4. Report in a timely manner significant issues noted during the audit relating to the adequacy, efficiency, and effectiveness of policies, controls, processes, and activities of the Corporation. As directed by or under the policies of the Audit Committee, furnishes auditees and/or any other member of Management copies of the reports.</li><li>5. Recommend any improvement in policies and procedures, systems of controls, processes, and other financial and operational matters to assist Management in the effective discharge of their responsibilities, in order to minimize or prevent waste, extravagance, negative image, and fraud. Management is responsible to implement specific recommendations.</li><li>6. Draw attention to any failure to take remedial actions.</li><li>7. Report quarterly to the Audit and Risk Management Committee on the performance of the Internal Audit, which includes the status of audits, compliance with Annual Internal Audit Plan, significant interim changes, and the sufficiency of available</li></ol>	<p>The Chief Audit Executive of annually attests that the company has internal audit, controls, and compliance system in place and working effectively; in all material respects, compliant with the standards set out in the Corporate Audit Policy Manual. These processes provide an assurance that enables the senior management of the company to understand, manage and satisfactorily control risk exposures.</p> <p>Furthermore, the Chief Audit Executive states that the Audit Committee of the company is constituted and operates in accordance with the independence and governance requirements of the Manual.</p>



resources to Internal Audit.	
8. Keep informed the Audit and Risk Management Committee of emerging trends and successful practices in the field of internal audit.	
9. Coordinate with External Auditors and ensure that the audit works are complementary to optimize coverage at a reasonable cost.	
10. Comply with standards that are promulgated by the relevant professional and regulatory bodies.	
11. At the end of each calendar year, the Chief Executive Officer (CEO) and Chief Audit Executive (CAE) executes a written attestation that a sound internal audit, control and compliance system is in place and working effectively. The attestation will be presented by the CAE during the Audit Committee meeting. The attestation is presented to and confirmed by the Audit and Risk Management Committee during the meeting.	

**(g) Mechanism and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
To provide independence of the Internal Audit Group, the Chief Audit Executive reports directly to the Audit and Risk Management Committee in a manner outlined in the Audit Charter.  The Audit and Risk Management Committee performs oversight functions	The Company and its officers, staff and any other person who are privy to the material non-public information are prohibited to communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Commission and to the	The Company and its officers, staff and any other person who are privy to the material non-public information are prohibited to communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Commission and to the	The Company and its officers, staff and any other person who are privy to the material non-public information are prohibited to communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Commission and to the

<p>over the Company's internal and external auditors. It should act independently from each other and that both auditors are given unrestricted access to records, properties and personnel to enable them to perform their respective audit functions. The Board evaluates and determines the non-audit work, if any, of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. If the non-audit work is allowed, this should be disclosed in the Corporation's Annual Report.</p>	<p>Exchanges except if the disclosure is made to:</p> <ul style="list-style-type: none"> <li>• A person who is bound by duty to maintain trust and confidence to the Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and</li> <li>• A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.</li> </ul>	<p>Exchanges except if the disclosure is made to:</p> <ul style="list-style-type: none"> <li>• A person who is bound by duty to maintain trust and confidence to the Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and</li> <li>• A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.</li> </ul>	<p>Exchanges except if the disclosure is made to:</p> <ul style="list-style-type: none"> <li>• A person who is bound by duty to maintain trust and confidence to the Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and</li> <li>• A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.</li> </ul>
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- (h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.**

Compliance with the principles of good governance is one of the objectives of the Board of Directors. To assist the Board in achieving this purpose, the Board has designated a Compliance Officer, who reports to the Chairman, who shall be responsible for monitoring the actual compliance of the Company with the provisions and requirements of good governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties for such infringements for further review and approval of the Board, among others. The Governance, Nomination and Election Committee shall monitor, evaluate and confirm the Corporation's full compliance with the code of corporate governance and where there is non-compliance, identify and explain reasons for each such issue.

## H. ROLE OF STAKEHOLDERS

### 1. Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	The Company has Customer Relations Policy and procedures to ensure that customers' welfare are protected and questions addressed	Customers are informed with the Company's customer relations contacts to ensure that their welfare and questions are addressed.
Supplier/contractor selection practice	We have Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments to the company.	Suppliers and contractors undergo accreditation and orientation on company policies.
Environmentally friendly value-chain	The Company complies with government mandated policies on the environment.	Required environment management systems and energy management are rigidly complied with by the company.
Community interaction	The Company focuses on uplifting the socio-economic condition of the country through education.	The Company partners with organizations that promote education of Filipinos through grants, endowments, scholarships, and educational facilities.
Anti-corruption programmes and procedures?	The Company has policies that cover Business Conduct, Conflict of Interest Policy, Offenses Subject to Disciplinary Action Policy, among others.	New employees are oriented regarding policies and procedures related to Business Conduct and similar policies. All employees are given periodic reminders. Further, all concerned employees of the Conglomerate are required to comply with the Annual Self-Disclosure Activity on an annual basis.
Safeguarding creditors' rights	<p>The Company upholds creditors' right by honoring contracted obligations and providing information required under the Revised Disclosure Rules and the Securities Regulation Code, if applicable, audited financial statements prepared compliant with applicable financial reporting standards, and other periodic reports compliant with the provisions of law, loan covenants and other regulatory requirements.</p> <p>This policy aims to:</p> <ol style="list-style-type: none"> <li>1. Provide the guiding principles to ensure protection of creditors' rights.</li> <li>2. To identify the duties of responsible departments in protecting the rights of creditors.</li> </ol>	There is regular communication with creditors through briefings and the like.

	This policy shall cover the documentation, reporting and disclosure requirements to promote transparency for the protection of the rights of creditors of the Company.	
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2. **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

No. The Company's Corporate Responsibility Report is part of the Annual Report.

3. **Performance-enhancing mechanisms for employee participation.**

**(a) What are the company's policy for its employees' safety, health, and welfare?**

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

Moreover, the Company has the following policies in place to promote the advocacy of employees' safety, health and welfare:

- **Health, Safety and Welfare** – The Company is committed to undertake all reasonable steps to ensure the health, safety and welfare for the best interest of our stakeholders and the communities where we live and work by complying with the provisions of law, industry rules and regulations, standards of independent accreditation bodies where the Company obtained accreditation and contractual obligations.
- **Drug-Free Workplace** – The Company aims to safeguard the integrity and personal well-being of its employees from the harmful effects of dangerous drugs. The company shall likewise defend its employees against all acts or omissions due to dangerous drugs that are detrimental to their development and preservation.
- **Workplace Policy on the Prevention and Control of HIV and AIDS, Hepatitis B and Tuberculosis** – The policy aims to provide employees with information and guidance in the diagnosis, treatment and prevention of HIV and AIDS, Hepatitis B and Tuberculosis in the workplace, ensure that the employees' rights against discrimination and confidentiality maintained and promote a healthy and safe work environment in accordance with the statutory requirements.
- **Retirement Program** – This policy elaborates and covers the retirement and separation benefits of qualifies employees of the Company, its local subsidiaries and affiliates.
- **Company and Government Mandated Leaves** – This shall prescribe the policies regarding leave benefits of employees. The fundamental principle of this policies is to standardized leave entitlement, its availment and the implementing guidelines for each business unit.

**(b) Show data relating to health, safety and welfare of its employees.**

To ensure that the employees of the Company maintain a healthy balance between work and life, health and wellness programs are organized for these employees. Professionals are invited to conduct classes of Zumba, Tai Chi, and other activities in our work site. The Company has also partnered with fitness gyms to offer special membership rates to employees. This is in addition to the free use of gym facilities in the different installations.

Year on year, the Company has facilitated an Annual Physical Exams (APE) to the employees. Further, the Company offers vaccinations such as against flu and cervical cancer not only to employees but to their dependents as well. The Company has worked with healthcare providers in identifying top diseases based on utilization report and has invited resource speakers to talk about preventive measures.

To ensure the safety of the Company's employees, a Corporate Emergency Response Team (CERT) has been created that will be activated and will become the "command center", orchestrating initiatives across the conglomerate during a crisis. Also, the CERT shall be responsible for the periodic review of contingency plans and the institution's emergency preparedness and response procedures to ensure that effective responses and responsible policies are in place to deal with crisis or emergency situations.

**(c) State the company's training and development programmes for its employees. Show the data.**

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development or what is commonly known as JG-ILED.

JG-ILED is the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

JG-ILED curriculum comprises of the following:

Core Program – programs designed to ensure employees have the foundation needed to perform job effectively. It also covers key people skills training that will help supervisors and managers in leading their teams to perform to the optimum level.

- Basic Management Program (BMP)
- Coaching for Effectiveness (CFE)
- Problem Solving and Decision Making (PSDM)
- Employee Discipline Program (EDP)
- Achieving Customer Service Excellence (ACE)

Management Development Program – program that aims to enhance the leadership capability and business acumen of all JGS leaders.

- Finance for Senior Executives
- Strategic Communication Program
- Executive Coaching Program
- Advanced Negotiation Skills
- Leading and Managing Change
- Strategy Planning and Execution
- Becoming People Leaders

Human Resources Development Program – courses designed to ensure employees have a common understanding of the HR processes and systems by which the company operates.

- Job Evaluation
- Competency-Based System
- Organization Design and Manpower Planning
- Labor Relations Management
- Performance Management System
- Targeted Selection – Competency Based Interviewing

**(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures**

The Company has policies on annual merit increase, promotion and salary adjustments that are tied-up to the employees' performance assessments.

The Company promotes a culture of recognition and value for key and high performing employees who demonstrate excellence at the workplace. Recognition programs are maximized to promote and reinforce behavior that are consistent with the values and desired culture of the company.

Performance will be the main driver for total rewards. Rewards programs are therefore differentiated across businesses and among employees according to their contributions and levels of performance with a significant share given to high performers.

The Company provides adequate benefits to cover the needs of its employees, where possible, through shared accountability between the Company and its employees.

The rewards philosophy adopts an integrated approach, embodied by the 3Ps in compensation: Pay for the Position, Pay for the Performance, and Pay for the Person. The Company pays for the Position through its job evaluation system. It Pays for Performance through its performance management system which is linked to its merit increases. The Company pays for the Person through its competency-based and succession planning systems.

**4. What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

Employees can submit complaints to the Conflict of Interest Committee (CICOM) or any officer of the Company who would relay said complaints to the Committee. Reports or disclosures can be made in writing or by email using the following contact details:

	Details
a. email address	<a href="mailto:CICOM@robinsonsjretail.com.ph">CICOM@robinsonsjretail.com.ph</a>
b. fax number	395-3888
c. mailing address	CICOM JG Summit Holdings, Inc. 44th Flr. Robinsons Equitable Tower ADB Avenue, Cor., Poveda Road, Pasig City
Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only"	

The complaint shall be filed using the Complaint/Disclosure Form (CDF) which will be available in the Company Website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM.

**Protection from Retaliation**

The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in its enforcement. A Whistleblower, who on account of his Complaint, is subjected to actual or threatened retaliation or harassment, shall be afforded protection in accordance with the applicable company policies.

## I. DISCLOSURE AND TRANSPARENCY

### 1. Ownership Structure

#### (a) Holding 5% shareholding or more (as of December 31, 2016)

Shareholder	Number of Shares	Percent	Beneficial Owner
JE Holdings, Inc.	484,749,997	35.00%	Same as record owner
PCD Nominee Corporation (Non-Filipino)	<u>339,201,590</u>	<u>24.49%</u>	PCD Participants & their clients
Lance Y. Gokongwei	126,727,500	9.15%	Same as record owner
Robina Y. Gokongwei-Pe	105,952,500	7.65%	Same as record owner
PCD Nominee Corporation (Filipino)	<u>143,412,457</u>	<u>10.35%</u>	PCD Participants & their clients

Name of Director	Number of Direct Shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Lance Y. Gokongwei	126,727,500	0	9.15%
Lance Y. Gokongwei &/or Elizabeth Gokongwei	35,317,499	0	2.55%
Robina Y. Gokongwei-Pe	105,952,500	0	7.65%
James L. Go	41,550,000	0	3.00%
Lisa Y. Gokongwei-Cheng	35,317,500	0	2.55%
Faith Y. Gokongwei-Lim	35,317,500	0	2.55%
John L. Gokongwei, Jr.	1	0	0.00%
Hope Y. Gokongwei-Tang	1	0	0.00%
Antonio L. Go	1	0	0.00%
Roberto R. Romulo	1	0	0.00%
<b>TOTAL</b>	<b>380,182,503</b>	<b>0</b>	<b>27.45%</b>

### 2. Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No

Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

**Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.**

The training and/or continuing educational program attended by each director is reported on a separate disclosure. The number of Board meetings and attendance details are reported annually to the Commission in a separate disclosure. Details of remuneration are indicated in the Definitive Information Statement that is likewise disclosed annually or as needed.

### 3. External Auditor's fee

Name of Auditor	Audit Fee	Non-Audit Fee
SyCip, Gorres, Velayo & Co.	P6,359,160	P288,750*

\* covers the quarterly Use of IPO Proceeds Report being validated by the External Auditor

### 4. Medium of Communication

**List down the mode/s of communication that the company is using for disseminating information.**

The following modes of communication are being used by the company to disseminate information:

- Electronic and regular mail
- Telecommunication facilities
- Hard copy of documents
- Website

### 5. Date of release of audited financial report:

The Audited Consolidated Financial Statements for fiscal year ended December 31, 2015 was submitted to the SEC on April 14, 2016.

### 6. Company Website

**Does the company have a website disclosing up-to-date information about the following?**

Business operations	Yes, for companies under RRHI, <u>under Retail Segments tab</u>
Financial statements/reports (current and prior years)	Yes, under Investor Relations <u>and Disclosures tabs</u>
Materials provided in briefings to analysts and media	Yes, under Investor Relations tab
Shareholding structure	Yes, under <u>Our Company tab</u>
Group corporate structure	Yes, under <u>Our Company tab</u>



Downloadable annual report	Yes, under Annual Reports tab found under Investor Relations and <u>Disclosures</u> tabs
Notice of AGM and/or EGM	Yes, under <u>SEC Filings</u> found under <u>Disclosures</u> tab
Company's constitution (by-laws, memorandum and articles of association)	Yes, under <u>Our Company</u> tab

**Should any of the foregoing information be not disclosed, please indicate the reason thereto.**

## 7. Disclosure of RPT

RPT	Relationship	Nature	Value
Please refer to Note 25 of the Notes to the Audited Consolidated Financial Statements as of December 31, 2015.			

**When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?**

The Company policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

**Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.**

<b>Quorum Required</b>	A majority of the subscribed capital, present in person or represented by proxy, shall be sufficient at a stockholders' meeting to constitute a quorum for the election of directors and for the transaction of any business whatsoever, except in those cases in which the Corporation Code requires the affirmative vote of a greater proportion.
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#### (b) System Used to Approve Corporate Acts

**Explain the system used to approve corporate acts.**

<b>System Used</b>	Included in the agenda of the stockholders' meeting
<b>Description</b>	Every stockholder shall be entitled to vote for each share of stock held by him, which shall be by viva voce or show of hands

**(c) Stockholders' Rights**

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Stockholders' Rights concerning Annual/Special Stockholders Meeting are in accordance with provisions stated in the Corporation Code.	The stockholders' rights concerning Annual/Special Stockholders' Meeting are consistent with those laid down in the Corporation Code.

**Dividends**

Declaration Date	Record Date	Payment Date
<u>June 9, 2016</u>	<u>June 29, 2016</u>	<u>July 25, 2016</u>

**(d) Stockholders' Participation**

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Stockholders are given the opportunity to ask questions during the stockholders' meeting	<ol style="list-style-type: none"><li>1. Stockholders are provided with the disclosures, announcements and reports filed with SEC, PSE through public records, press statements and the Company's website.</li><li>2. The Corporate Secretary shall:<ol style="list-style-type: none"><li>a) Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings together with the rationale and explanation of each item in the agenda and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.</li><li>b) Release to the Exchange the notice of Annual Shareholders' Meeting (ASM) with detailed agendas and explanatory circulars, at least twenty eight (28) days before the date of the meeting. The notice of the meeting includes the date, time, venue and agenda of the meeting, the record date of stockholders entitled to vote, and the date and place of proxy validation.</li></ol></li></ol>

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company complies with the Corporation Code and the Securities Regulations Code on the above matters.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

The Company released to the Exchange the notice of Annual Shareholders' Meeting (ASM) with detailed agendas and explanatory circulars, at least twenty eight (28) days before the date of the meeting. The company complies with the SRC Rule 20 (Disclosures to stockholders prior to meeting) which provides that the information statement, including the notice of meeting, shall be distributed to stockholders at least 15 business days before the date of the stockholders' meeting. The shares of the Company were listed in the Philippine Stock Exchange on November 11, 2013. The relevant date pertaining to the last joint special meeting of the Board of Directors and Stockholders of the company is set forth below:

- a. Date of sending out notices: May 18, 2016
- b. Date of the Annual/Special Stockholders' Meeting: June 9, 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

The usual questions during the Annual Stockholders' meeting pertain to dividends of the Company.

5. Result of Annual/Special Stockholders' Meeting's Resolutions – June 9, 2016

Resolution	Approving	Dissenting	Abstaining
Election of Board of Directors	More than a majority vote	N/A	Less than 2%
Election of external auditor	More than a majority vote	N/A	Less than 1%

Name of Director	In Favor	Against	Abstain
John L. Gokongwei, Jr.	979,332,089	114,645,027	15,987,820
James L. Go	985,954,119	124,010,817	-
Lance Y. Gokongwei	1,053,670,094	56,294,842	-
Robina Y. Gokongwei-Pe	976,099,909	133,865,027	-
Lisa Y. Gokongwei-Cheng	1,030,119,251	79,845,685	-
Faith Y. Gokongwei-Lim	1,034,971,331	74,993,605	-
Hope Y. Gokongwei-Tang	1,034,971,331	74,993,605	-
Antonio L. Go	1,109,833,776	131,160	-
Roberto R. Romulo	1,082,886,184	27,078,752	-

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of the resolutions approved by the stockholders at the annual meeting of the stockholders of the company held on June 9, 2016 were disclosed to the Philippine Stock Exchange on June 10, 2016 and to the Securities and Exchange Commission on June 10, 2016.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: June 9, 2016

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	John L. Gokongwei, Jr.	<u>June 9, 2016</u>	<u>As stated in the Definitive Information Statement (DIS):</u>  <u>Voting Procedure:</u>  <u>The vote required for approval or election:</u>  <u>Pursuant to Article VI, Section 6 of the By-Laws of the Corporation, a majority of the outstanding capital stock, present in person or represented by proxy, shall constitute a quorum at a stockholders' meeting for the election of directors and for the transaction of any business, except in those cases in which the Corporation Code requires the affirmative vote of a greater proportion.</u>  <u>The method by which votes will be counted:</u>  <u>Article VI, Section 7 of</u>	<u>62.45%</u>	<u>17.69%</u>	<u>80.14%</u>
	James L. Go					
	Lance Y. Gokongwei					
	Robina Gokongwei-Pe					
	Lisa Y. Gokongwei-Cheng					
	Faith Y. Gokongwei-Lim					
	Hope Y. Gokongwei-Tang					
	Antonio L. Go					
	Roberto R. Romulo					
	Bach Johann M. Sebastian					
	Diosdado Felix A. Zapata III					
	Mylene Kasiban					
	Graciela A. Banatao					
	Rosalinda F. Rivera					
	Gilbert S. Millado Jr.					

			<p><u>the By-Laws of the Corporation provides that at each meeting of the stockholders, every stockholder, in person or by proxy, shall be entitled to vote the number of shares registered in his name which has voting rights upon the matter in question. The votes for the election of directors, and, except upon demand by any stockholder, the votes upon any question before the meeting, except with respect to procedural questions determined by the Chairman of the meeting, shall be by viva voce or show of hands.</u></p> <p><u>Article VI, Section 8 of the By-Laws also provides that stockholders may vote, at all meetings, the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented and received by the Secretary for inspection and recording not later than five (5) business days before the time set for the meeting, except such period shall be reduced to one (1) business day for meetings that are adjourned due to lack of quorum. No proxy bearing a signature which is not legally acknowledged by the</u></p>			
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			<p><u>Secretary shall be honored at the meetings. Proxies shall be valid and effective for five (5) years, unless the proxy provides for a shorter period, and shall be suspended for any meeting wherein the stockholder appears in person.</u></p> <p><u>Article II, Section 1.1 of the By-Laws provides that the directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates.</u></p> <p><u>The Secretary shall record all the votes and proceedings of the stockholders and of the directors in a book kept for that purpose.</u></p>			
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- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, SGV & Co. was appointed as the independent party to count and/or validate the votes at the Company's ASM held on June 9, 2016.

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes

**(g) Proxy Voting Policies**

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The stockholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy, duly given in writing and duly presented to and received by the Secretary for inspection and recording not later than five (5) working days before the time set for the meeting, except such period shall be reduced to one (1) working day for meetings that are adjourned due to lack of the necessary quorum. No proxy bearing a signature which is not legally acknowledged by the Secretary shall be honored at the meetings.
Notary	Not required
Submission of Proxy	See above
Several Proxies	Not applicable
Validity of Proxy	The proxies shall be valid and effective for five (5) years, unless the proxy provides for a shorter period, and shall be suspended for any meeting wherein the stockholder appears in person.
Proxies executed abroad	Not applicable
Invalidated Proxy	
Validation of Proxy	<u>Internal</u> validation of proxies shall be held at the date, time and place as may be stated in the Notice of stockholders' meeting which in no case shall be five calendar days prior to the date of stockholders meeting.  <u>Further, the Company appointed SGV &amp; Co. as the independent party to count and/or validate the votes at the Company's ASM held on June 9, 2016.</u>
Violation of Proxy	Any violation of this rule on proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void.

**(h) Sending of Notices**

**State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.**

Policies	Procedure
The Company complies with the SRC Rule 20 (Disclosures to stockholders prior to meeting) which provides that the information statement, including the notice of meeting, shall be distributed to stockholders at least 15 business days before the date of the stockholders' meeting.	By courier and mail The Notice of Annual Stockholders' Meeting with agenda explanation was posted in the Exchange on <u>April 21, 2016</u> .

**(i) Definitive Information Statements and Management Report**

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<u>28</u>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<u>May 18, 2016</u>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<u>May 18, 2016</u>
State whether CD format or hard copies were distributed	CD format
If yes, indicate whether requesting stockholders were provided hard copies	There were no requests made for hard copies

**(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:**

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	The Company does not solicit proxy votes

**Should any of the foregoing information be not disclosed, please indicate the reason thereto.**



## 2) Treatment of Minority Stockholders

### (a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<p>The Company recognizes that the strongest proof of good corporate governance is what is publicly seen and experienced by its stockholders. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Company and all its stockholders.</p> <p>The Board shall be committed to respect the following rights of the stockholders in accordance with the Corporation Code and the Company's Articles of Incorporation and By-Laws:</p> <ul style="list-style-type: none"> <li>• Right to Vote on All Matters that Require Their Consent or Approval</li> <li>• Right to Inspect Corporate Books and Records</li> <li>• Right to Information</li> <li>• Right to Dividends</li> <li>• Appraisal Right</li> </ul> <p>The Board shall be transparent and fair in the conduct of the annual and special stockholders meetings of the Company. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</p> <p>It shall be the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for violation of their rights.</p> <p>The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.</p>	<p>Implemented</p>

**(b) Do minority stockholders have a right to nominate candidates for board of directors?**

Yes.

**K. INVESTORS RELATIONS PROGRAM**

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

RRHI makes use of its local area network to email and inform employees of new developments in the company (ie. hiring of new senior officers, promotions, accolades/awards received by the company and its subsidiaries and affiliates, etc). Usually, it is Corporate HR which is in charge of this, after securing clearance from Senior Management.

For communications outside of the company, usually it is the Investor Relations Officer and Corporate Secretary's Office which discloses the information to the public through disclosure to the SEC, PSE, and to the media, after securing clearance and approval from the Corporate Planning Vice President and the senior management.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
(1) Objectives	To provide timely, relevant and accurate information to the public
(2) Principles	Transparency to shareholders and the general public
(3) Modes of Communications	Via disclosures to PSE, press releases, meetings with investors, presentations to shareholders, etc
(4) Investors Relations Officer	<p>Bach Johann M. Sebastian SVP for Corporate Planning Telephone # 395-2182 Fax # 395-2253 <a href="mailto:bj.sebastian@jgsummit.com">bj.sebastian@jgsummit.com</a></p> <p>Gina R. Dipaling Corporate Planning Manager and Investor Relations Officer Telephone # 631-1490 Fax # 635-0751 to 64 ext. 555 <a href="mailto:gina.dipaling@robinsonsretail.com.ph">gina.dipaling@robinsonsretail.com.ph</a></p>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

- the transaction must create value to the market
- the transaction must be value-accretive and have synergies with JG and/or its subsidiaries

**Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.**

The Company actively evaluates potential mergers and acquisitions. Once management believes that the transaction is in-line with the Company's strategies and will be value-accretive based on internal valuation and analysis, the board appoints an independent party to evaluate the fairness of the transaction price.

#### L. CORPORATE ` RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

### Corporate Social Responsibility Report

<b>Business Unit: Robinsons Supermarket Corporation</b>				
<b><u>Description of Activity/Initiative</u></b> <b><u>(include specific internal organization involved)</u></b>	<b><u>Beneficiary / Organization</u></b>	<b><u>Highlights/ Accomplishments</u></b>	<b><u>Perceived Impact</u></b>	<b><u>Date of Implementation / Point of Contact</u></b>
<b><u>Bright Smiles, Bright Future</u></b> <u>(Robinsons Supermarket Corp. and Colgate CSR Project)</u> <u>February 15- March 31, 2016</u>  <u>PHP 5 donation will be given to World Vision for every purchase of Colgate Participating Products</u>	<u>World Vision</u>	<ul style="list-style-type: none"> <li><u>Donated PHP334,495 to World Vision</u></li> </ul>	<ul style="list-style-type: none"> <li><u>Fund will be used to support Robinsons Supermarket's 115 sponsored kids in World Vision</u></li> </ul>	<u>February 15 – March 31, 2016</u>  <u>Date of turnover of check: April 18, 2016</u>
<b><u>Bags of Hope (9<sup>th</sup> year)</u></b> <u>Unilever – Robinsons Supermarket (RSC) Tie-up</u>  <u>PHP 5 donation will be given to World Vision for every Bags of Hope purchased at the store</u>	<u>World Vision</u>	<ul style="list-style-type: none"> <li><u>Donated PHP1,101,000 worth of school supplies to World Vision</u></li> </ul>	<ul style="list-style-type: none"> <li><u>School supplies will benefit 15,000 students from World Vision assisted communities</u></li> </ul>	<u>Turnover : August 28, 2016 at Robinsons Magnolia Mall</u>
<b><u>World Bread Day</u></b>  <u>PHP 5 donation will be given to World Vision for every premium item.</u>	<u>World Vision</u>	<ul style="list-style-type: none"> <li><u>Accumulated PHP320,000 from the promo</u></li> </ul>	<ul style="list-style-type: none"> <li><u>Fund will be used to support RSC's 115 sponsored kids in World Vision</u></li> </ul>	<u>October 1 -31, 2016</u>  <u>*amount still for turnover as of November 8, 2016</u>

<b>Business Unit: Robinsons Supermarket Corporation</b>				
<u>Description of Activity/Initiative (include specific internal organization involved)</u>	<u>Beneficiary / Organization</u>	<u>Highlights/ Accomplishments</u>	<u>Perceived Impact</u>	<u>Date of Implementation / Point of Contact</u>
<b><u>Give Wellness</u></b>  <u>Customers bike to reach PHP100,000 worth of donations to World Vision</u>	<u>World Vision</u>	<ul style="list-style-type: none"> <li>• <u>To donate PHP100,000 to World Vision</u></li> <li>• <u>200 participants joined the two-day activity</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Fund will be used to support RSC's 115 sponsored kids in World Vision</u></li> </ul>	<u>Turnover/ Event date :</u>  <u>November 5, 2016</u>
<b><u>Green Fund</u></b>	<u>Quezon City Public Schools</u>	<ul style="list-style-type: none"> <li>• <u>RSC to donate 1,500 school chairs to Pasong Tamo Elementary School (first beneficiary school)</u></li> <li>• <u>RSC is the first retailer to utilize its Green Fund for a project in Quezon City (QC)</u></li> <li>• <u>School chairs are made from recycled plastic.</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>RSC commits to donate at least 11,000 school chairs in select QC public schools.</u></li> </ul>	<u>Ceremonial Turnover – November 14, 2016</u>

## ANNEX A: Pictures of Activities

### **1. Activity: Bright Smiles, Bright Future(Robinsons Supermarket Corp.and Colgate CSR Project)**

<u>Caption:</u>	<u>Check Turnover to World Vision</u>
<u>In photo (From Left):</u>	<u>Manvedra Singh, Commercial director of Colgate Philippines; Stephen Lau, VP/ General Manager of Colgate Philippines; Jun Gordones, Director of World Vision; Jody dela Cruz, executive director of World Vision Philippines ; Robina Gokongwei-Pe, President and COO of RRHI ; Jody Gadia, General Manager of Robinsons Supermarket</u>
<u>Date picture was taken:</u>	<u>April 18, 2016</u>



## 2. Activity: Bags of Hope (Robinsons Supermarket Corporation and Unilever Project)

Caption:	<u>Unilever and Robinsons Supermarket give Bags of Hope to World Vision</u>
In photo (From Left):	<u>Miriam Quiambao, host of the activity ; Mr. Jody Gadia, General Manager of RSC ; Ms. Mai Apilado, AVP for Merchandising, RSC ; Mr. Jun Gordones, Director for World Vision Philippines ; Mr. Benjie Yap, Customer Development Vice-President, Unilever ; and Mr. Jay Go, Modern Trade Director, Unilever.</u>
Date picture was taken:	<u>August 28, 2016</u>



**Business Unit: Robinsons Townville Malls**

<u>Description of Activity/Initiative (include specific internal organization involved)</u>	<u>Beneficiary / Organization</u>	<u>Highlights/ Accomplishments</u>	<u>Perceived Impact</u>	<u>Date of Implementation / Point of Contact</u>
<p><b><u>Robinsons ACTS (CSR Program of Robinsons Townville Malls)</u></b></p> <p><b><u>Activity 1: RECYCLING</u></b></p> <p><u>The kid beneficiaries were taught the importance of taking care of the environment through storytelling and an art workshop using recycled materials.</u></p>	<p><u>Each Robinsons Townville mall has a beneficiary found within the community where it belongs:</u></p> <ul style="list-style-type: none"> <li><u>Townville Cabanatuan-Bgy. San Juan ACCFA</u></li> <li><u>Townville Pulilan-AKAP Pulilan</u></li> <li><u>Townville Meycauayan-Bgy. Camalig</u></li> <li><u>Townville Regalado-Bgy. Fairview</u></li> <li><u>Townville BF Parañaque-My Father's House</u></li> <li><u>Townville Buhay Na Tubig-Children's Joy</u></li> </ul> <p><u>Robinsons Abreeza-Balay Dangupan</u></p>	<ul style="list-style-type: none"> <li><u>Advocating the spirit of volunteerism, 79 volunteers participated in this project</u></li> <li><u>59 of the volunteers came from the pool of regular customers who signed up for the project while the 20 volunteers came from Robinsons Supermarket Corp. (RSC) employees</u></li> <li><u>100 kids benefited from the activities that included storytelling, art workshop and a hearty snack</u></li> <li><u>100 sets of Daiso colored pens and coloring books sponsored by DENR were also given to the children</u></li> </ul>	<ul style="list-style-type: none"> <li><u>The children were very happy with the activities and were looking forward to more activities from Robinsons ACTS for the year</u></li> <li><u>Due to the great response from RSC employee volunteers, the next activity would be opened up to all RRHI employees.</u></li> </ul>	<ul style="list-style-type: none"> <li><u>May 29, 2016- My Father's House</u></li> <li><u>May 30, 2016- Akap Pulilan</u></li> <li><u>June 3, 2016- Bgy. Camalig</u></li> <li><u>June 19, 2016- Bgy. Fairview</u></li> <li><u>June 25, 2016- Bgy. San Juan ACCFA</u></li> <li><u>July 24, 2016- Balay Dangupan</u></li> </ul>

**Business Unit: Robinsons Townville Malls**

<b>Description of Activity/Initiative</b> (include specific internal organization involved)	<b>Beneficiary / Organization</b>	<b>Highlights/ Accomplishments</b>	<b>Perceived Impact</b>	<b>Date of Implementation / Point of Contact</b>
<b>Activity 2: KEEPING MYSELF HEALTHY</b> <u>The kid beneficiaries were taught the value of taking care of themselves by eating right, proper hygiene and exercise. Activities included singing, dancing and a fun zumba session for the kids.</u>	<u>Each Robinsons Townville mall has a beneficiary found within the community where it belongs:</u> <ul style="list-style-type: none"> <li><u>Townville Cabanatuan-Brgy. San Juan ACCFA</u></li> <li><u>Townville Pulilan-AKAP Pulilan</u></li> <li><u>Townville Meycauayan-Bgy. Camalig</u></li> <li><u>Townville Regalado-Bgy. Fairview</u></li> <li><u>Townville BF Parañaque-My Father's House</u></li> <li><u>Townville Buhay Na Tubig-Children's Joy</u></li> <li><u>Robinsons Abreeza-Balay Dangupan</u></li> </ul>	<ul style="list-style-type: none"> <li><u>90 volunteers, composed of customers and RRHI employees, participated</u></li> <li><u>120 kids benefited from this leg</u></li> <li><u>The kids were given toiletries from Procter and Gamble and t-shirts from Robinsons Department Store</u></li> <li><u>Food was sponsored by Robinsons Appliances, Midea and Swift</u></li> </ul>	<ul style="list-style-type: none"> <li><u>The children imbibed the values being taught to them through a fun way of learning</u></li> <li><u>More people are becoming involved in the project; Curve Entertainment has volunteered to arrange the jingle for Robinsons ACTS</u></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
<b>Activity 3: ONE LOVE A DAY</b> <u>To celebrate Christmas, the kids receive Christmas gifts from the volunteers as well as have a fun carolling session with the mall tenants.</u>	<u>Each Robinsons Townville mall has a beneficiary found within the community where it belongs:</u> <ul style="list-style-type: none"> <li><u>Townville Cabanatuan-Bgy. San Juan ACCFA</u></li> <li><u>Townville Pulilan-AKAP Pulilan</u></li> <li><u>Townville Meycauayan-Bgy. Camalig</u></li> <li><u>Townville</u></li> </ul>	<ul style="list-style-type: none"> <li><u>The children received Christmas gifts from the volunteers and made Christmas cards which they gave to the volunteers.</u></li> <li><u>The kids also had a fun carolling session with the mall tenants capped off by snacks and refreshments.</u></li> </ul>	<ul style="list-style-type: none"> <li><u>The children were very happy with the gifts they received from the volunteers.</u></li> </ul>	<ul style="list-style-type: none"> <li><u>November 5, 2016-Akap Pulilan</u></li> <li><u>November 6, 2016-My Father's House</u></li> <li><u>November 12, 2016-Bgy. San Juan ACCFA</u></li> <li><u>November 13, 2016-Children's Joy</u></li> <li><u>November 19, 2016-Bgy. Camalig</u></li> <li><u>November 20,</u></li> </ul>




	<u>Regalado-</u> <u>Bgy. Fairview</u> <ul style="list-style-type: none"> <li>• <u>Townville BF</u> <u>Parañaque-My</u> <u>Father's House</u></li> <li>• <u>Townville Buhay</u> <u>Na Tubig-</u> <u>Children's Joy</u></li> <li>• <u>Robinsons</u> <u>Abreeza-Balay</u> <u>Dangupan</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Robinsons</u> <u>Specialty Stores</u> <u>sponsored t-</u> <u>shirts and Daiso</u> <u>Japan gave</u> <u>colored pens.</u></li> <li>• <u>For food, Swift</u> <u>and CDO</u> <u>provided</u> <u>hotdogs.</u> <u>Suncrest Food</u> <u>Corp and</u> <u>Gardenia</u> <u>Bakeries</u> <u>donated bread</u> <u>while Summit</u> <u>gave bottled</u> <u>water.</u></li> <li>• <u>The children</u> <u>were also taught</u> <u>the Robinsons</u> <u>ACTS songs.</u></li> </ul> <p><i><u>*for November 5 and</u></i>  <i><u>6 activities</u></i></p>		<u>2016-Bgy.</u> <u>Fairview</u> <ul style="list-style-type: none"> <li>• <u>December 3,</u> <u>2016-Balay</u> <u>Dangupan</u></li> </ul>
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## ANNEX A: Pictures of Activities

### Robinsons ACTS

#### 1. Activity: Recycling

<u>Caption:</u>	<u>Toni Pet facilitates the art workshop at Bgy. Fairview, Quezon City for Robinsons Townville Regalado.</u>
<u>Date picture was taken:</u>	<u>June 19, 2016</u>
	

#### 2. Activity: Keeping Myself Healthy

<u>Caption:</u>	<u>The children of Bgy. Camalig were taught how to exercise through a fun zumba session at Robinsons Townville Meycauayan.</u>
<u>Date picture was taken:</u>	<u>August 12, 2016</u>
	

### 3. Activity: One Love A Day (Pulilan)

<u>Caption:</u>	<u>The differently-abled children of Pulilan, Bulacan showed off their Christmas cards bearing heart-warming messages for the volunteers.</u>
<u>Date picture was taken:</u>	<u>November 5, 2016</u>



### 4. Activity: One Love A Day (BF-My Father's House)

<u>Caption:</u>	<u>The children of My Father's House beamed with delight as they received their early Christmas gifts from the volunteers.</u>
<u>Date picture was taken:</u>	<u>November 6, 2016</u>



Business Unit: Robinsons Department Store				
<u>Description of Activity/Initiative (include specific internal organization involved)</u>	<u>Beneficiary / Organization</u>	<u>Highlights/ Accomplishments</u>	<u>Perceived Impact</u>	<u>Date of Implementation / Point of Contact</u>
<p><b><u>Gift Giving and Taekwondo Bright Future Program:</u></b></p> <p>Since 2010, Robinsons Department Store has been providing support, goodwill and practical help to Right Start Foundation's major programs for underprivileged children.</p> <p>Donations are given to the kids of Right Start Foundation.</p>	<u>Right Start Foundation</u>	<p>Robinsons Department Store (RDS) supports Right Start's Taekwondo for a Bright Future Program. RDS donated funds to help sustain the program, trainings and competitions throughout 2016. On the other hand, its trade partner Goldwing Enterprises donated uniforms for the kids.</p>	<p>Funds donated will be used under the Program such as but not limited to the following:</p> <ul style="list-style-type: none"> <li>-Gear</li> <li>-Coach and Trainer's Allowances</li> <li>-Tournament Fees</li> <li>-Promotional Fees</li> </ul>	<u>February 16, 2016 to February 15, 2017</u>
<p><b><u>Offsite selling and donation through placement of collection cans:</u></b> RDS supports the Maria Lena Buhay Memorial Foundation, Inc., the country's first oral school for hearing-impaired children established in 1987.</p>	<u>Maria Lena Buhay Memorial Foundation</u>	<p>RDS actively supports the foundation's benefit sale events. For 2016, RDS donated items for the foundation's offsite selling events in February, March, April, June, August, September and November.</p> <p>RDS continues to provide assistance to the foundation through placement of collection cans in its Metro Manila stores.</p>	<u>The donations help the operations of the school.</u>	<u>January to December 2016</u>

**Business Unit: Robinsons Department Store**

<b>Description of Activity/Initiative (include specific internal organization involved)</b>	<b>Beneficiary / Organization</b>	<b>Highlights/ Accomplishments</b>	<b>Perceived Impact</b>	<b>Date of Implementation / Point of Contact</b>
<p><b><u>Segunda Mano Donations-in-kind Program</u></b></p> <p><u>Old items that are no longer needed or idle assets such as slow moving or non-moving stocks, overrun inventory, corporate giveaways, reusable fixture, and equipment/furniture are offered to the public at affordable prices through Segunda Mano charity outlets.</u></p>	<p><u>Caritas Manila</u></p>	<p><u>RDS started to support Caritas in 2016 by giving assorted items as donations. Donation items were turned over in May, July and August 2016.</u></p>	<p><u>Proceeds from the charity auction help sustain various pro-poor programs and will be used to fund Caritas Manila's flagship program, Youth Servant Leadership and Education Program which provides educational financial assistance and servant leadership training to more than 5,000 unprivileged youth from all over the country.</u></p>	<p><u>May, July and August 2016</u></p>

## **ANNEX A: Pictures of Activities**

### **1. Activity: Right Start Taekwondo for a Bright Future Program**

<u>Caption:</u>	<u>These kids are the beneficiaries of Robinsons Department Store's partnership with Right Start Foundation.</u>
<u>Date picture was taken:</u>	<u>February 2016</u>



Business Unit: South Star drug and The Generics Pharmacy (TGP)				
<u>Description of Activity/Initiative (include specific internal organization involved)</u>	<u>Beneficiary / Organization</u>	<u>Highlights/ Accomplishments</u>	<u>Perceived Impact</u>	<u>Date of Implementation / Point of Contact</u>
<u>Scholarship program of South Star Drug with a university for its Pharmacy students</u>	<u>Select 3<sup>rd</sup> and 4<sup>th</sup> year students of the university</u>	<u>38 scholars supported by South Star Drug for their full tuition and miscellaneous fees, internship fees and payment for review school.</u>	<u>Student-scholars will be able to complete their education up to graduation and board review.</u>	<u>Program began in June 2015</u>
<u>South Star Drug conducts free clinics, bone screening, cholesterol and fasting blood sugar screening in various stores</u>	<u>Different barangays</u>	<ul style="list-style-type: none"> <li><u>3,700 Patients in 74 stores were checked and given health/medical consultation.</u></li> <li><u>Patients came from different towns and cities like Bulacan, Lucena, Lipa, Mandaluyong, Las Pinas, Pasig, Dasmariñas and Quezon City.</u></li> </ul>	<u>South Star Drug was able to provide health consultation especially on the bone density of the patients.</u>	<u>July to October 2016</u>
<u>SulongKalusugan</u>  <u>It is a whole day free medical mission of The Generics Pharmacy, organized for various communities in and out of Metro Manila, serving from 100 to 500 patients – men, women and children. This is an on-going program, serving communities, rolled out five to six times a year, in cooperation with local government units and pharmaceutical suppliers.</u>	<u>2016:</u> <u>October 1: Imus, Cavite</u> <u>October 8: Cabuyao, Laguna</u> <u>October 15: Taytay Rizal</u> <u>October 22: Legazpi City, Albay</u> <u>November 12 – San Teodoro, Oriental Mindoro</u>	<u>Under-served and un-served communities were reached</u>	<u>It's a complete health event, not just medical consultation as it has brief medical lectures, Zumba/aerobics class, games, giveaways etc.</u>	<u>2016:</u> <u>October 1: Imus, Cavite</u> <u>October 8: Cabuyao, Laguna</u> <u>October 15: Taytay Rizal</u> <u>October 22: Legazpi City, Albay</u> <u>November 12 – San Teodoro, Oriental Mindoro</u>

<p><u>The Generics Pharmacy offers free in-store medical/health services in partnership with suppliers and also provides free blood pressure monitoring and random blood sugar checks for those who cannot afford to buy these medical home devices on their own.</u></p>	<p><u>Various clients including from lower income segments for TGP</u></p>	<p><u>Patients who cannot afford the unit visit TGP outlets to avail of on-site blood glucose monitoring</u></p>		<p><u>Daily</u></p>
<p><b><u>Better Health Advocacy by TGP</u></b></p> <p><u>Regular donations of prescription drugs, vitamins, and common over the counter medicines through various medical missions and free clinics in coordination with various socio-civic organizations, local government units, churches, schools/universities, and private firms</u></p>	<p><u>Various men, women and children from the lower income level</u></p>	<p><u>Countless calamity victims were helped through these sustained donations of medicines and free medical consultations.</u></p>	<p><u>Provided help and medicines at the time most needed.</u></p>	



Business Unit: True Value and Handyman				
<u>Description of Activity/Initiative (include specific internal organization involved)</u>	<u>Beneficiary / Organization</u>	<u>Highlights/ Accomplishments</u>	<u>Perceived Impact</u>	<u>Date of Implementation / Point of Contact</u>
<b><u>River Clean-up Drive</u></b>  <u>True Value Donations in-kind of cleaning materials and equipment through non-governmental organizations</u>	<u>Marikina City Environmental Management Office (CEMO) and Barangay Tumana, Marikina</u>	<u>Donated several rolls of trashbags, gloves, Trash Pickers, Small Rakes &amp; Big Rakes</u>	<u>True Value joined forces with other concerned individuals and institutions in the global observance of <i>Bless the Water</i>, a day where people all over the world honor water as our sacred life source. True Value participated in the Marikina River Clean-up Activity</u>	<u>March 20, 2016</u>
<b><u>Brigada Eskwela 2016</u></b>  <u>True Value regularly participates in BrigadaEskwela through the Ateneo Center for Educational Development (ACED) as part of the Dept. of Education's school maintenance and rehabilitation in order to assist public schools in Quezon City in cleaning as well as repainting blackboards and cabinets</u>	<u>Recipient Schools:</u> <ul style="list-style-type: none"> <li><u>Manuel Quezon Elem. School, MRB Compound, Bgy. Commonwealth, Q.C.</u></li> <li><u>Payatas Elem. School, Q.C.</u></li> <li><u>Aurora Elem. School, Bgy. Aurora, Q.C.</u></li> </ul>	<u>True Value donated several gallons of True Value unleaded paints (which are good for the environment and for people, especially kids), painting implements such as brushes, rollers and cleaning supplies (ie. brooms, mops and dust pans), trash cans and flashlights.</u>	<ul style="list-style-type: none"> <li><u>True Value Philippines is aligned with True Value USA in assisting deserving public schools in their campaign "Painting a Brighter Future" through the use of True Value unleaded paints.</u></li> <li><u>There are many BrigadaEskwela volunteers but the True Value donations are a big plus as these materials are really needed to implement the project.</u></li> </ul>	<u>May 2016</u>

Business Unit: True Value and Handyman				
<u>Description of Activity/Initiative (include specific internal organization involved)</u>	<u>Beneficiary / Organization</u>	<u>Highlights/</u>	<u>Description of Activity/Initiative (include specific internal organization involved)</u>	<u>Beneficiary / Organization</u>
<p><b><u>Servathon Activity: Citronella Candle Making</u></b></p> <p>True Value annually joins <i>Hands on Manila</i>, a non-governmental organization working to promote volunteerism in the Philippines.</p>	Residents of Bgy. 842, Zone 92, Pandacan Manila	30 volunteer employees participated in Citronella candle making with the finished products donated and distributed to select households in selected communities.	This product helps prevent mosquito bites among residents, especially children, in select urban and indigent communities in Manila during night time.	September 24, 2016
<p><b><u>Trade-in Promos</u></b></p> <p>Handyman donated all traded-in items to different beneficiaries from all trade-in promos every month</p>	<ul style="list-style-type: none"> <li>Habitat for Humanity-ReStore</li> <li>Association of Mouth and Foot Painting Artists</li> <li>Mano Amiga</li> <li>Tahanang Walang Hagdanan, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Handyman donated rice cookers, fans and flashlights gathered from nationwide trade-in promos for MAY and JULY.</li> <li>Handyman donated hand tools and power tools gathered from nationwide trade-in promos for FEBRUARY and JUNE.</li> <li>Handyman donated hand tools and water heaters gathered from nationwide trade-in promos for August and</li> </ul>	<ul style="list-style-type: none"> <li>The beneficiary used the proceeds in Habitat's mission which is to help Filipino families in need of decent homes.</li> <li>The beneficiary used the proceeds in their mission of helping orthopedically handicapped persons.</li> <li>The beneficiary used the proceeds in their mission to provide education and development services tailored to the needs of the Filipino</li> </ul>	<ul style="list-style-type: none"> <li>May 1 – 30, 2016 and July 1 – August 31, 2016</li> <li>February 1-29, 2016 and June 1-30, 2016</li> <li>August 1-31, 2016 and October 1-31, 2016</li> <li>September 1-30, 2016 and November 1-30, 2016</li> </ul>

		<u>October.</u> <ul style="list-style-type: none"> <li>Handyman donated power tools gathered from nationwide trade-in promos for September and November.</li> </ul>	<u>community.</u> The beneficiary used the proceeds in their mission of helping orthopedically handicapped persons.	
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#### **ANNEX A: Pictures of Activities**

##### **1. Activity: River Clean up Drive (True Value)**

<u>Caption:</u>	Turnover of products to Bgy. Tumana Kagawads Jimmy Ceguerar, Mike Quibrall, Lito Colasino and Meanne Gonzalez, barangay staff.  Donated products came from trade partners NKD International Trading Corp., SICABA Import and Export Corp., ATLAS Home Products, Inc. and HOME AID Depot, Inc.
<u>Date picture was taken:</u>	March 19, 2016



## 2. Activity: BrigadaEskwela (True Value)

Caption:	True Value donations for BrigadaEskwela 2016. Photo shows True Value Officers with Mrs. Carmela Oracion, Executive Director of ACED.
Date picture was taken:	March 19, 2016 at the Ateneo Center for Educational Development office.



## 3. Activity: Candle-Making for Servathon(True Value)

Caption:	30 employees participated in the Citronella candle making to be donated to select urban and indigent communities in Manila.
Date picture was taken:	September 24, 2016 at the PICC Forum



**4. Activity: Hanabishi Rice Cooker Trade-in Promo (Handyman)**

<u>Caption:</u>	<u>The first turn-over of collected rice cookers to beneficiary, Habitat for Humanity ReStore.</u>
<u>Date picture was taken:</u>	<u>June 28, 2016</u>



**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
<b>Board of Directors</b>	The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Corporate Governance Manual. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's Annual Report.	
<b>Board Committees</b>	Audit and Risk Management Committee conducts annual performance evaluation in compliance with SEC Memorandum Circular No.4, Series of 2012.	Guidelines for the assessment of the performance of audit committees of companies listed on the exchange under SEC Memorandum Circular No. 4, Series of 2012.
<b>Individual Directors</b>	The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Corporate Governance Manual. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's Annual Report.	
<b>CEO/President</b>		

#### N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

To strictly observe and implement the provisions on corporate governance, the following penalties shall be imposed, after notice and hearing, on the company's Directors, Management, Officers, and employees:

Violations	Sanctions
First Violation	The subject person shall be reprimanded.
Second Violation	Suspension from office shall be imposed to the subject person. The duration of the suspension shall depend on the gravity of the violation.
Third Violation	The maximum penalty of removal from office shall be imposed. The commission of a third violation of this by any Director of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**

**CONSOLIDATED COMPANY FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position as of December 31, 2016 and December 31, 2015.

Consolidated Statements of Comprehensive Income for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

Consolidated Statements of Changes in Equity for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

Consolidated Statements of Cash flows for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

**SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors on Supplementary Schedules

- I. Supplementary schedules required by Annex 68-E
  - A. Financial Assets (Other Short-Term Cash Investments)
  - B. Amounts Receivable from Directors, Officers, Employees,  
Related Parties and Principal Stockholders (Other than Related Parties)
  - C. Amounts Receivable/Payable From/To Related Parties which are Eliminated During the  
Consolidation of Financial Statements
  - D. Intangible Assets
  - E. Short term and Long term Debt
  - F. Indebtedness to Related Parties
  - G. Guarantees of Securities of Other Issuers
  - H. Capital Stock
- II. Schedule of all of the effective standards and interpretations (Part 1, 4J)
- III. Reconciliation of Retained Earnings Available for Dividend Declaration  
(Part 1, 4C; Annex 68-C)
- IV. Map of the relationships of the companies within the group (Part 1, 4H)
- V. Schedule of Financial Soundness Indicators
- VI. Use of Proceeds from Initial Public Offering





# ROBINSONS RETAIL

HOLDINGS, INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENT

Securities and Exchange Commission  
SEC Building, EDSA, Greenhills  
Mandaluyong City, Metro Manila  
Philippines

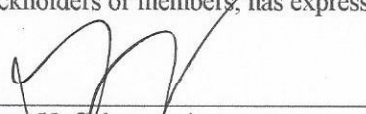
The management of **Robinsons Retail Holdings, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statement 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 going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

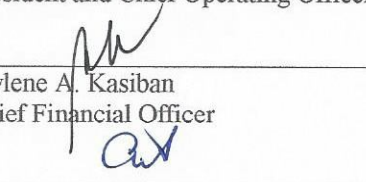
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip, Gorres, Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with the 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.

  
\_\_\_\_\_  
Lance Y. Gokongwei  
Chairman

  
\_\_\_\_\_  
Lance Y. Gokongwei  
Chief Executive Officer

\_\_\_\_\_  
Robina Y. Gokongwei-Pe  
President and Chief Operating Officer

  
\_\_\_\_\_  
Mylene A. Kasiban  
Chief Financial Officer

\_\_\_\_\_  
Graciela A. Banatao  
Treasurer

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2017




SUBSCRIBED AND SWORN to before me, a notary public in Pasig City, personally appeared:

Name	Competent Proof of Identity
Lance Y. Gokongwei	TIN No. 116-312-586
Robina Y. Gokongwei-Pe	TIN No. 139-634-860
Mylene A. Kasiban	TIN No. 127-019-194
Graciela A. Banatao	TIN No. 907-401-098

Who are personally known to me to be the same persons described in the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this APR 06 2017 day of April, 2017.

Doc. No. 155 ;  
Page No. 32 ;  
Book No. 3 ;  
Series of 2017.

  
**ATTY. PATRICK ARNOLD P. TETANGCO**  
Notary Public for Pasig City  
Commission No. 207 (2016-2017)  
40th Fl., Robinsons Equitable Tower,  
Ortigas Center, Pasig City  
IBP No. 012638; Quezon City Chapter  
Roll No. 63825; 05/08/2014  
PTR No. 2241402; 01/11/2016; Q.C.  
MCLP No. V001577 02/01/2017

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

R	O	B	I	N	S	O	N	S		R	E	T	A	I	L		H	O	L	D	I	N	G	S	,		I	N	C
.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S												

Principal Office (No./Street/Barangay/City/Town/Province)

4	3	r	d		F	l	o	o	r	,		R	o	b	i	n	s	o	n	s		E	q	u	i	t	a	b	l
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Form Type

A	A	C	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

**info@robinsonsbretailholdings.com.ph**

Company's Telephone Number

**635-0751**

Mobile Number

**N/A**

No. of Stockholders

**29**

Annual Meeting (Month / Day)

**Last Thursday of May**

Fiscal Year (Month / Day)

**December 31**

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

**Mylene A. Kasiban**

Email Address

**Mylene.Kasiban@robinsonsbretail.ph**

Telephone Number/s

**635-0751 local 214**

Mobile Number

**0998 840 4227**

**CONTACT PERSON'S ADDRESS**

**43rd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Sts., Ortigas Center, Pasig City, Metro Manila**

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Robinsons Retail Holdings, Inc.  
43rd Floor, Robinsons Equitable Tower  
ADB Avenue corner Poveda Sts., Ortigas Center  
Pasig City, Metro Manila

### Opinion

We have audited the consolidated financial statements of Robinsons Retail Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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



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

### ***Existence and completeness of inventory***

The Group's inventories comprise 17% of its total assets as of December 31, 2016, as disclosed in Note 10 of the consolidated financial statements. The Group has 1,578 company-owned stores and warehouses throughout the country as of December 31, 2016. We focused on this area since inventories are material to the consolidated financial statements and are located in various sites across the country.

#### ***Audit Response***

We obtained an understanding of the inventory management process which includes inventory count procedures. We assessed and tested the relevant inventory controls, and observed the conduct of the inventory count procedures for selected stores and warehouses and performed test counts. We traced test counts to the inventory compilation to determine if the inventory compilation reflects actual inventory count results. We reviewed the reconciliation of the valued physical inventory compilation with the general ledger account balances and evaluated the disposition of the reconciling items. We tested the roll forward procedures on inventory quantities from the date of inventory count to reporting date on a sample basis.

### ***Accounting for acquisition of a subsidiary***

As disclosed in Note 20 of the consolidated financial statements, the Group acquired 51% of TGP Pharma, Inc. (TGPPI) for a total consideration of ₱2.26 billion. The Group recognized the related assets, including trademarks, and liabilities of its acquired subsidiary based on the valuation performed by an external appraiser. We considered the accounting for this acquisition to be a key audit matter because it required significant management judgment in identifying intangible assets and significant management estimates in determining the fair values of acquired assets and liabilities, specifically the trademarks amounting to ₱1.26 billion.

#### ***Audit Response***

We reviewed the related purchase agreement covering the acquisition of TGPPI, the consideration paid and the purchase price allocation. We reviewed the identification of the subsidiary's underlying assets and liabilities, specifically the trademarks, based on our understanding of the subsidiary's business and management's explanations on the rationale for the acquisition. We assessed the competence, capabilities and objectivity of the external appraiser who prepared the valuation by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodology and assumptions used to determine the fair value of the trademarks. We also tested the main assumptions used such as revenue growth rate, long-term growth rate and royalty rate by reference to existing contractual terms, historical trends and relevant external information. We tested the parameters used in determining the discount rate against market data. Furthermore, we reviewed the disclosures in the consolidated financial statements regarding the acquisition of TGPPI.



### ***Impairment assessment of trademarks and goodwill***

As of December 31, 2016, the Group's trademarks and goodwill arising from business combinations amounted to ₱3.20 billion and ₱3.38 billion, respectively, which are considered significant to the consolidated financial statements. Under PFRS, the Group is required to annually test the amount of trademarks with indefinite useful lives and goodwill for impairment. The recoverability of trademarks and goodwill is considered a key audit matter as the balances of these assets are considered material to the consolidated financial statements. In addition, the management's assessment process requires significant judgment and is based on assumptions, specifically gross margins, revenue growth and discount rates for value-in-use calculation and selected comparable entities for EV/EBITDA (enterprise value/earnings before interest, taxes, depreciation and amortization) multiple. The Group's disclosures about trademarks and goodwill are included in Note 15 of the consolidated financial statements.

### ***Audit Response***

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used and performed a recalculation of the value-in-use and EV/EBITDA multiples provided. For value-in-use, these assumptions include gross margins, revenue growth and discount rates. We compared the key assumptions used against the historical performance of the subsidiaries, industry or market outlook and other relevant external data. We tested the parameters used in determining the discount rate against market data. For EV/EBITDA, we assessed if the selected comparable entities obtained by the Group closely represent each cash generating unit from which goodwill was acquired. We also reviewed the Group's disclosures about the assumptions that have the most significant effect in determining the recoverable amounts of trademarks and goodwill.

### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2016, 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) and Annual Report for the year ended December 31, 2016, which are 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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.



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

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

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

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

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

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

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

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



inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

SYCIP GORRES VELAYO & CO.



Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),

March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

February 15, 2016, valid until February 14, 2019

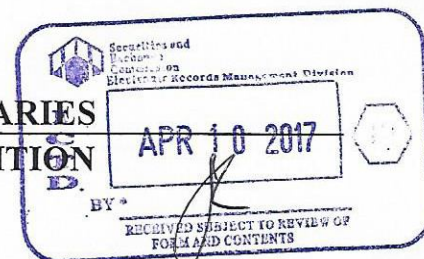
PTR No. 5908712, January 3, 2017, Makati City

March 24, 2017





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



	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7 and 28)	₱12,718,000,227	₱9,757,351,816
Short-term investments (Notes 8 and 28)	—	7,059,000
Trade and other receivables (Notes 9, 25 and 28)	1,987,889,900	1,773,723,242
Merchandise inventories (Note 10)	13,341,684,985	10,575,687,802
Other current assets (Note 11)	2,184,712,107	1,688,402,315
Total Current Assets	30,232,287,219	23,802,224,175
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) financial assets (Notes 12 and 28)	20,430,029,363	19,511,313,846
Property and equipment (Note 13)	12,562,161,367	11,149,374,301
Investments in an associate (Note 14)	5,077,911,984	5,079,302,654
Intangible assets (Notes 15 and 20)	6,671,898,429	4,109,178,069
Deferred tax assets - net (Note 26)	290,042,638	180,129,573
Other noncurrent assets (Notes 16 and 28)	1,430,720,629	1,328,102,855
Total Noncurrent Assets	46,462,764,410	41,357,401,298
	<b>₱76,695,051,629</b>	<b>₱65,159,625,473</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 17, 25 and 28)	₱16,796,597,482	₱14,795,536,011
Short-term loans payable (Notes 18 and 28)	6,575,698,733	2,844,872,558
Income tax payable	835,648,327	687,844,946
Other current liabilities (Note 28)	269,927,089	197,583,490
Total Current Liabilities	24,477,871,631	18,525,837,005
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net (Note 26)	1,042,105,721	655,165,987
Net pension liabilities (Notes 23 and 24)	609,529,248	473,346,631
Total Noncurrent Liabilities	1,651,634,969	1,128,512,618
Total Liabilities	26,129,506,600	19,654,349,623
<b>Equity (Note 19)</b>		
Capital stock	1,385,000,000	1,385,000,000
Additional paid-in capital	27,227,385,090	27,227,385,090
Other comprehensive income (Notes 12, 14 and 24)	352,393,412	251,829,138
Equity reserve	(1,021,894,669)	(1,027,402,846)
Retained earnings		
Appropriated	15,262,852,847	12,997,451,453
Unappropriated	4,381,691,262	2,689,501,691
Total equity attributable to equity holders of the Parent Company	47,587,427,942	43,523,764,526
Non-controlling interest in consolidated subsidiaries	2,978,117,087	1,981,511,324
Total Equity	50,565,545,029	45,505,275,850
	<b>₱76,695,051,629</b>	<b>₱65,159,625,473</b>

See accompanying Notes to Consolidated Financial Statements.





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

	Years Ended December 31		
	2016	2015	2014
<b>SALES</b> - Net of sales discounts and returns (Notes 6, 21 and 25)	<b>₱105,293,324,032</b>	<b>₱90,882,627,706</b>	<b>₱80,400,962,302</b>
<b>COST OF MERCHANDISE SOLD</b> (Notes 6 and 10)	<b>82,267,043,806</b>	<b>71,133,585,364</b>	<b>62,971,862,522</b>
<b>GROSS PROFIT</b> (Note 6)	<b>23,026,280,226</b>	<b>19,749,042,342</b>	<b>17,429,099,780</b>
<b>ROYALTY, RENT AND OTHER REVENUE</b> (Notes 6, 25 and 30)	<b>2,118,478,594</b>	<b>1,862,672,949</b>	<b>1,433,203,123</b>
<b>GROSS PROFIT INCLUDING OTHER REVENUE</b> (Note 6)	<b>25,144,758,820</b>	<b>21,611,715,291</b>	<b>18,862,302,903</b>
<b>OPERATING EXPENSES</b> (Notes 22, 23, 24, 29 and 30)	<b>(19,651,873,741)</b>	<b>(16,882,874,569)</b>	<b>(14,374,863,748)</b>
<b>OTHER INCOME (CHARGES)</b>			
Interest income (Notes 6, 7, 8 and 12)	827,274,627	798,712,436	634,184,861
Foreign currency exchange gain – net	219,216,013	183,603,976	25,063,690
Dividend income (Notes 6 and 12)	111,500,000	111,500,591	27,875,000
Equity in net earnings of an associate (Note 14)	102,659,711	40,292,934	56,549,947
Interest expense (Notes 6 and 18)	(86,533,530)	(14,718,429)	(12,057,390)
	<b>1,174,116,821</b>	<b>1,119,391,508</b>	<b>731,616,108</b>
<b>INCOME BEFORE INCOME TAX</b> (Note 6)	<b>6,667,001,900</b>	<b>5,848,232,230</b>	<b>5,219,055,263</b>
<b>PROVISION FOR INCOME TAX</b> (Note 26)			
Current	1,540,728,580	1,288,917,348	1,313,560,861
Deferred	(69,454,983)	(17,851,404)	(27,789,611)
	<b>1,471,273,597</b>	<b>1,271,065,944</b>	<b>1,285,771,250</b>
<b>NET INCOME</b>	<b>5,195,728,303</b>	<b>4,577,166,286</b>	<b>3,933,284,013</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</b>			
Changes in fair value of available-for-sale (AFS) financial assets (Note 12)	182,711,279	282,224,234	(12,131,857)
Share in change in fair value of AFS financial assets of an associate (Note 14)	(103,174,500)	(102,121,503)	137,681,608
Share in change in translation adjustment of an associate (Note 14)	(3,420,011)	(184,945)	(7,145,197)
Income tax effect	31,978,353	30,691,934	(39,160,923)
<b>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</b>			
Share in actuarial losses on pension liability of an associate (Note 14)	2,544,130	(4,141,797)	–
Remeasurement gain (losses) on net pension liabilities (Note 24)	(27,307,738)	106,485,548	(205,700,823)
Income tax effect	7,429,082	(30,703,125)	61,710,247
	<b>90,760,595</b>	<b>282,250,346</b>	<b>(64,746,945)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,286,488,898</b>	<b>₱4,859,416,632</b>	<b>₱3,868,537,068</b>

(Forward)



Years Ended December 31			
	2016	2015	2014
Net income attributable to:			
Equity holders of the Parent Company	<b>₱4,830,140,965</b>	₱4,341,794,218	₱3,560,636,968
Non-controlling interest in consolidated subsidiaries	<b>365,587,338</b>	235,372,068	372,647,045
	<b>₱5,195,728,303</b>	₱4,577,166,286	₱3,933,284,013
Total comprehensive income attributable to:			
Equity holders of the Parent Company	<b>₱4,930,705,239</b>	₱4,617,264,617	₱3,509,284,825
Non-controlling interest in consolidated subsidiaries	<b>355,783,659</b>	242,152,015	359,252,243
	<b>₱5,286,488,898</b>	₱4,859,416,632	₱3,868,537,068
<b>Basic/Diluted Earnings Per Share (Note 27)</b>	<b>₱3.49</b>	₱3.13	₱2.60

*See accompanying Notes to Consolidated Financial Statements.*



# ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity Attributable to Equity Holders of the Parent Company								Non-controlling Interest in Consolidated Subsidiaries	Total
	For the Year Ended December 31, 2016									
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Other Comprehensive Income (Loss) (Notes 12,14 and 24)	Equity Reserve (Note 19)	Retained Earnings		Treasury Stock (Note 19)			
					Appropriated (Note 19)	Unappropriated (Note 19)		Total		
For the Year Ended December 31, 2016										
Balance at beginning of year	₱1,385,000,000	₱27,227,385,090	₱251,829,138	(₱1,027,402,846)	₱12,997,451,453	₱2,689,501,691	₱–	₱43,523,764,526	₱1,981,511,324	₱45,505,275,850
Acquisition of subsidiaries (Notes 2, 19 and 20)	–	–	–	5,508,177	–	–	–	5,508,177	951,665,437	957,173,614
Dividends (Note 19)	–	–	–	–	–	(872,550,000)	–	(872,550,000)	(310,843,333)	(1,183,393,333)
Appropriation	–	–	–	–	3,709,000,000	(3,709,000,000)	–	–	–	–
Reversal of appropriation	–	–	–	–	(1,443,598,606)	1,443,598,606	–	–	–	–
Net income	–	–	–	–	–	4,830,140,965	–	4,830,140,965	365,587,338	5,195,728,303
Other comprehensive income	–	–	100,564,274	–	–	–	–	100,564,274	(9,803,679)	90,760,595
Total comprehensive income	–	–	100,564,274	–	–	4,830,140,965	–	4,930,705,239	355,783,659	5,286,488,898
Balance at end of year	₱1,385,000,000	₱27,227,385,090	₱352,393,412	(₱1,021,894,669)	₱15,262,852,847	₱4,381,691,262	₱–	₱47,587,427,942	₱2,978,117,087	₱50,565,545,029
For the Year Ended December 31, 2015										
Balance at beginning of year	₱1,385,000,000	₱27,227,385,090	(₱23,641,261)	(₱991,931,906)	₱10,311,451,453	₱1,740,057,473	₱–	₱39,648,320,849	₱1,588,776,294	₱41,237,097,143
Acquisition of a subsidiary (Notes 2, 19 and 20)	–	–	–	–	–	–	–	–	30,544,015	30,544,015
Additional investment in a subsidiary (Notes 2 and 19)	–	–	–	–	–	–	–	–	183,000,000	183,000,000
Investment from non-controlling interest (Notes 2 and 19)	–	–	–	(35,470,940)	–	–	–	(35,470,940)	–	(35,470,940)
Dividends (Note 19)	–	–	–	–	–	(706,350,000)	–	(706,350,000)	(62,961,000)	(769,311,000)
Appropriation	–	–	–	–	2,813,000,000	(2,813,000,000)	–	–	–	–
Reversal of appropriation	–	–	–	–	(127,000,000)	127,000,000	–	–	–	–
Net income	–	–	–	–	–	4,341,794,218	–	4,341,794,218	235,372,068	4,577,166,286
Other comprehensive income	–	–	275,470,399	–	–	–	–	275,470,399	6,779,947	282,250,346
Total comprehensive income	–	–	275,470,399	–	–	4,341,794,218	–	4,617,264,617	242,152,015	4,859,416,632
Balance at end of year	₱1,385,000,000	₱27,227,385,090	₱251,829,138	(₱1,027,402,846)	₱12,997,451,453	₱2,689,501,691	₱–	₱43,523,764,526	₱1,981,511,324	₱45,505,275,850
For the Year Ended December 31, 2014										
Balance at beginning of year	₱1,385,000,000	₱27,026,913,866	₱27,710,882	₱116,459,430	₱4,340,251,453	₱4,710,692,005	(₱1,100,373,100)	₱36,506,654,536	₱1,475,814,190	₱37,982,468,726
Acquisition of a subsidiary (Notes 2, 19 and 20)	–	–	–	–	–	–	–	–	27,259,320	27,259,320
Sale of treasury shares (Note 19)	–	200,471,224	–	–	–	–	1,100,373,100	1,300,844,324	–	1,300,844,324
Additional investment in a subsidiary (Notes 2 and 19)	–	–	–	–	–	–	–	–	90,600,000	90,600,000
Investment from non-controlling interest (Notes 2 and 19)	–	–	–	(1,108,391,336)	–	–	–	(1,108,391,336)	(336,916,914)	(1,445,308,250)
Dividends (Note 19)	–	–	–	–	–	(560,071,500)	–	(560,071,500)	(27,232,545)	(587,304,045)
Appropriation	–	–	–	–	5,986,200,000	(5,986,200,000)	–	–	–	–
Reversal of appropriation	–	–	–	–	(15,000,000)	15,000,000	–	–	–	–
Net income	–	–	–	–	–	3,560,636,968	–	3,560,636,968	372,647,045	3,933,284,013
Other comprehensive loss	–	–	(51,352,143)	–	–	–	–	(51,352,143)	(13,394,802)	(64,746,945)
Total comprehensive income	–	–	(51,352,143)	–	–	3,560,636,968	–	3,509,284,825	359,252,243	3,868,537,068
Balance at end of year	₱1,385,000,000	₱27,227,385,090	(₱23,641,261)	(₱991,931,906)	₱10,311,451,453	₱1,740,057,473	₱–	₱39,648,320,849	₱1,588,776,294	₱41,237,097,143

See accompanying Notes to Consolidated Financial Statements



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

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱6,667,001,900</b>	₱5,848,232,230	₱5,219,055,263
Adjustments for:			
Depreciation and amortization (Notes 6, 13, 15, 16 and 22)	<b>2,038,230,133</b>	1,647,365,077	1,280,140,229
Movement in pension liability (Notes 23 and 24)	<b>107,695,997</b>	(54,869,257)	67,818,953
Interest expense (Notes 6 and 18)	<b>86,533,530</b>	14,718,429	12,057,390
Equity in net earnings of an associate (Note 14)	<b>(102,659,711)</b>	(40,292,934)	(56,549,947)
Dividend income (Notes 6 and 12)	<b>(111,500,000)</b>	(111,500,591)	(27,875,000)
Unrealized foreign currency exchange gain - net (Note 6)	<b>(219,216,013)</b>	(183,603,976)	(25,063,690)
Interest income (Notes 6, 7, 8 and 12)	<b>(827,274,627)</b>	(798,712,436)	(634,184,861)
Operating income before working capital changes	<b>7,638,811,209</b>	6,321,336,542	5,835,398,337
Decrease (increase) in:			
Trade and other receivables	<b>358,961,221</b>	(64,361,935)	(278,401,287)
Merchandise inventories	<b>(2,133,924,422)</b>	(1,582,276,365)	(1,964,601,148)
Other current assets	<b>(475,308,637)</b>	(278,822,234)	(358,975,045)
Increase (decrease) in:			
Trade and other payables	<b>1,138,625,087</b>	614,674,862	2,037,714,421
Other current liabilities	<b>72,343,599</b>	(478,867)	(5,589,921)
Net cash flows generated from operations	<b>6,599,508,057</b>	5,010,072,003	5,265,545,357
Interest received	<b>962,121,605</b>	706,942,413	502,867,570
Income tax paid	<b>(1,392,925,199)</b>	(1,267,771,819)	(1,384,616,702)
Net cash flows provided by operating activities	<b>6,168,704,463</b>	4,449,242,597	4,383,796,225
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Investment in an associate (Note 14)	—	(3,155,222,080)	—
Available-for-sale (AFS) financial assets (Note 12)	<b>(530,826,255)</b>	(1,359,337,228)	(17,704,262,593)
Property and equipment (Note 13)	<b>(3,243,894,010)</b>	(3,099,102,132)	(3,713,158,755)
Franchise (Note 15)	<b>(1,790,188)</b>	(9,877,677)	(13,805,165)
Proceeds from transfers/disposals of:			
Property and equipment (Note 13)	—	—	17,506,064
Proceeds from (acquisition of) short-term investments (Note 8)	<b>7,059,000</b>	1,845,667,333	(1,535,631,934)
Dividends received (Note 12)	<b>111,500,000</b>	83,625,591	—

(Forward)



	Years Ended December 31		
	2016	2015	2014
Acquisition through business combination-net of cash received (Note 20)	(P2,179,553,090)	(P988,350,000)	(P462,093,163)
Purchase of non-controlling interest	—	(35,470,940)	(1,300,844,324)
Increase in other noncurrent assets	(86,935,071)	(116,469,758)	(253,302,449)
Net cash flows used in investing activities	(5,924,439,614)	(6,834,536,891)	(24,965,592,319)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Additional investments from non-controlling interest (Notes 2 and 19)	—	183,000,000	90,600,000
Proceeds from loan availments (Note 18)	4,398,000,000	2,939,000,000	—
Dividends paid (Note 19)	(935,511,000)	(728,516,025)	(561,271,381)
Payment of loans (Note 18)	(667,173,825)	(205,814,439)	(395,728,711)
Interest paid (Note 18)	(86,533,530)	(15,698,621)	(12,057,390)
Proceeds from sale of treasury shares, net of transaction cost (Note 19)	—	—	1,300,844,324
Net cash flows provided by financing activities	2,708,781,645	2,171,970,915	422,386,842
<b>EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	7,601,917	852,031	430,402
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,960,648,411	(212,471,348)	(20,158,978,850)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	9,757,351,816	9,969,823,164	30,128,802,014
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>P12,718,000,227</b>	<b>P9,757,351,816</b>	<b>P9,969,823,164</b>

See accompanying Notes to Consolidated Financial Statements.



# **ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

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

The Parent Company is 35.00% owned by JE Holdings, Inc., 24.49% owned by PCD Nominee Corporation and the rest by the public. The primary purpose of the Parent Company and its subsidiaries (herein referred to as “the Group”) is to engage in the business of trading goods, commodities and merchandise of any kind.

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

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### **2. Basis of Preparation**

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale (AFS) financial assets, which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company’s functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise indicated.

#### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Basis of Consolidation

The consolidated financial statements as of December 31, 2016, 2015 and 2014 represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.



Investee Companies	Effective Percentages of Ownership					
	2016		2015		2014	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Robinson's, Incorporated. (RI)	100.00%	—	100.00%	—	100.00%	—
Robinsons Ventures Corporation (RVC)	—	65.00%	—	65.00%	—	65.00%
Robinsons Toys, Inc. (RTI)	—	100.00%	—	100.00%	—	100.00%
Robinsons Convenience Stores, Inc. (RCSI)	—	51.00%	—	51.00%	—	51.00%
South Star Drug, Inc. (SSDI)	—	45.00%	—	45.00%	—	45.00%
TGP Pharma, Inc. (TGPPi)	—	45.90%	—	—	—	—
TGP Franchising Corp. (TFC)	—	45.90%	—	—	—	—
TheGenerics Pharmacy Inc. (TPI)	—	45.90%	—	—	—	—
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	—	100.00%	—	100.00%	—	100.00%
Savers Electronic World, Inc. (SEWI)	—	90.00%	—	90.00%	—	—
Chic Centre Corporation	—	100.00%	—	—	—	—
Robinson's Supermarket Corporation (RSC)	100.00%	—	100.00%	—	100.00%	—
Eurogrocer Corp. (EC)	—	—	—	100.00%	—	100.00%
JAS 8 Retailing Mngt. Corporation (JPMC)	—	—	—	100.00%	—	100.00%
Angeles Supercenter, Inc. (ASI)	—	67.00%	—	67.00%	—	67.00%
Robinsons Appliances Corp. (RAC)	—	67.00%	—	67.00%	—	67.00%
South Star Drugs, Inc. (SSDI)	—	45.00%	—	45.00%	—	45.00%
Robinsons Handyman, Inc. (RHMI)	—	80.00%	—	80.00%	—	80.00%
Handyman Express Mart, Inc. (HEMI)	—	52.00%	—	52.00%	—	52.00%
Walmart-Handyman, Inc. (WHI)	—	52.00%	—	52.00%	—	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	—	53.33%	—	53.33%	—	53.33%
RHI Builders and Contractors Depot Corp (RHIB)	—	53.60%	—	53.60%	—	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	—	40.20%	—	—	—	—
Everyday Convenience Stores, Inc. (ECSI)	100.00%	—	100.00%	—	100.00%	—
Robinsons Specialty Stores, Inc. (RSSI)	100.00%	—	100.00%	—	100.00%	—
Robinsons Daiso Diversified Corp. (RDDC)	90.00%	—	90.00%	—	90.00%	—
RHD Daiso-Saizen, Inc. (RHDDS)	59.40%	—	59.40%	—	59.40%	—
RHMI Management and Consulting, Inc.	100.00%	—	100.00%	—	100.00%	—
RRHI Management and Consulting, Inc.	100.00%	—	100.00%	—	100.00%	—
RRG Trademarks and Private Labels, Inc.	100.00%	—	100.00%	—	100.00%	—
RRHI Trademarks Management, Inc.	100.00%	—	100.00%	—	100.00%	—
New Day Ventures Limited (NDV)	100.00%	—	—	—	—	—

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when it is exposed, 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.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the



consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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

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

#### *Additional Investments and Acquisitions*

On October 3, 2016, RI acquired 100% ownership of Chic Centre Corporation, a company engaged in the business of manufacturing and distributing cosmetics products (Note 20). Chic Center Corporation is under common control. Accordingly, the Group accounted the business combination of Chic Center Corporation using the prospective pooling of interest method.

On August 1, 2016, RHIB acquired 75.00% ownership of HPTDI, a company engaged in the business of hardware retailing (Note 20). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱9.50 million.

On May 17, 2016, SSDI acquired 51.00% of ownership of TGPPI, a company engaged in the business of pharmaceutical (Note 20). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱942.17 million.

On February 11, 2016, RI made additional investments to RGFBI amounting to ₱100.00 million.

On January 4, 2016, the Parent Company acquired 100% ownership of NDV for the purpose of carrying on the business of investment holding (Note 20).





On September 18, 2015, RRHI made additional investments to RSSI amounting to ₱390.97 million.

On September 18, 2015, additional capital amounting to ₱315.00 million to SEWI was made by RI. Corresponding additional investment coming from NCI of SEWI amounted to ₱35.00 million (Note 19).

On September 1, 2015, RI acquired 90.00% ownership of SEWI, a company engaged in the business of consumer electronics and home appliances (Note 20). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱30.54 million.

On June 8, 2015, capital call amounting to ₱202.00 million to RHIB was made by RHMI. Corresponding additional investment coming from NCI of RHIB amounted to ₱98.00 million (Note 19).

On March 6, 2015, the Subscription Contract between RRHI and RSC was executed. RRHI subscribed 108,370,796 shares of common stock of RSC with a par value of ₱1.00 per share for a total consideration of ₱2.86 billion or at ₱26.4051 per share.

On February 23, 2015, capital call amounting to ₱100.00 million to RHIB was made by RHMI. Corresponding additional investment coming from NCI of RHIB amounted to ₱50.00 million (Note 19).

On December 17, 2014 and July 3, 2014, capital call amounting to ₱295.00 million and ₱59.40 million, respectively to RSSI and RHDDS was made by RRHI. Corresponding additional investments coming from NCI of RHDDS amounted to ₱40.60 million (Note 19).

On December 5, 2014, RSC acquired additional 25.00% ownership of RHMI increasing its total ownership to 80.00%.

In 2014, RHMI acquired 67.00% ownership of RHIB, a company engaged in the business of hardware retailing (Note 20). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱27.26 million. Also in 2014, RHMI and NCI made additional investments amounting to ₱100.00 million and ₱50.00 million, respectively.

On June 2, 2014, SSDI acquired 100% ownership of GNC Pharma Corporation, a company engaged in the business of pharmaceutical retailing (Note 20).

On January 29, 2014, RSC acquired 100% ownership of JRMC, a company engaged in the business of grocery retailing (Note 20).

### *Mergers*

#### Merger of EC and JRMC to RSC

On October 24, 2014, the Board of Directors (BOD) of the Group approved the plan of merger between RSC, EC and JRMC with RSC as the surviving entity. The purpose of the merger is to centralize the Group's supermarket operations. On November 14, 2014, the plan of merger was presented to and approved by the stockholders. The Plan and Articles of Merger were filed with SEC in April 2015. In 2016, the SEC approved the application for merger.



#### Merger of GPC to SSDI

On October 24, 2014, the BOD approved the plan of the Group to merge SSDI with its subsidiary, GPC, whereby the entire assets and liabilities of GPC will be transferred and absorbed by SSDI doing business under the name of South Star Drug and Manson Drug.

On November 25, 2014, the plans of merger was presented to and approved by the stockholders. The Plan and Article of Merger were filed with the SEC in April 2015 and were approved in August 2015.

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### 3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except that the Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception* (Amendments)

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.



- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 1, *Presentation of Financial Statements, Disclosure Initiative* (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
- That specific line items in the statements of income and other comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact to the Group.

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property and equipment and intangible assets.

- PAS 16 and PAS 41, *Agriculture: Bearer Plants* (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The



amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

The amendments are applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements* (Amendments)

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

*Annual Improvements to PFRSs (2012 - 2014 cycle)*

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal* (Amendment)

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts* (Amendment)

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements* (Amendment)

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent



annual report. The amendment has no significant impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue* (Amendment)

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment has no significant impact of the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'* (Amendment)

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendment has no significant impact on the Group's financial position or performance.

Standards issued but not yet effective

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

*Effective January 1, 2017*

- PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*) (Amendments)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will have no impact on the Group's financial position or performance.

- PAS 7, *Statement of Cash Flows, Disclosure Initiative* (Amendments)

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.



- PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

*Effective January 1, 2018*

- PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions* (Amendments)

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three (3) amendments and if other criteria are met. Early application of the amendments is permitted.

These amendments are not applicable to the Group as it has no share-based payments.

- PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4 (Amendments)

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.



The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

During 2016, the Group performed a preliminary assessment of PFRS 15, which is subject to change arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by IASB in April 2016 and will monitor any further development.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting, if any, and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*) (Amendments)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss (FVPL). They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments



should be applied retrospectively, with earlier application permitted. The amendments will have no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property, Transfers of Investment Property* (Amendments)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The amendments will have no significant impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements.

*Effective January 1, 2019*

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15, *Revenue from Contracts with Customers*. When adopting PFRS 16, an entity is permitted to use either a full





retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its statements of financial position.

#### *Deferred Effectivity*

- PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments will not have any impact on the consolidated financial statements.

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#### **4. Summary of Significant Accounting Policies**

##### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

##### *Sale of Goods*

Sales are recognized from retail customers at the point of sale in the stores. Sales returns and sales discounts are deducted from the sales to arrive at the net sales shown in the consolidated statement of comprehensive income.

##### *Royalty Fee*

Royalty fee is recognized as a percentage of gross profit earned by the franchisee.

##### *Rental Income*

Rental income is accounted for on a straight line basis over the lease term.



#### *Interest Income*

Interest on cash in bank, cash equivalents and short-term cash investments and AFS financial assets is recognized as the interest accrues using the effective interest method.

#### *Dividend Income*

Dividend income is recognized when the Group's right to receive the payment is established.

#### Cost of Merchandise Sold

Cost of merchandise sold includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. Vendor returns and allowances are generally deducted from cost of merchandise sold.

#### Operating Expenses

Operating expenses constitute costs of administering the business. These are recognized as expenses when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has occurred and the decrease in economic benefits can be measured reliably.

#### Financial Instruments

##### *Date of Recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

##### *Initial Recognition of Financial Instruments*

Financial instruments are recognized initially at the fair value of the consideration given. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at cost or amortized cost.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

##### *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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

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



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

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

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

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

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

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

As of December 31, 2016 and 2015, the financial instruments of the Group are classified as cash and cash equivalents, short-term investment, loans and receivables, AFS financial assets and other financial liabilities.

#### *'Day 1' Difference*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statements of comprehensive income. In cases where use is made of data which is not observable, the difference between transaction price and model value is only recognized in the consolidated statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

#### *AFS Financial Assets*

AFS financial assets are those which are designated as such and are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as OCI in the equity section of the consolidated statements of financial position.



When the security is disposed of, the cumulative gain or loss previously recognized in the consolidated statements of changes in equity is recognized in the consolidated statements of comprehensive income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using effective interest rate (EIR). Dividends earned on holding AFS financial assets are recognized in the consolidated statements of comprehensive income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statements of comprehensive income.

This accounting policy relates primarily to the Group's AFS investments in equity and debt securities (Note 12).

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

This accounting policy relates primarily to the Group's cash and cash equivalents, short-term investments, trade and other receivables, security deposits and construction bonds.

#### *Financial Liabilities*

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are measured at cost or amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy relates primarily to the Group's trade and other payables, loans payable and other current liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

#### Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or



- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The Group has no financial instruments that contain both liability and equity elements.

#### Offsetting of Financial Instruments

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

#### Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *AFS Financial Assets*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original EIR on the reduced carrying amount of the asset and is recorded under interest income in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is also reversed through profit or loss.

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income, is removed from the consolidated statements of changes in equity and recognized in the consolidated statements of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in the consolidated statement of changes in equity.

#### *Loans and Receivables*

For loans and receivables carried at amortized cost, the Group first assesses whether objective



evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. Interest income continues to be recognized based on the original EIR of the asset. Loans receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as the borrower's payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

#### Derecognition of Financial Assets and Liabilities

##### *Financial Asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of guarantee over the transferred asset is



measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial Liability*

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

#### Embedded Derivative

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment where there is a change to the contract that significantly modifies the cash flows.

Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial instruments designated at FVPL; when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts; and when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets or liabilities at FVPL. Changes in fair values are included in the profit and loss.

As of December 31, 2016 and 2015, the Group's interest rate swap is assessed as clearly and closely related and no bifurcation is required to recognize either gain or loss on embedded derivative.

#### Cash and Cash Equivalents

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

#### Short-term Investments

Short-term investments pertain to money market placements with maturities of more than three (3) months to one (1) year from dates of placement and are subject to an insignificant risk of change in values.

#### Merchandise Inventories

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

NRV is the estimated selling price in the ordinary course of business, less estimated costs



necessary to make the sale. In the event that NRV is lower than cost, the decline shall be recognized as an expense in the consolidated statements of comprehensive income.

#### Investment in an Associate

Investment in an associate is accounted for under the equity method of accounting.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

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

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

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

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

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

#### Business Combination and Goodwill

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognizes any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows:

- (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized





or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

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

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

Any contingent consideration to be transferred by the Group will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the



portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

#### Combination of Entities under Common Control

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

#### Property and Equipment

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

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

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

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

	Years
Building and other equipment	20
Leasehold improvements	10
Store furniture and fixtures	10
Office furniture and fixtures	10
Transportation equipment	10
Computer equipment	10

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



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

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

#### Intangible Assets

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

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

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

#### *Licenses*

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

#### *Trademarks*

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

#### *Franchise*

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

#### Impairment of Nonfinancial Assets

This accounting policy primarily applies to the Group's property and equipment, investment in an associate and intangible assets.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required,



the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell, and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other available fair value indicators.

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

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

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

#### *Investment in an Associate*

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

#### *Impairment Testing of Goodwill and Trademarks*

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

The Group performed its annual impairment test for the years ended December 31, 2016 and 2015. The cash generating units (CGU) are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.



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

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

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

#### Pension Cost

##### *Defined Benefit Plan*

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

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

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly



to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

#### Value-Added Taxes (VAT)

Input tax represents the VAT paid on purchases of goods and services that the Group can apply against any future liability for output VAT on sale of goods and services subjected to VAT. The input VAT can also be recovered as tax credit under certain circumstances and can be applied against future income tax liability of the Group upon approval of the BIR. Input VAT is stated at its estimated NRV. Input VAT is recorded under other current assets in the consolidated statement of financial position.

Output VAT pertains to the 12% tax due on the local sale of goods by the Group.

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

#### Creditable Withholding Taxes (CWT)

Creditable withholding taxes are attributable to taxes withheld by third parties arising from the sale of goods, rental fees and other services and will be applied against future taxes payable.

#### Income Tax

##### *Current Tax*

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

##### *Deferred Tax*

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the



period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss or other comprehensive income.

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

#### Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC) (Note 19). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. If APIC is not sufficient, the excess is charged against retained earnings.

#### Retained Earnings

Retained earnings represent accumulated earnings of the Group less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries (Note 19).

#### Treasury Shares

Treasury shares are own equity instruments which are reacquired, recognized at cost and deducted from equity. Any gain or loss on the purchase, sale, issue or cancellation or re-issuance is recognized in APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC to the extent of the specific or average APIC when the shares were issued and to retained earnings for the remaining balance. The retained earnings account is restricted to payment of dividends to the extent of the cost of treasury shares (Note 19).

#### Leases

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

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

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

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



*Group as Lessee*

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases.

Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

*Group as Lessor*

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

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Philippine Dealing and Exchange Corp. (PDEX) closing rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year applicable to common stock by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS is calculated by dividing the net income for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on EPS.

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2016, 2015 and 2014 (Note 27).

Provisions

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





#### Contingencies

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

#### Segment Reporting

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

#### Events After the Reporting Date

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

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### **5. Significant Accounting Judgments, Estimates and Assumptions**

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

#### Judgments

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

##### *Operating Lease Commitments - Group as Lessee*

The Group, having the ability to terminate the lease term, has entered into cancellable lease agreements as a lessee. The Group evaluates whether a lease contract is cancellable or noncancellable by assessing penalties on pretermination of lease contract. Penalties considered by the Group are not limited to those that are imposed by the contract but also include possible payment to third parties and loss of future earnings. The amount and timing of recorded rent expenses would differ if the Group determines lease contracts as noncancellable. Also, the Group has determined that it has not retained all the significant risks and rewards of ownership of the leased property.

##### *Revenue Recognition*

Management exercises judgment in determining whether the Group is acting as a principal or an agent. The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods, otherwise it is acting as an agent. The Group has assessed all its revenue arrangements and concluded that it is acting as a principal.

#### Contingencies

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel



handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 31).

The Group has contingent assets arising from an ongoing damage claims pending final assessment. The outcome of certain cases is not presently determinable in the opinion of the management, eventual asset, if any, will not have material or adverse effect on the Group's financial position and results of operations (Note 31).

#### *Determination of Control*

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

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

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Recoverability of Goodwill and Trademarks*

In the course of the Group's business combinations, goodwill and trademarks were acquired (Note 15). These assets have indefinite useful lives. Below are the business segments from which goodwill and trademarks arise:

	Trademarks	Goodwill
SSDI	₱1,566,917,532	₱745,887,131
TGPPI	1,264,098,435	1,281,428,830
SEWI	364,914,493	715,103,869
EC	—	199,870,222
RHIB	—	145,655,320
HPTDI	—	30,000,000
RTSHPI	—	85,161,468
Beauty Skininnovations Retail, Inc. (BSRI)	—	83,324,691
JRMC	—	71,732,435
GPC	—	23,250,000
	<b>₱3,195,930,460</b>	<b>₱3,381,413,966</b>

The Group performed its annual impairment test as at December 31, 2016. The recoverable amounts of the CGUs have been determined based on value in use and EV/EBITDA multiple calculations.



### *Value in Use*

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the demand for products and services.

The pre-tax discount rate applied to cash flow projections is 11.50% in 2016 (10.00% in 2015) and cash flows beyond the five-year period are extrapolated using a 5.00% to 10.00% in 2016 growth rate (5.00% to 10.00% in 2015) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

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

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

### *Gross Margins*

Gross margins are based on average values achieved in one to five years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 10.00% to 18.00% per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin from 5.00% to 11.50% for 2016 and 11.00% to 11.60% for 2015 would result in impairment.

### *Discount Rates*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate of 11.00% to 16.89% and 11.00% to 14.61%, in 2016 and 2015, respectively, would result in impairment.

### *Price Inflation*

Forecast price inflation which impacts the forecast for operating expenses lies within a range of 1.00% to 5.00% in 2016 and 2015. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have to recognize an impairment.

### *Growth Rate Estimates*

Rates are based on published industry research. A reduction to 3.00% in the long-term growth rate would result in impairment.



#### EV/EBITDA Multiple

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

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

In 2015 and 2016, the Group used the EV/EBITDA multiple ranging from 10 to 15 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

If such EV/EBITDA multiple used falls lower than 4.45 multiple, goodwill will be impaired.

#### *Allowance for Impairment Losses on Trade and Other Receivables*

The Group maintains allowance for impairment losses at levels considered adequate to provide for potential uncollectible receivables. The levels of this allowance are evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the debtor, the debtor's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease the current assets.

As of December 31, 2016 and 2015, the carrying value of the Group's trade and other receivables amounted to ₱1.99 billion and ₱1.77 billion, respectively (Note 9).

#### *Impairment of AFS Financial Assets*

The Group determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value of the investment below its cost or whether other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' greater than six (6) months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The carrying value of AFS financial assets amounted to ₱20.43 billion and ₱19.51 billion as of December 31, 2016 and 2015, respectively (Note 12).

#### *Estimating NRV of Merchandise Inventories*

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



causes. The estimate of the NRV is reviewed regularly.

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

No provision for impairment losses on merchandise inventories was recognized in 2016 and 2015.

Merchandise inventories amounted to ₱13.34 billion and ₱10.58 billion as of December 31, 2016 and 2015, respectively (Note 10).

#### *Evaluation of Impairment of Nonfinancial Assets*

The Group reviews property and equipment, investment in an associate and intangible assets with definite lives for impairment of value.

The Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property and equipment, investment in an associate and intangible assets.

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

Based on management assessment as of December 31, 2016 and 2015, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in an associate and intangible assets with definite useful lives.

As of December 31, 2016 and 2015, the carrying value of the Group's property and equipment amounted to ₱12.56 billion and ₱11.15 billion (Note 13), investment in an associate amounted to ₱5.08 billion (Note 14), licenses amounted to ₱72.73 million and ₱84.85 million, and franchise amounted to ₱21.83 million and ₱22.51 million, respectively (Note 15).

#### *Pension and Other Retirement Benefits*

The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24, and include, among others, discount rate and salary rates increase.

As of December 31, 2016 and 2015, the carrying value of the net pension liabilities amounted to ₱609.53 million and ₱473.35 million, respectively (Note 24).

#### *Deferred Tax Assets*

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be



available to allow all or part of the deferred tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is enough taxable income against which recognized deferred tax assets will be realized.

As of December 31, 2016, and 2015, the Group has deferred tax assets amounting ₱290.04 million and ₱180.13 million, respectively (Note 26).

*Revenue Recognition - Points for Loyalty Programme*

The Group estimates the fair value of points awarded under the Robinsons Rewards Card programme by determining the equivalent peso earned for a particular level of points. These points expire after a specified period and the Group has adjusted its liability for the estimated portion that will not be redeemed, such estimates are subject to significant uncertainty. As at December 31, 2016 and 2015, the estimated liability for unredeemed points was approximately ₱123.8 million and ₱81.96 million, respectively.

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## 6. Operating Segments

### Business Segment

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

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

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

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

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

The Group derives its revenue from the following reportable units:

- *Supermarket Division*  
Robinsons Supermarket is a major supermarket chain in the country that focuses on health and wellness. It also offers fresh food products at competitive prices. RSC actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the supermarkets and are made highly visible to consumers.
- *Department Store Division*  
Robinsons Department Store offers a large selection of local and international brands that are grouped into categories such as shoes, bags and accessories (including beauty and personal care), ladies' and men's wear, children's wear, household items and others. RDS is focused on catering to middle-income customers.



- *DIY Division*

The four (4) DIY brands Handyman Do it Best, True Value, True Home, and Robinsons Builders have grown to have a reputation of quality and dependability in the Philippine retail market, as well as being aggressive in terms of expansion among mall and big box hardware and home improvement centers in the country. The DIY segment aims to cover the Philippine landscape with more branches in key commercial centers to promote self-reliance among do-it yourselfers, as well as offer a wide selection of construction materials for contractors and builders.

- *Convenience Store Division*

Ministop is a 24 - hour convenience store chain and is a franchise of Ministop Co. Ltd.- Japan, one (1) of the largest convenience store chains in Japan. The store carries a wide assortment of merchandise and an extensive selection of ready to eat products.

- *Drug Store Division*

The Drug Store segment primarily offers high quality pharmaceutical drugs, which constitutes to over a thousand reputable branded and affordable options including The Generics Pharmacy house brands for the generic medicines. The segment's other major product categories are staged milk and non-pharmaceutical selections, which include a vast array personal care items, food and beverage, and other convenience store grocery items.

- *Specialty Store Division*

The Specialty Store format is the lifestyle arm of the Group. It is committed to bringing a diverse spectrum of products and services to the Philippine market, including some of the best loved international lifestyle brands in top entertainment systems, coffee shops, unparalleled selections of toys and games; and well-known global fast fashion brands, local and international cosmetics, a wide selection of nail care products, and innovative slush and fruit juice mixes.



**2016**

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱48,465,116,481	₱15,827,461,781	₱11,128,587,163	₱5,665,537,500	₱11,934,225,572	₱12,272,395,535	₱—	₱—	₱105,293,324,032
Intersegment net sales	—	—	—	—	—	1,143,728,881	—	(1,143,728,881)	—
Total net sales	48,465,116,481	15,827,461,781	11,128,587,163	5,665,537,500	11,934,225,572	13,416,124,416	—	(1,143,728,881)	105,293,324,032
Segment cost of merchandise sold	39,170,260,834	10,569,752,771	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	—	—	82,267,043,806
Intersegment cost of merchandise sold	—	1,143,728,881	—	—	—	—	—	(1,143,728,881)	—
Total cost of merchandise sold	39,170,260,834	11,713,481,652	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	—	(1,143,728,881)	82,267,043,806
Gross profit	9,294,855,647	4,113,980,129	3,503,543,846	569,896,052	2,067,888,432	3,476,116,120	—	—	23,026,280,226
Segment other income	106,656,358	98,757,999	—	1,720,834,220	174,335,416	17,894,601	—	—	2,118,478,594
Intersegment other income	128,124,168	29,683,939	—	—	—	—	—	(157,808,107)	—
Total other income	234,780,526	128,441,938	—	1,720,834,220	174,335,416	17,894,601	—	(157,808,107)	2,118,478,594
Gross profit including other income	9,529,636,173	4,242,422,067	3,503,543,846	2,290,730,272	2,242,223,848	3,494,010,721	—	(157,808,107)	25,144,758,820
Segment operating expenses	6,054,208,278	3,050,249,733	2,405,685,246	1,971,334,998	1,502,734,344	2,620,352,265	9,078,744	—	17,613,643,608
Intersegment operating expenses	22,820,930	48,943,207	31,315,216	—	28,760,952	25,967,802	—	(157,808,107)	—
Total operating expenses	6,077,029,208	3,099,192,940	2,437,000,462	1,971,334,998	1,531,495,296	2,646,320,067	9,078,744	(157,808,107)	17,613,643,608
Earnings before interest, taxes and depreciation and amortization	3,452,606,965	1,143,229,127	1,066,543,384	319,395,274	710,728,552	847,690,654	(9,078,744)	—	7,531,115,212
Depreciation and amortization	745,747,598	299,129,254	224,579,663	374,183,611	82,617,606	311,972,401	—	—	2,038,230,133
Earnings before interest and taxes	2,706,859,367	844,099,873	841,963,721	(54,788,337)	628,110,946	535,718,253	(9,078,744)	—	5,492,885,079
Interest expense	(10,985,079)	(30,285,417)	—	(19,897,917)	(28,399,575)	(35,002,583)	—	38,037,041	(86,533,530)
Interest income	12,386,680	11,032,919	19,731,969	565,635	1,522,313	14,118,790	805,953,362	(38,037,041)	827,274,627
Dividend income	—	—	—	—	—	—	111,500,000	—	111,500,000
Foreign exchange gain - net	—	—	—	—	—	—	219,216,013	—	219,216,013
Equity in net earnings of an associate	—	—	—	—	—	—	102,659,711	—	102,659,711
Income before income tax	₱2,708,260,968	₱824,847,375	₱861,695,690	(₱74,120,619)	₱601,233,684	₱514,834,460	₱1,230,250,342	₱—	₱6667,001,900
Assets and liabilities									
Segment assets	₱15,803,668,694	₱5,557,509,989	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱28,984,865,255	₱3,124,618,587	₱76,695,051,629
Investment in subsidiaries - at cost	2,790,607,224	3,267,600,374	—	—	—	—	5,286,030,763	(11,344,238,361)	—
Total segment assets	₱18,594,275,918	₱8,825,110,363	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱34,270,896,018	(₱8,219,619,774)	₱76,695,051,629
Total segment liabilities	₱ 7,911,480,443	₱4,834,741,519	₱2,586,621,793	₱1,720,762,806	₱4,997,176,622	₱4,906,292,693	₱135,892,348	(₱963,461,624)	₱26,129,506,600
Other segment information:									
Capital expenditures	₱1,462,874,334	₱582,218,387	₱346,015,870	₱223,721,798	₱274,982,883	₱546,606,832	₱—	₱—	₱3,436,420,104





**2015**

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱43,238,713,800	₱14,906,017,159	₱9,871,828,234	₱5,493,047,709	₱8,069,514,406	₱9,303,506,398	₱—	₱—	₱90,882,627,706
Intersegment net sales	—	—	—	—	—	1,055,054,341	—	(1,055,054,341)	—
Total net sales	43,238,713,800	14,906,017,159	9,871,828,234	5,493,047,709	8,069,514,406	10,358,560,739	—	(1,055,054,341)	90,882,627,706
Segment cost of merchandise sold	35,035,520,292	9,924,617,998	6,805,032,645	4,966,339,987	6,804,453,344	7,597,621,098	—	—	71,133,585,364
Intersegment cost of merchandise sold	—	1,055,054,341	—	—	—	—	—	(1,055,054,341)	—
Total cost of merchandise sold	35,035,520,292	10,979,672,339	6,805,032,645	4,966,339,987	6,804,453,344	7,597,621,098	—	(1,055,054,341)	71,133,585,364
Gross profit	8,203,193,508	3,926,344,820	3,066,795,589	526,707,722	1,265,061,062	2,760,939,641	—	—	19,749,042,342
Segment other income	95,236,386	70,737,049	—	1,543,542,368	137,465,802	15,691,344	—	—	1,862,672,949
Intersegment other income	123,270,064	22,495,629	—	—	—	—	—	(145,765,693)	—
Total other income	218,506,450	93,232,678	—	1,543,542,368	137,465,802	15,691,344	—	(145,765,693)	1,862,672,949
Gross profit including other income	8,421,699,958	4,019,577,498	3,066,795,589	2,070,250,090	1,402,526,864	2,776,630,985	—	(145,765,693)	21,611,715,291
Segment operating expenses	5,396,919,234	2,812,033,191	2,091,104,618	1,799,517,640	1,004,500,602	2,122,094,802	9,339,405	—	15,235,509,492
Intersegment operating expenses	15,733,953	54,753,690	30,252,481	—	25,050,746	19,974,823	—	(145,765,693)	—
Total operating expenses	5,412,653,187	2,866,786,881	2,121,357,099	1,799,517,640	1,029,551,348	2,142,069,625	9,339,405	(145,765,693)	15,235,509,492
Earnings before interest, taxes and depreciation and amortization	3,009,046,771	1,152,790,617	945,438,490	270,732,450	372,975,516	634,561,360	(9,339,405)	—	6,376,205,799
Depreciation and amortization	628,825,976	233,690,307	197,712,915	264,625,181	61,492,482	261,018,216	—	—	1,647,365,077
Earnings before interest and taxes	2,380,220,795	919,100,310	747,725,575	6,107,269	311,483,034	373,543,144	(9,339,405)	—	4,728,840,722
Interest expense	(4,351,646)	(9,393,750)	(2,944,139)	(21,448,063)	(4,510,075)	(31,831,485)	—	59,760,729	(14,718,429)
Interest income	7,506,766	10,088,526	14,822,184	388,143	1,429,460	10,044,124	814,193,962	(59,760,729)	798,712,436
Dividend income	—	—	—	—	—	—	111,500,591	—	111,500,591
Foreign exchange gain - net	—	—	—	—	—	—	183,603,976	—	183,603,976
Equity in net earnings of an associate	—	—	—	—	—	—	40,292,934	—	40,292,934
Income before income tax	₱2,383,375,915	₱919,795,086	₱759,603,620	(₱14,952,651)	₱308,402,419	₱351,755,783	₱1,140,252,058	₱—	₱5,848,232,230
Assets and liabilities									
Segment assets	₱12,785,801,296	₱4,417,187,627	₱4,744,132,190	₱2,446,038,333	₱3,316,212,493	₱5,852,846,433	₱28,197,962,656	₱3,399,444,445	₱65,159,625,473
Investment in subsidiaries - at cost	2,790,607,224	3,139,770,374	—	—	—	—	5,283,780,763	(11,214,158,361)	—
Total segment assets	₱15,576,408,520	₱7,556,958,001	₱4,744,132,190	₱2,446,038,333	₱3,316,212,493	₱5,852,846,433	₱33,481,743,419	(₱7,814,713,916)	₱65,159,625,473
Total segment liabilities	₱6,240,313,159	₱4,020,326,369	₱2,001,318,203	₱1,672,560,681	₱1,738,143,197	₱3,767,679,622	₱62,801,062	₱151,207,330	₱19,654,349,623
Other segment information:									
Capital expenditures	₱1,327,432,037	₱398,969,051	₱301,090,124	₱427,582,091	₱128,974,866	₱559,912,678	₱—	₱—	₱3,143,960,847



2014

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱39,198,503,300	₱13,738,401,021	₱8,521,191,398	₱4,615,481,381	₱7,060,667,849	₱7,266,717,353	₱—	₱—	₱80,400,962,302
Intersegment net sales	—	—	—	—	—	622,344,641	—	(622,344,641)	—
Total net sales	39,198,503,300	13,738,401,021	8,521,191,398	4,615,481,381	7,060,667,849	7,889,061,994	—	(622,344,641)	80,400,962,302
Segment cost of merchandise sold	31,829,500,305	9,509,234,689	5,878,262,588	4,182,100,283	5,931,854,413	5,640,910,244	—	—	62,971,862,522
Intersegment cost of merchandise sold	6,580,467	622,344,641	1,888,478	—	—	1,121,323	—	(631,934,909)	—
Total cost of merchandise sold	31,836,080,772	10,131,579,330	5,880,151,066	4,182,100,283	5,931,854,413	5,642,031,567	—	(631,934,909)	62,971,862,522
Gross profit	7,362,422,528	3,606,821,691	2,641,040,332	433,381,098	1,128,813,436	2,247,030,427	—	9,590,268	17,429,099,780
Segment other income	89,081,203	56,674,760	—	1,170,395,135	100,483,482	16,568,543	—	—	1,433,203,123
Intersegment other income	114,510,761	9,590,268	—	—	—	—	—	(124,101,029)	—
Total other income	203,591,964	66,265,028	—	1,170,395,135	100,483,482	16,568,543	—	(124,101,029)	1,433,203,123
Gross profit including other income	7,566,014,492	3,673,086,719	2,641,040,332	1,603,776,233	1,229,296,918	2,263,598,970	—	(114,510,761)	18,862,302,903
Segment operating expenses	4,899,590,616	2,557,749,781	1,710,665,288	1,314,952,139	887,995,514	1,717,650,328	6,119,853	—	13,094,723,519
Intersegment operating expenses	2,190,004	59,651,260	19,856,668	—	20,303,635	12,509,194	—	(114,510,761)	—
Total operating expenses	4,901,780,620	2,617,401,041	1,730,521,956	1,314,952,139	908,299,149	1,730,159,522	6,119,853	(114,510,761)	13,094,723,519
Earnings before interest, taxes and depreciation and amortization	2,664,233,872	1,055,685,678	910,518,376	288,824,094	320,997,769	533,439,448	(6,119,853)	—	5,767,579,384
Depreciation and amortization	535,683,759	174,667,903	129,257,270	203,400,315	46,331,598	190,799,384	—	—	1,280,140,229
Earnings before interest and taxes	2,128,550,113	881,017,775	781,261,106	85,423,779	274,666,171	342,640,064	(6,119,853)	—	4,487,439,155
Interest expense	—	—	(1,591,150)	(7,111,597)	(4,406,929)	(19,784,223)	—	20,836,509	(12,057,390)
Interest income	6,703,881	4,963,063	11,464,086	742,508	1,731,360	4,200,051	625,216,421	(20,836,509)	634,184,861
Dividend income	—	—	—	—	—	—	27,875,000	—	27,875,000
Foreign exchange gain - net	—	—	—	—	—	—	25,063,690	—	25,063,690
Equity in net earnings of an associate	—	—	—	—	—	—	56,549,947	—	56,549,947
Income before income tax	₱2,135,253,994	₱885,980,838	₱791,134,042	₱79,054,690	₱271,990,602	₱327,055,892	₱728,585,205	₱—	₱5,219,055,263
Assets and liabilities									
Segment assets	₱10,924,736,561	₱3,717,280,449	₱4,087,924,263	₱2,285,354,461	₱2,835,218,028	₱4,192,432,860	₱30,993,276,665	(₱1,540,253,336)	₱57,495,969,951
Investment in subsidiaries - at cost	2,771,636,283	1,834,770,374	—	—	—	—	2,031,274,134	(6,637,680,791)	—
Total segment assets	₱13,696,372,844	₱5,552,050,823	₱4,087,924,263	₱2,285,354,461	₱2,835,218,028	₱4,192,432,860	₱33,024,550,799	(₱8,177,934,127)	₱57,495,969,951
Total segment liabilities	₱6,301,266,770	₱2,802,810,941	₱1,946,091,733	₱1,512,863,649	₱1,456,282,356	₱2,678,479,603	₱83,064,840	(₱521,987,084)	₱16,258,872,808
Other segment information:									
Capital expenditures	₱1,616,215,223	₱513,996,144	₱436,570,364	₱582,710,117	₱135,609,024	₱590,429,057	₱—	₱—	₱3,875,529,929



The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting ₱1.14 billion, ₱1.06 billion and ₱0.62 billion in 2016, 2015 and 2014, respectively, were eliminated on consolidation.

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

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

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

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## 7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and short-term investments amounting to ₱12.72 billion and ₱9.76 billion as of December 31, 2016, and 2015, respectively.

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one (1) to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term investment rates that ranges from 0.88% to 2.5%, 0.24% to 2.75% and 0.20% to 3.20% in 2016, 2015 and 2014, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱73.04 million, ₱66.87 million and ₱177.89 million in 2016, 2015 and 2014, respectively.

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## 8. Short-Term Investments

This account consists of dollar-denominated money market investments amounting to nil and ₱7.06 million as of December 31, 2016, and 2015, respectively.

Short-term investments are made for varying periods of up to one (1) year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates based on annual interest rates ranging from 0.40% and 2.04% to 2.31% in 2016 and 2015, respectively.

Interest income arising from short-term investments amounted to nil, ₱2.90 million and ₱31.65 million in 2016, 2015 and 2014, respectively.

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## 9. Trade and Other Receivables

This account consists of:

	2016	2015
Trade (Notes 25 and 28)	<b>₱1,377,955,042</b>	₱905,655,683
Nontrade (Notes 10, 25 and 28)	<b>432,096,725</b>	601,820,649
Due from franchisees (Notes 28 and 30)	<b>257,548,511</b>	296,289,011
	<b>2,067,600,278</b>	1,803,765,343
Less: allowance for impairment losses (Notes 22 and 30)	<b>79,710,378</b>	30,042,101
	<b>₱1,987,889,900</b>	₱1,773,723,242



Movement in the allowance for impairment losses is as follows:

	2016	2015
Balance at beginning of year	<b>₱30,042,101</b>	₱30,042,101
Additional provision for impairment losses	<b>49,668,277</b>	—
Balance at end of year	<b>₱79,710,378</b>	₱30,042,101

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

Nontrade receivables include receivable from insurance companies amounting to ₱106.22 million and ₱112.25 million as of December 31, 2016, and 2015, respectively. Receivable from insurance companies represents amounts recoverable within one year from the reporting period for insured properties that were damaged due to fire and typhoon (Notes 10 and 13). The remaining balance consists of operational advances and interest receivable arising from short-term investments.

As of December 31, 2016, and 2015, allowance for impairment losses on trade receivables and due from franchisees amounted to ₱79.71 million and ₱30.04 million, respectively (Note 30).

## 10. Merchandise Inventories

The rollforward analysis of this account follows:

	2016	2015
Balance at beginning of year	<b>₱10,575,687,802</b>	₱8,993,411,437
Add: purchases - net of purchase discounts and allowances	<b>85,033,040,989</b>	72,715,861,729
Cost of goods available for sale	<b>95,608,728,791</b>	81,709,273,166
Cost of merchandise sold	<b>82,267,043,806</b>	71,133,585,364
Balance at end of year	<b>₱13,341,684,985</b>	₱10,575,687,802

In 2015, the Group had disposed inventories amounting to ₱69.9 million which were damaged during a fire. These amounts are recoverable from the insurance companies (Note 9).

There are no merchandise inventories pledged as security for liabilities as of December 31, 2016 and 2015.

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱82.27 billion, ₱71.13 billion and ₱62.97 billion in 2016, 2015 and 2014, respectively.

There are no inventories which net realizable values are below cost.



## 11. Other Current Assets

This account consists of:

	2016	2015
Input VAT – net	<b>₱1,797,941,781</b>	₱1,387,283,936
Creditable withholding taxes (CWT)	<b>240,105,308</b>	174,606,863
Prepayments	<b>136,491,387</b>	110,645,602
Others	<b>10,173,631</b>	15,865,914
	<b>₱2,184,712,107</b>	₱1,688,402,315

Input VAT will be applied against output VAT in the succeeding periods.

CWT will be applied against income tax payable in future periods.

Prepayments consist of advance payments for rental, taxes and utilities.

Others consist mainly of deferred input VAT on capital goods.

## 12. Available-for-Sale (AFS) Financial Assets

The Group's AFS financial assets are carried at fair value as follows:

	2016	2015
Debt securities	<b>₱18,310,029,363</b>	₱17,429,313,846
Equity securities	<b>2,120,000,000</b>	2,082,000,000
	<b>₱20,430,029,363</b>	₱19,511,313,846

### Debt Securities

Quoted debt securities consist of peso and dollar-denominated bond securities with fixed coupon rate per annum ranging from 4.38% to 7.88% and term of five (5) to ten (10) years.

Roll-forward analysis of debt securities for the years ended December 31, 2016 and 2015 follow:

	2016	2015
Cost:		
At beginning of year	<b>₱17,063,599,821</b>	₱15,704,262,593
Additions	<b>530,826,255</b>	1,359,337,228
At end of year	<b>17,594,426,076</b>	17,063,599,821
Amortization of premium on debt securities	<b>(35,548,578)</b>	(29,112,466)
Change in fair value of AFS financial assets:		
At beginning of year	<b>188,092,377</b>	(28,131,857)
Changes in fair value during the year	<b>144,711,279</b>	216,224,234
At end of year	<b>332,803,656</b>	188,092,377
Foreign exchange gains	<b>418,348,209</b>	206,734,114
	<b>₱18,310,029,363</b>	₱17,429,313,846



As of December 31, 2016 and 2015, investments in AFS financial assets (debt) amounted to ₱18.31 billion and ₱17.43 billion, respectively.

Interest income arising from AFS financial assets amounted to ₱754.23 million, ₱728.94 million and ₱424.64 million in 2016, 2015 and 2014, respectively.

Accretion of interest pertains to the amortization of interest income resulting from the difference of the carrying value and face value of AFS financial assets.

#### Equity Securities

Quoted equity securities pertain to investment in stock listed in the Philippine Stock Exchange (PSE).

Roll-forward analysis of equity securities for the years ended December 31, 2016 and 2015 follow:

	2016	2015
Cost	<b>₱2,000,000,000</b>	₱2,000,000,000
Change in fair value of AFS financial assets:		
At beginning of year	<b>82,000,000</b>	16,000,000
Changes in fair value during the year	<b>38,000,000</b>	66,000,000
At end of year	<b>120,000,000</b>	82,000,000
	<b>₱2,120,000,000</b>	₱2,082,000,000

As of December 31, 2016 and 2015, investments in AFS financial assets (equity) amounted to ₱2.12 billion and ₱2.08 billion, respectively.

Dividend income earned by the Group amounted to ₱111.50 million, ₱111.50 million and ₱27.88 million in 2016, 2015 and 2014, respectively.



### 13. Property and Equipment

#### 2016

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
<b>Cost</b>								
At beginning of year	₱10,443,772,361	₱7,635,219,254	₱1,166,650,417	₱148,608,875	₱1,592,152,864	₱1,889,939,378	₱1,737,563	₱22,878,080,712
Additions through business combination (Note 20)	85,238,315	21,221,511	1,104,079	34,681,109	41,487,800	8,793,280	–	192,526,094
Additions	1,587,528,804	791,004,515	440,930,797	3,913,454	68,511,889	351,060,219	944,332	3,243,894,010
Disposals and derecognition	(195,784,596)	(27,364,873)	(285,714)	–	–	(2,950,870)	–	(226,386,053)
At end of year	11,920,754,884	8,420,080,407	1,608,399,579	187,203,438	1,702,152,553	2,246,842,007	2,681,895	26,088,114,763
<b>Accumulated Depreciation and Amortization</b>								
At beginning of year	5,200,301,916	4,314,599,834	238,834,811	84,511,884	657,431,659	1,157,226,375	–	11,652,906,479
Depreciation and amortization (Note 22)	1,007,817,842	598,804,122	147,657,705	27,573,182	46,050,813	195,729,376	–	2,023,633,040
Disposals and derecognition	(195,784,598)	(27,364,873)	(285,714)	–	–	(2,950,870)	–	(226,386,055)
At end of year	6,012,335,160	4,886,039,083	386,206,802	112,085,066	703,482,472	1,350,004,881	–	13,450,153,464
<b>Allowance for impairment losses</b>								
At beginning and end of year	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	₱5,858,852,051	₱3,508,158,338	₱1,222,192,777	₱75,118,372	₱998,670,081	₱896,487,853	₱2,681,895	₱12,562,161,367

#### 2015

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
<b>Cost</b>								
At beginning of year	₱8,991,092,550	₱6,939,918,610	₱820,876,405	₱114,971,723	₱1,483,565,334	₱1,577,978,948	₱518,599	₱19,928,922,169
Additions through business combination (Note 20)	11,151,701	–	19,431,520	14,275,494	–	–	–	44,858,715
Additions	1,555,906,189	765,119,424	326,795,089	19,361,658	107,535,209	317,925,045	6,459,518	3,099,102,132
Transfers	2,380,575	1,717,801	–	–	1,052,321	89,857	(5,240,554)	–
Disposals and derecognition	(116,758,654)	(71,536,581)	(452,597)	–	–	(6,054,472)	–	(194,802,304)
At end of year	10,443,772,361	7,635,219,254	1,166,650,417	148,608,875	1,592,152,864	1,889,939,378	1,737,563	22,878,080,712
<b>Accumulated Depreciation and Amortization</b>								
At beginning of year	4,527,417,236	3,833,452,256	138,533,034	73,194,357	618,094,076	1,005,045,974	–	10,195,736,933
Depreciation and amortization (Note 22)	780,951,752	541,141,399	100,551,484	11,317,527	39,337,583	156,693,106	–	1,629,992,851
Disposals and derecognition	(108,067,072)	(59,993,821)	(249,707)	–	–	(4,512,705)	–	(172,823,305)
At end of year	5,200,301,916	4,314,599,834	238,834,811	84,511,884	657,431,659	1,157,226,375	–	11,652,906,479
<b>Allowance for impairment losses</b>								
At beginning and end of year	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	₱5,193,902,772	₱3,294,736,434	₱927,815,606	₱64,096,991	₱934,721,205	₱732,363,730	₱1,737,563	₱11,149,374,301



There are no items of property and equipment as of December 31, 2016 and 2015 that are pledged as security for liabilities.

In 2015, the Group had disposed property and equipment with net book values amounting ₱21.98 million which were damaged due to fire. These amounts are recoverable from the insurance company (Note 9).

Allowance for impairment losses pertain to closing of non-performing stores.

Cost of fully depreciated property and equipment still in use amounted to ₱6.06 billion and ₱3.51 billion as at December 31, 2016 and 2015, respectively.

#### 14. Investments in an Associate

This account consists of investments in shares of stock of Robinsons Bank Corporation (RBC):

	2016	2015
Investment in preferred stock	<b>₱1,654,364,339</b>	₱1,654,364,339
Investment in common stock	<b>3,423,547,645</b>	3,424,938,315
	<b>₱5,077,911,984</b>	₱5,079,302,654

The preferred stock has the following features:

- Preferred stockholders are entitled to receive preferential but non-cumulative dividends at the rate to be determined by the BOD of RBC.
- Preferred stock are redeemable at the option of RBC at any time provided that the redemption price shall not be lower than the par value or higher than 110.00% of said par value.
- In the event of any voluntary or involuntary liquidation, the preferred stockholders are entitled to receive the liquidation value of the shares equivalent to 110.00% of the par value plus any unpaid but declared dividends thereon. If the net assets of RBC shall be insufficient to pay in full the liquidation value of all the preferred stock, then such net resources shall be distributed among such preferred stock ratably in accordance with the respective liquidation value of the shares they are holding.

The rollforward of the investment in preferred stock of RBC follow:

	2016	2015
At beginning of year	<b>₱1,654,364,339</b>	₱1,470,083,439
Additional investment	—	184,280,900
At end of year	<b>₱1,654,364,339</b>	₱1,654,364,339

In 2015, the Parent Company made additional investments in the preferred stock of RBC for a total consideration of ₱184.28 million which was paid in cash.





The details of the investment in an associate follow:

	2016	2015
Shares of stock - at equity:		
Acquisition cost	<b>₱3,095,874,563</b>	₱124,933,383
Additional investment	–	2,970,941,180
Balance at end of year	<b>3,095,874,563</b>	3,095,874,563
Accumulated equity in net earnings:		
Balance at beginning of year	<b>608,386,399</b>	568,093,465
Equity in net earnings	<b>102,659,711</b>	40,292,934
Balance at end of year	<b>711,046,110</b>	608,386,399
Share in fair value changes of AFS financial assets of RBC:		
Balance at beginning of year	<b>(224,679,587)</b>	(122,558,084)
Share in fair value changes of AFS investments	<b>(103,174,500)</b>	(102,121,503)
Balance at end of year	<b>(327,854,087)</b>	(224,679,587)
Share in translation loss adjustments:		
Balance at beginning of year	<b>(41,314,642)</b>	(41,129,697)
Share in translation adjustments	<b>(3,420,011)</b>	(184,945)
Balance at end of year	<b>(44,734,653)</b>	(41,314,642)
Share in remeasurement loss on pension liability:		
Balance at beginning of year	<b>(13,328,418)</b>	(9,186,621)
Share in remeasurement gain (loss) on pension liability	<b>2,544,130</b>	(4,141,797)
Balance at end of year	<b>(10,784,288)</b>	(13,328,418)
	<b>₱3,423,547,645</b>	₱3,424,938,315

RBC is incorporated in the Philippines and is engaged in commercial and thrift banking whose principal activities include deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing. The Group has 40.00% ownership in RBC.

On December 2, 2015, the BOD of the Parent Company approved and authorized the Parent Company to subscribe to additional 297,094,118 shares of RBC for a total consideration of ₱2.97 billion in order for the Parent Company to maintain its ownership interest of 40.00%.

No dividends have been declared and paid by RBC in 2016, 2015 and 2014.

Summarized financial information of RBC follows:

	2016	2015
Total assets	<b>₱78,038,589,262</b>	₱57,949,720,628
Total liabilities	<b>66,059,186,457</b>	46,069,908,888
Net income	<b>256,649,278</b>	100,732,335
Other comprehensive loss	<b>(260,125,953)</b>	(266,120,613)



The consolidated statements of comprehensive income follow:

	2016	2015	2014
Total operating income	<b>₱2,900,613,609</b>	₱3,172,291,682	₱2,439,100,476
Total operating expenses and tax	<b>2,643,964,331</b>	3,071,559,347	2,297,725,609
Net income	<b>256,649,278</b>	100,732,335	141,374,867
Other comprehensive loss	<b>(260,125,953)</b>	(266,120,613)	326,314,028
Total comprehensive income	<b>(₱3,476,675)</b>	(₱165,388,278)	₱467,688,895

The reconciliation of the net assets of RBC to the carrying amounts of the interest in RBC recognized in the consolidated financial statements follows:

	2016	2015
Net assets of RBC	<b>₱7,836,794,548</b>	₱7,840,271,223
Proportionate ownership in the associate	<b>40%</b>	40%
Carrying amount of the investment	<b>3,134,717,819</b>	3,136,108,489
Total share in net assets	<b>3,423,547,645</b>	3,424,938,315
Difference	<b>₱288,829,826</b>	₱288,829,826

The difference is attributable to the commercial banking license and goodwill.

## 15. Intangible Assets

This account consists of:

	2016	2015
Goodwill (Note 20)	<b>₱3,381,413,966</b>	₱2,069,985,136
Trademarks (Note 20)	<b>3,195,930,460</b>	1,931,832,025
Licenses	<b>72,727,274</b>	84,848,486
Franchise	<b>21,826,729</b>	22,512,422
	<b>₱6,671,898,429</b>	₱4,109,178,069

### Trademarks

The trademarks were acquired through business combinations in 2016, 2015 and 2012 and were recognized at fair value at the date of acquisition (Note 20) as follow:

	2016	2015
SSDI	<b>₱1,566,917,532</b>	₱1,566,917,532
TGPPI	<b>1,264,098,435</b>	—
SEWI	<b>364,914,493</b>	364,914,493
	<b>₱3,195,930,460</b>	₱1,931,832,025



*Goodwill*

The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of TGPPI, SEWI, SSDI, EC, RHIB, HPTDI, RTSHPI, BSRI, JRMC and GPC as follows (Note 20):

	2016	2015
TGPPI	<b>₱1,281,428,830</b>	₱—
SSDI	<b>745,887,131</b>	745,887,131
SEWI	<b>715,103,869</b>	715,103,869
EC	<b>199,870,222</b>	199,870,222
RHIB	<b>145,655,320</b>	145,655,320
RTSHPI	<b>85,161,468</b>	85,161,468
BSRI	<b>83,324,691</b>	83,324,691
JRMC	<b>71,732,435</b>	71,732,435
HPTDI	<b>30,000,000</b>	—
GPC	<b>23,250,000</b>	23,250,000
	<b>₱3,381,413,966</b>	<b>₱2,069,985,136</b>

The dates of acquisition and the Parent Company's percentage of ownership in the shares of stock of subsidiaries follows:

<b>Date of Acquisition</b>	<b>Acquirer</b>	<b>Entity Acquired</b>	<b>% of Ownership</b>
August 1, 2016	RHIB	HPTDI	75%
May 17, 2016	SSDI	TGPPI	51%
September 1, 2015	RI	SEWI	90%
July 3, 2014	RHMI	RHIB	67%
June 2, 2014	SSDI	GPC	100%
January 29, 2014	RSC	JRMC	100%
September 14, 2013	RSC	EC	100%
July 4, 2012	RSC and RI	SSDI	90%
February 19, 2007	RHMI	RTSHPI	66.67%

*Licenses*

*Acquisition of Trademark by RSSI to Secure a Franchise/License*

On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱12.12 million for the years ended December 31, 2016 and 2015 (Note 22).

The rollforward analysis of this account follows:

	2016	2015
Beginning balance	<b>₱84,848,486</b>	₱96,969,698
Less: Amortization (Note 22)	<b>12,121,212</b>	12,121,212
	<b>₱72,727,274</b>	<b>₱84,848,486</b>



### Franchise

On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a development fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one (1) year after the date of the agreement, and service fee equal to a certain percentage of sales.

As of December 31, 2016 and 2015, the Group has franchise amounting to ₱21.83 million and ₱22.51 million, respectively.

The rollforward analysis of the franchise follows:

	2016	2015
Beginning Balance	₱22,512,422	₱13,805,165
Additions	1,790,188	9,877,677
Amortization (Note 22)	(2,475,881)	(1,170,420)
	<b>₱21,826,729</b>	<b>₱22,512,422</b>

In 2015, the Group started recording amortization relating to franchise, following the commencement of the Group's Costa operations. Amortization amounted to ₱2.48 million and ₱1.17 million in 2016 and 2015, respectively.

## 16. Other Noncurrent Assets

This account consists of:

	2016	2015
Security and other deposits	₱1,396,875,108	₱1,292,797,568
Construction bond	33,845,521	35,305,287
	<b>₱1,430,720,629</b>	<b>₱1,328,102,855</b>

Security and other deposits mainly consist of advances for the lease of stores which are refundable at the end of the lease term.

## 17. Trade and Other Payables

This account consists of:

	2016	2015
Trade	₱12,609,547,221	₱11,046,137,736
Nontrade (Note 25)	3,864,064,225	3,469,168,376
Others	322,986,036	280,229,899
	<b>₱16,796,597,482</b>	<b>₱14,795,536,011</b>

Trade payables are noninterest-bearing and are normally settled on forty five (45) to sixty (60) in days' term arising mainly from purchases of merchandise inventories for resale.

Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due



to related parties.

Others consist of taxes and licenses payable.

## 18. Short-term Loans Payable

Details of short-term loans follow:

	2016	2015
Balance at beginning of year	<b>₱2,844,872,558</b>	₱111,686,997
Availments	<b>4,398,000,000</b>	2,939,000,000
Payments	<b>(667,173,825)</b>	(205,814,439)
Current portion	<b>₱6,575,698,733</b>	₱2,844,872,558

The balances of loans of the subsidiaries follow:

	2016	2015
SSDI	<b>₱2,319,698,733</b>	₱55,872,558
RI	<b>1,856,000,000</b>	1,206,000,000
RSC	<b>1,030,000,000</b>	1,023,000,000
RCSI	<b>660,000,000</b>	410,000,000
RHDDS	<b>300,000,000</b>	150,000,000
RAC	<b>290,000,000</b>	—
RSSI	<b>120,000,000</b>	—
	<b>₱6,575,698,733</b>	₱2,844,872,558

- a.) SSDI obtained a short-term loan from a local commercial bank with interest rate at 2.50% per annum.
- b.) RI loans payable consists of loans from local banks which will mature within three (3) months and with interest rate at 2.50% per annum. The proceeds of loans were used in the acquisition of SEWI (Note 20).
- c.) RSC settled portion of last year's promissory notes amounting to ₱586.00 million during the year and obtained additional short-term loan notes amounting to ₱593.00 million from a local bank with interest rate of 2.50% per annum which is renewable every three (3) months at the option of RSC. The short-term notes were obtained to support working capital requirements of RSC. Total loans as of December 31, 2016 amounted to ₱1.03 billion.
- d.) RCSI loans payable pertains to short-term loans from a local bank amounting to ₱660.00 million. Interest on the loans is computed at prevailing market interest rates. The Parent Company acts as the guarantor of RCSI.
- e.) RHDDS obtained a short-term loan from a local commercial bank which will mature within three (3) months and with interest rate at 2.50% per annum. The Parent Company acts as the guarantor of RHDDS.
- f.) RAC obtained a short-term loan from a local commercial bank with interest rate at 2.50% per annum.



g.) RSSI obtained a short-term loan from a local commercial bank with interest rate at 2.50% per annum.

Total interest expense charged to operations amounted to ₱86.53 million, ₱14.72 million and ₱12.06 million in 2016, 2015 and 2014, respectively.

The above loans are not subject to any loan covenants.

## 19. Equity

### *Capital Stock*

The details of this account follow:

	2016		2015		2014	
	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000
Issued shares	1,385,000,000	1,385,000,000	1,385,000,000	1,385,000,000	1,385,000,000	1,385,000,000

### Registration Track Record

On November 11, 2013, the Parent Company listed with the Philippine Stock Exchange its common stock wherein it offered 484,750,000 shares to the public at ₱58.00 per share. All shares were sold. Of the total shares sold, 18,871,950 shares were subsequently reacquired by the Parent Company. The Parent Company incurred transaction costs incidental to the IPO amounting ₱745.65 million, charged against “Additional paid-in capital”.

### Equity Reserve

#### *Acquisition of a Subsidiary under Common Control*

On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million while the net assets amounted to ₱33.34 million.

As a result of the combination of the entities, the difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as “equity reserve”.

#### *Acquisition of Additional Shares from a Non-Controlling Shareholder*

On December 5, 2014, RSC acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for ₱1.45 billion. As a result of the acquisition, RSC then holds 80% interest in RHMI.

The Group recognized equity reserve from the acquisition amounting to ₱1.11 billion included in “Equity reserve” in the consolidated statement of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

In 2015, the total consideration was adjusted from ₱1.45 billion to ₱1.48 billion. The difference is recognized as an adjustment to equity reserve. Of the total amount, ₱1.31 billion was received



and settled in 2014. As a result, outstanding balance from ₱136.44 million increased to ₱171.91 million. This was fully settled in cash in 2015.

#### Treasury Shares

On September 7, 2013, the BOD of the Parent Company approved the buyback of its common shares sold during the IPO. Of the total shares sold to the public, 18,971,950 common shares were reacquired by the Parent Company at ₱58.00 per share or an aggregate cost of ₱1.10 billion.

On December 9, 2014, the Parent Company sold all its treasury shares consisting of 18,971,950 common shares at ₱69.00 per share or ₱1.31 billion, incurring transaction costs amounting to ₱8.22 million.

#### *Retained Earnings*

The income of the subsidiaries and accumulated equity in net income of the associate that are recognized in the consolidated statement of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱15.5 billion and ₱12.38 billion as at December 31, 2016 and 2015, respectively, while the accumulated equity in net income of the associate amounted to ₱711.05 million and ₱608.4 million as at December 31, 2016 and 2015, respectively

On June 9, 2016, the BOD approved the declaration of cash dividend of ₱0.63 per share or an aggregate amount of ₱872.55 million to all stockholders of record as of June 29, 2016 which was paid on July 25, 2016.

On July 16, 2015, the BOD approved the declaration of cash dividend of ₱0.51 per share or an aggregate amount of ₱706.35 million to all stockholders of record as of August 7, 2015 which was paid on September 4, 2015.

On June 25, 2014, the BOD approved the declaration of cash dividend of ₱0.41 per share or an aggregate amount of ₱560.07 million to all stockholders of record as of July 17, 2014 which was paid on August 12, 2014.

#### Appropriation of Retained Earnings

Rollforward analysis of appropriated retained earnings follows:

	2016	2015	2014
Balance at beginning of year	<b>₱12,997,451,453</b>	₱10,311,451,453	₱4,340,251,453
Appropriation	<b>3,709,000,000</b>	2,813,000,000	5,986,200,000
Reversal of appropriation	<b>(1,443,598,606)</b>	(127,000,000)	(15,000,000)
Balance at end of year	<b>₱15,262,852,847</b>	₱12,997,451,453	₱10,311,451,453



On December 12, 2016, the Group's BOD approved the appropriation of ₱3.71 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion.

Entity	Amount
RSC	₱1,390,000,000
RHMI	735,000,000
RI	600,000,000
SSDI	300,000,000
RRHI	230,000,000
RAC	145,000,000
RTSHPI	108,000,000
WHMI	92,000,000
RHDDS	50,000,000
RSSI	40,000,000
ASI	14,000,000
HEMI	5,000,000
	<u>₱3,709,000,000</u>

On March 14, 2016, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RRHI-TMI amounting to ₱440.20 million.

On December 12, 2016, the BOD approved the reversal of appropriated retained earnings amounting to ₱1.00 billion. Details are as follows:

Entity	Amount
WHMI	₱359,459,585
RTI	228,000,000
RHMI	200,000,000
RTSHPI	100,000,000
RVC	68,939,021
HEMI	27,000,000
ASI	20,000,000
	<u>₱1,003,398,606</u>

On May 22, 2015, the BOD approved the appropriation of ASI amounting to ₱11.00 million to be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion.





On December 7, 2015, the Group's BOD approved the appropriation of ₱2.55 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion.

Entity	Amount
RSC	₱1,195,000,000
RHMI	460,000,000
RI	375,000,000
SSDI	300,000,000
RTI	110,000,000
RTSHPI	70,000,000
RSSI	30,000,000
EC	13,000,000
	<u>₱2,553,000,000</u>

On December 7, 2015, the BOD approved the reversal of appropriated retained earnings amounting to ₱127.00 million. Details are as follow:

Entity	Amount
WHMI	₱70,000,000
RHMI	50,000,000
HEMI	7,000,000
	<u>₱127,000,000</u>

On December 8, 2015, the Group's BOD approved the appropriation of ₱249.00 million. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion.

Entity	Amount
RAC	₱140,000,000
WHMI	78,000,000
ASI	13,000,000
RVC	9,000,000
HEMI	9,000,000
	<u>₱249,000,000</u>

On February 6, 2014, the Group's BOD approved the appropriation of ₱1.76 billion. The appropriated retained earnings shall be used to augment funds to construct 69 new stores and renovate three (3) stores during the year in line with the Group's nationwide expansion.



Details follow:

Entity	Amount
RSC	₱1,000,000,000
RHMI	325,000,000
RI	200,000,000
RTSHPI	80,000,000
WHMI	55,000,000
RAC	47,000,000
RSSI	25,000,000
RTI	32,000,000
<b>Total</b>	<b>₱1,764,000,000</b>

On November 25, 2014, the Group's BOD approved the additional appropriation of ₱2.72 billion. The appropriated retained earnings shall be used to augment funds in construction, renovation and strategic acquisitions in the next two (2) years in line with the Group's nationwide expansion.

Details follow:

Entity	Amount
RSC	₱900,000,000
RRHI TMI	440,200,000
RHMI	430,000,000
RI	410,000,000
SSDI	190,000,000
RAC	106,000,000
RTI	86,000,000
RTSHPI	60,000,000
WHMI	60,000,000
EC	25,000,000
RVC	10,000,000
HEMI	5,000,000
<b>Total</b>	<b>₱2,722,200,000</b>

On November 25, 2014, the BOD approved the reversal of the appropriated retained earnings of RSSI amounting ₱15.00 million.

On December 1, 2014, the BOD approved the additional appropriation of ₱1.50 billion for RRHI. The appropriated retained earnings shall be used to continue RRHI's investment programs for the next three (3) years.

#### Declaration of Dividends of the Subsidiaries

On March 14, 2016, the BOD of the subsidiaries of the Group approved the declaration of cash dividends by RRHI-TMI amounting to ₱1.35 billion. The dividends are to be paid in 2017.



On December 12, 2016, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
WHMI	₱360,000,000
RHMI	200,000,000
RTI	270,000,000
RTSHPI	100,000,000
RVC	85,000,000
HEMI	27,000,000
ASI	20,000,000
SSDI	20,000,000
Total	₱1,082,000,000

The dividends are to be paid in 2017.

On December 7, 2015, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
WHMI	₱70,000,000
RHMI	50,000,000
RTI	30,000,000
RTSHPI	30,000,000
SSDI	20,000,000
HEMI	7,000,000
Total	₱207,000,000

The cash dividends above were paid in 2016.

On August 20, 2014, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
RSC	₱200,000,000
RI	100,000,000
RTSHPI	35,000,000
Total	₱335,000,000

The cash dividends were paid early 2015.

On January 30, 2014, the BOD of the subsidiaries of the Group approved the declaration of cash dividends of RTSHPI amounting to ₱8.00 million. The dividends were paid on February 28, 2014.



## NCI

### *Acquisitions of NCI from Business Combinations*

In May 2016, the Group has acquired NCI through business combination on the acquisition of TGPPI amounting to ₱942.17 million.

In August 2016, the Group has acquired NCI through business combination on the acquisition of HPTDI amounting to ₱9.5 million.

In 2015 and 2014, the Group has acquired NCI through business combinations on the acquisition of SEWI and RHIB amounting ₱30.54 million and ₱27.26 million, respectively.

### *Investment from Non-controlling Interest*

In 2015 and 2014, transactions relating to NCI pertain to capital call for each investee summarized as follows (Note 2):

Entity	2015	2014
RHIB	<b>₱148,000,000</b>	₱50,000,000
SEWI	<b>35,000,000</b>	—
RHDDS	—	40,600,000
<b>Total</b>	<b>₱183,000,000</b>	<b>₱90,600,000</b>

### *Dividends to NCI*

In 2016 and 2015, dividends declared attributable to NCI amounted to ₱310.84 million and ₱62.96 million, respectively.

## Capital Management

The primary objective of the Group's capital management policy is to ensure that it maintains healthy capital in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2016 and 2015.

The Group considers the following as its main source of its capital:

	2016	2015
Capital stock	<b>₱1,385,000,000</b>	₱1,385,000,000
Additional paid-in capital	<b>27,227,385,090</b>	27,227,385,090
Other comprehensive income	<b>352,393,412</b>	251,829,138
Equity reserve	<b>(1,021,894,669)</b>	(1,027,402,846)
Retained earnings		
Appropriated	<b>15,262,852,847</b>	12,997,451,453
Unappropriated	<b>4,381,691,262</b>	2,689,501,691
Total equity attributable to equity holders of the Parent Company	<b>47,587,427,942</b>	43,523,764,526
Non-controlling interest in consolidated subsidiaries	<b>2,978,117,087</b>	1,981,511,324
<b>Total Equity</b>	<b>₱50,565,545,029</b>	<b>₱45,505,275,850</b>



## 20. Business Combinations

### Combination of Entities under Common Control

On October 3, 2016, RI acquired 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Chic Center Corporation is an entity under common control. Accordingly, the Group accounted the business combination of Chic Center Corporation using the prospective pooling of interest method.

The carrying amounts of total assets and liabilities of Chic Centre Corporation at the date of acquisition were:

	Carrying amounts recognized on acquisition
Assets	
Current assets	₱282,006,264
Property and equipment (Note 13)	55,957,840
Deferred tax assets	2,748,968
Liabilities	(307,374,895)
Net asset	33,338,177
Acquisition cost	(27,830,000)
	₱5,508,177

The assets, liabilities and equity of Chic Centre Corporation are included in the consolidated financial statements at their carrying amounts. The profit and loss of the acquirees are consolidated from the date of acquisition. The difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as “Equity reserve”. Comparative periods are not restated.

On January 1, 2016, the Parent Company acquired 100% ownership of NDV Limited for a total consideration of ₱2.35 million.

### Business Combination and Goodwill

In 2016 and 2015, the Group acquired various entities through business combinations from which the Group has recognized goodwill. The goodwill is concluded to be attributable to each entity acquired and comprises the fair value of the expected synergies from each acquisition.

### *Acquisition of TGPPI*

On May 17, 2016, SSDI acquired 51% of TGPPI for a total consideration of ₱2.26 billion.

In 2016, the Group finalized the purchase price allocation and the amount of resulting goodwill. The final purchase price allocation resulted in goodwill of ₱1.28 billion.



	Fair values recognized on acquisition
Current assets	₱1,231,511,879
Trademarks (Note 15)	1,264,098,435
Property and equipment (Note 13)	102,639,683
Other non-current assets	15,682,708
Liabilities	(311,916,567)
Deferred tax liability	(379,229,531)
Net assets before non-controlling interest	1,922,786,607
Non-controlling interest measured at share of net assets (49%)	942,165,437
Net assets (51%)	980,621,170
Goodwill arising on acquisition (Note 15)	1,281,428,830
Acquisition cost	₱2,262,050,000

From the date of acquisition, TGPPI contributed ₱2.6 billion revenue and ₱284.42 million income before income tax of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue and income before tax would have been higher by ₱1.34 billion and ₱165.47 million, respectively. TGPPI is incorporated on September 15, 2010.

The goodwill of ₱1.28 billion comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

#### *Acquisition of HPTDI*

On August 1, 2016, RHIB acquired 75% ownership of HPTDI for a total consideration of ₱58.50 million.

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. The final purchase price allocation resulted in goodwill of ₱30.0 million.

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 13)	₱33,928,571
Input VAT	4,071,429
Net assets before non-controlling interest	38,000,000
Non-controlling interest measured at share of net assets (25%)	9,500,000
Net assets (75%)	28,500,000
Goodwill arising on acquisition (Note 15)	30,000,000
Acquisition cost	₱58,500,000

From the date of acquisition, HPTDI contributed ₱95.43 million revenue and ₱0.28 million income before income tax of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue and income before tax would have been the same. HPTDI is incorporated on May 4, 2016 and started its commercial operation on August 1, 2016.

The goodwill of ₱30.00 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.



*Acquisition of SEWI*

On September 1, 2015, RI a wholly-owned subsidiary of RRHI, acquired 90% ownership of SEWI for a total consideration of ₱990.00 million.

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. There were no adjustments to the provisional amounts that were made during the measurement period. The final purchase price allocation resulted in goodwill of ₱715.10 million.

The fair values of the identifiable assets and liabilities of SEWI at the date of acquisition were:

	Fair values recognized on acquisition
Assets	
Cash	₱1,650,000
Other current assets	5,393,352
Property and equipment (Note 13)	44,858,715
Trademarks arising on acquisition (Note 15)	364,914,493
	416,816,560
Liabilities	
Advances from stockholders*	1,902,066
Deferred tax liability	109,474,348
Net assets before non-controlling interest	305,440,146
Non-controlling interest measured at share of net assets (10%)	30,544,015
Net assets (90%)	274,896,131
Goodwill arising on acquisition (Note 15)	715,103,869
Acquisition cost	₱990,000,000

\*Presented under trade and other payables account

SEWI is incorporated on March 4, 2015 and started its commercial operation on September 1, 2015.

The goodwill of ₱715.10 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

*Acquisition of GPC*

On June 2, 2014, SSDI acquired 100% ownership of GPC for a total consideration of ₱24.50 million.

Below are the fair values of the identifiable assets acquired:

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 13)	₱1,250,000
Net assets	1,250,000
Goodwill (Note 15)	23,250,000
Acquisition cost	₱24,500,000



In 2015, the Group finalized the purchase price allocation and the fair value computation of goodwill. There were no adjustments to the provisional amounts that were made during the measurement period. The final purchase price allocation resulted in goodwill of ₱23.25 million.

GPC is incorporated on December 6, 2013 and started its commercial operation on May 17, 2014.

The goodwill of ₱23.25 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

*Acquisition of JRMC*

On January 29, 2014, RSC acquired 100% ownership of JRMC for a total consideration of ₱131.71 million.

The fair values of the identifiable assets of JRMC at the date of acquisition follow:

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 13)	₱84,617,057
Liability	
Deferred tax liability	24,635,117
Net assets	59,981,940
Goodwill (Note 15)	71,732,435
Acquisition cost	₱131,714,375

As of December 31, 2014, the Group finalized the purchase price allocation and the fair value computation of goodwill. There were no adjustments to the provisional amounts that were made during the measurement period. The final purchase price allocation resulted in goodwill of ₱71.73 million.

JRMC is incorporated on November 25, 2013 and started its commercial operation on January 29, 2014.

The goodwill of ₱71.73 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.





*Acquisition of RHIB*

On July 3, 2014, RHMI acquired 67.00% ownership of RHIB for a total consideration of ₱201.00 million.

In 2015, RHIB finalized the purchase price allocation of the acquisition. Below are the fair values of the identifiable assets acquired:

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 13)	₱80,224,117
Security deposits	3,495,883
Liability	
Deferred tax liability	1,116,000
Net assets before non-controlling interest	82,604,000
Non-controlling interest measured at share of net assets (33.00%)	27,259,320
Net assets (67.00%)	55,344,680
Goodwill (Note 15)	145,655,320
Acquisition cost	₱201,000,000

As a result, property and equipment and non-controlling interest increased by ₱3.72 million and ₱0.86 million, respectively. The final purchase price allocation resulted in goodwill of ₱145.66 million from the previously determined provisional amount of ₱147.40 million.

RHIB is incorporated on May 7, 2014 and started its commercial operation on July 14, 2014.

The goodwill of ₱145.66 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

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## 21. Sales Revenue

Sales are recognized from retail customers at the point of sale in the stores.

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱2.74 billion, ₱2.44 billion and ₱1.86 billion in 2016, 2015 and 2014, respectively.



## 22. Operating Expenses

This account consists of:

	2016	2015	2014
Rental and utilities (Notes 25, 29 and 30)	<b>₱8,381,892,384</b>	₱7,486,059,989	₱6,549,331,059
Personnel costs and contracted services (Notes 23 and 24)	<b>5,563,169,739</b>	4,805,172,335	3,965,911,963
Depreciation and amortization (Notes 13 and 15)	<b>2,038,230,133</b>	1,647,365,077	1,280,140,229
Transportation and travel	<b>1,005,549,080</b>	783,566,283	670,446,779
Supplies	<b>622,054,994</b>	567,911,150	524,512,802
Advertising	<b>573,330,970</b>	375,111,113	349,916,490
Bank and credit charges	<b>488,281,599</b>	435,424,983	378,374,220
Repairs and maintenance	<b>347,870,477</b>	321,903,797	252,087,822
Royalty expense (Note 30)	<b>159,815,306</b>	141,661,674	119,630,395
Others	<b>471,679,059</b>	318,698,168	284,511,989
	<b>₱19,651,873,741</b>	₱16,882,874,569	₱14,374,863,748

Depreciation and amortization expense pertains to the depreciation and amortization of property and equipment and amortization of franchise fees and license fees which amounted to ₱2,023.63 million and ₱14.60 million, respectively, in 2016, ₱1,629.99 million and ₱17.38 million, respectively, in 2015, and ₱1,267.36 million and ₱12.78 million, respectively, in 2014.

Others consist mainly of taxes and licenses, insurance and professional fees.

## 23. Personnel Costs and Contracted Services

This account consists of:

	2016	2015	2014
Salaries, allowances and benefits (Note 22)	<b>₱2,660,727,005</b>	₱2,303,012,409	₱1,976,074,249
Contracted services (Note 22)	<b>2,902,442,734</b>	2,502,159,926	1,989,837,714
	<b>₱5,563,169,739</b>	₱4,805,172,335	₱3,965,911,963

Details of salaries, allowances and benefits:

	2016	2015	2014
Salaries, wages and allowances	<b>₱2,544,088,072</b>	₱2,187,111,921	₱1,905,290,885
Pension expense (Note 24)	<b>116,638,933</b>	115,900,488	70,783,364
	<b>₱2,660,727,005</b>	₱2,303,012,409	₱1,976,074,249



## 24. Employee Benefits

The Group has a funded, non-contributory, defined benefit pension plan covering all regular permanent employees. Benefits are dependent on years of service and the respective employee's final compensation. The benefits are paid in a lump-sum upon retirement or separation in accordance with the terms of the Robinsons Retail Multi-Employer Retirement Plan (the Plan).

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary. The latest actuarial valuation report for the retirement plan was issued on March 8, 2017.

The Group is a member of the Plan which is administered separately by the Trustee, Robinsons Bank Corporation, so named under the Trust Agreement. The Trustee is under the supervision of the Retirement Working Committee (the Committee) of the Plan. The Committee shall have all the powers necessary or useful in the discharge of its duties, including but not limited, to implement and administer the plan, propose changes and determine the rights of the members of the plan. However, changes or revisions in the Plan shall be approved by the Executive Retirement Committee.

The Committee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Plan.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of pension expense under "Operating expenses" account in the consolidated statements of comprehensive income are as follows:

	2016	2015	2014
Current service cost	<b>₱93,186,487</b>	₱88,276,155	₱51,528,036
Net interest cost	<b>23,452,446</b>	27,624,333	19,255,328
Pension expense	<b>₱116,638,933</b>	₱115,900,488	₱70,783,364

Net pension liability:

	2016	2015
Present value of defined benefit obligation	<b>₱821,789,571</b>	₱661,736,412
Fair value of plan assets	<b>(212,260,323)</b>	(188,389,781)
Net pension liability	<b>₱609,529,248</b>	₱473,346,631

Remeasurement effects recognized in OCI:

	2016	2015
Remeasurement gains (losses) in pension liability	<b>₱41,268,668</b>	₱107,094,186
Remeasurement losses in pension assets	<b>(13,960,930)</b>	(608,638)
	<b>₱27,307,738</b>	₱106,485,548



The movements in pension liability recognized in the consolidated statements of financial position follow:

	2016	2015
Balance at beginning of year	<b>₱473,346,631</b>	₱634,701,436
Pension expense	<b>116,638,933</b>	115,900,488
Remeasurement (gains) losses	<b>27,307,738</b>	(106,485,548)
Transfer-in	<b>1,178,882</b>	—
Actual contribution	—	(170,769,745)
Benefits paid from direct payments	<b>(8,942,936)</b>	—
Balance at end of year	<b>₱609,529,248</b>	₱473,346,631

Movements in the fair value of plan assets follow:

	2016	2015
Balance at beginning of year	<b>₱188,389,781</b>	₱17,425,365
Actual contribution	—	170,769,745
Addition arising from business combination	<b>1,197,654</b>	—
Interest income included in net interest cost	<b>8,711,958</b>	803,309
Remeasurement gains (losses)	<b>13,960,930</b>	(608,638)
Balance at end of year	<b>₱212,260,323</b>	₱188,389,781

Changes in the present value of defined benefit obligation follow:

	2016	2015
Balance at beginning of year	<b>₱661,736,412</b>	₱652,126,801
Current service cost	<b>93,186,487</b>	88,276,155
Interest cost	<b>32,164,404</b>	28,427,642
Transfer-in	<b>2,376,536</b>	—
Remeasurement losses (gains) arising from:		
Changes in financial assumptions	<b>78,361,831</b>	(174,709,623)
Experience adjustments	<b>12,140,567</b>	66,556,851
Changes in demographic assumptions	<b>(49,233,730)</b>	1,058,586
Benefits paid	<b>(8,942,936)</b>	—
Balance at end of year	<b>₱821,789,571</b>	₱661,736,412



The fair value of net plan assets of the Group by each class as at the end of the reporting period are as follows:

	2016	2015
Cash and cash equivalents		
Savings deposit	<b>₱11,650,536</b>	₱170,789,617
Time deposit	<b>51,206,449</b>	1,100,611
	<b>62,856,985</b>	171,890,228
Investments in government securities		
Fixed rate treasury notes	<b>15,417,367</b>	9,573,392
Retail treasury bonds	<b>904,565</b>	6,055,657
	<b>16,321,932</b>	15,629,049
Investments in UITF	<b>130,798,659</b>	891,530
Other receivables	<b>2,259,538</b>	—
Accrued trust fee payable	<b>(26,983)</b>	(21,026)
Others	<b>50,192</b>	—
	<b>₱212,260,323</b>	₱188,389,781

The principal assumptions used in determining pensions for the Group's plan are shown below:

	2016	2015
Discount rates	<b>4.90%-5.60%</b>	5.00%-5.99%
Salary increase rates	<b>5.70%-7.00%</b>	5.70%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return on plan assets amounted to ₱22.67 million and ₱0.19 million in 2016 and 2015, respectively.

The Group expects to contribute ₱230.22 million to the defined benefit pension plan in 2017.

The sensitivity analyses that follow has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant.

		Increase (Decrease)	Effect in Defined Benefit Obligation
<b>2016</b>	<b>Salary increase</b>	<b>+1.00%</b>	<b>₱457,814,920</b>
		<b>-1.00%</b>	<b>(225,527,731)</b>
	<b>Discount rates</b>	<b>+1.00%</b>	<b>(227,933,624)</b>
		<b>-1.00%</b>	<b>457,252,429</b>
 2015	 Salary increase	 +1.00%	 ₱123,209,060
		-1.00%	(163,963,824)
	Discount rates	+1.00%	(135,581,554)
		-1.00%	95,932,180

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.



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

	2016	2015
Less than 1 year	<b>₱33,797,916</b>	₱28,803,690
More than 1 year but less than 5 years	<b>134,068,111</b>	85,482,842
More than 5 years but less than 10 years	<b>449,279,913</b>	290,966,650
More than 10 years but less than 15 years	<b>700,112,262</b>	390,789,771
More than 15 years but less than 20 years	<b>1,003,630,395</b>	524,268,277
More than 20 years	<b>7,570,703,049</b>	4,718,387,484

## 25. Related Party Disclosures

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Significant Related Party Transactions

The Group, in the regular conduct of business, has receivables from/payables to related parties arising from the normal course of operations.

- The following are the Group's transactions with its related parties:

Category	Amount		Due from (Due to)		Terms and Conditions
	2016	2015	2016	2015	
<b>Other affiliates under common control</b>					
a. Trade and other receivables	<b>₱-</b>	<b>₱-</b>	<b>₱185,552,190</b>	₱223,015,830	Noninterest bearing and due in 30 days, not impaired
Sales	<b>3,002,659,968</b>	2,657,101,055	-	-	
Royalty income	<b>1,250,377,301</b>	1,029,055,789	-	-	
b. Trade and other payable			<b>(536,842,332)</b>	(408,827,740)	Noninterest bearing and payable in 30 days, unsecured
Purchases - net	<b>(2,731,155,634)</b>	(2,345,176,138)	-	-	
Rent and utilities	<b>(3,571,891,299)</b>	(3,366,122,925)	-	-	

Below are the Group's transactions with its related parties:

- As of December 31, 2016, and 2015, the Group has outstanding balances from its other affiliates amounting to ₱185.6 million and ₱223.02 million arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

In 2016 and 2015, sales of merchandise inventories to related parties amounted to ₱3.00 billion and ₱2.66 billion, respectively, and royalty income amounted to ₱1.25 billion and ₱1.03 billion, respectively (Note 30).

- As of December 31, 2016, and 2015, the Group has outstanding payable to its other affiliates amounting to ₱536.8 million and ₱408.83 million arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements are cancellable and normally have terms of 5 to 20 years with escalation



clauses ranging from 5% to 10% every year and renewable every year.

In 2016 and 2015, purchases of merchandise inventories for resale to customers amounted to ₱2.73 billion and ₱2.35 billion, respectively while payment for rent and utilities amounted to ₱3.57 billion and ₱3.37 billion, respectively.

Affiliates are related parties by the Group by virtue of common ownership and representations to management where significant influence is apparent.

2. There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

The details of compensation and benefits of key management personnel for 2016, 2015 and 2014 follow:

	2016	2015	2014
Short-term employee benefits	<b>₱135,091,073</b>	₱111,913,098	₱101,192,066
Post-employment benefits	<b>30,916,815</b>	43,264,776	8,671,635
	<b>₱166,007,888</b>	₱155,177,874	₱109,863,701

*Terms and Conditions of Transactions with Related Parties*

Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2016, 2015 and 2014. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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## 26. Income Tax

Provision for income tax for the years ended December 31 follows:

	2016	2015	2014
Current	<b>₱1,540,728,580</b>	₱1,288,917,348	₱1,313,560,861
Deferred	<b>(69,454,983)</b>	(17,851,404)	(27,789,611)
	<b>₱1,471,273,597</b>	₱1,271,065,944	₱1,285,771,250



The components of the net deferred tax assets of the Group as of December 31, 2016 and 2015 pertain to the deferred income tax effects of the following:

	2016	2015
Tax effect of:		
Pension liability	<b>₱182,858,774</b>	₱142,003,989
NOLCO	<b>75,791,881</b>	41,785,925
MCIT	<b>11,103,027</b>	4,900,088
Allowance for impairment losses	<b>10,528,096</b>	25,241
Allowance for inventory write-down	<b>5,111,498</b>	2,052,550
Accrued rent	<b>4,652,569</b>	4,518,461
Unrealized forex gains	<b>(3,207)</b>	(8,075,859)
Fair value adjustments on investment in an Associate	—	(7,226,451)
Derivative liability	—	145,629
	<b>₱290,042,638</b>	<b>₱180,129,573</b>

The components of the net deferred tax liabilities of the Group as of December 31, 2016 and 2015 represent deferred income tax effects of the following:

	2016	2015
Tax effect of:		
Business combination (Note 20)	<b>₱959,671,939</b>	₱655,165,987
Asset revaluation	<b>74,500,379</b>	—
Fair value adjustments on investment in an Associate	<b>10,649,273</b>	—
Depreciation on revaluation	<b>(7,450,038)</b>	—
Unrealized forex gains	<b>4,734,168</b>	—
	<b>₱1,042,105,721</b>	<b>₱655,165,987</b>

The Group has the following deductible temporary differences, NOLCO and MCIT from the Parent Company, SSDI, ECSI, RHMI Management and Consulting, Inc., RRHI Management and Consulting, Inc., RRG Trademarks and Private Labels, Inc., RRHI Trademarks Management, Inc. that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2016	2015
Tax effects of:		
Allowance for impairment losses	<b>₱22,739,980</b>	₱22,739,980
Allowance for doubtful accounts	<b>16,451,697</b>	8,838,303
MCIT	<b>8,052,362</b>	6,943,419
NOLCO	<b>188,485,874</b>	203,456,633
	<b>₱235,729,913</b>	<b>₱241,978,335</b>





Details of the Group's NOLCO follow:

Inception Year	Beginning Balance	Applied	Addition	Ending Balance	Expiry Year
2016	P—	P—	P113,954,603	P113,954,603	2019
2015	104,903,471	—	—	104,903,471	2018
2014	61,807,181	(28,025,650)	—	33,781,531	2017
2013	650,764,543	(22,478,298)	—	628,286,245	2016
Total	P817,475,195	(P50,503,948)	P113,954,603	P880,925,850	

Details of MCIT are as follows:

Inception Year	Amount	Applied/ Expired	Ending Balance	Expiry Year
2016	P16,078,512	P—	P16,078,512	2019
2015	2,155,199	—	2,155,199	2018
2014	2,363,262	(1,441,584)	921,678	2017
2013	7,325,046	(7,325,046)	—	2016
Total	P27,922,019	(P8,766,630)	P19,155,389	

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

	2016	2015
Statutory income tax rate	30.00%	30.00%
Add (deduct) tax effects of:		
Nondeductible interest expense	0.32	1.69
Dividend income	(0.50)	(0.57)
Effect of OSD	(3.38)	(4.85)
Interest income subject to final tax	(3.88)	(4.10)
Investment income	(0.46)	(0.21)
Change in unrecognized deferred tax assets	(0.03)	(0.23)
Effective income tax rate	22.07%	21.73%

## 27. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

	2016	2015	2014
Net income attributable to equity holders of the Parent Company	P4,830,140,965	P4,341,794,218	P3,560,636,968
Weighted average number of common shares	1,385,000,000	1,385,000,000	1,367,379,477
Adjusted weighted average number EPS	1,385,000,000	1,385,000,000	1,367,379,477
Basic and Diluted EPS	P3.49	P3.13	P2.60

The Parent Company has no dilutive potential common shares in 2016, 2015 and 2014.



The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the year.

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## 28. Risk Management and Financial Instruments

### Governance Framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The BOD approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets and specify reporting requirements.

### Fair Value Information

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to their short-term maturities except for the AFS financial assets as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, the carrying values and fair values of AFS financial assets amounted to ₱19.56 billion and ₱20.43 billion and ₱19.03 billion and ₱19.51 billion, respectively (Note 12).

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

#### *Financial Assets*

Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end. The fair value of the AFS financial assets has been determined based on prevailing market quotes. Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

#### *Financial Liabilities*

Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

### Fair Value Hierarchy

As of December 31, 2016 and 2015, the Group has AFS financial assets valued under Level 1 amounting ₱20.43 billion and ₱19.51 billion, respectively (Note 12). These financial assets are measured at fair value.

There were no financial instruments valued at levels 2 and 3 as of December 31, 2016 and 2015.

There were also no transfers among levels 1, 2 and 3 in 2016 and 2015.



### Financial Risk

The main purpose of the Group's financial instruments is to fund its operations and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk, foreign currency risk and equity price risk. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

#### *Interest Rate Risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates.

The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.

The Group has minimal interest rate risk because the interest-bearing loans are short-term in nature and bear fixed interest rates.

#### *Liquidity Risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial instruments of the Group as of December 31, 2016 and 2015 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

### **2016**

	On Demand	One (1) year	More than One (1) year	Total
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	₱12,718,000,227	₱—	₱—	₱12,718,000,227
Trade receivables	147,755,850	1,230,199,192	—	1,377,955,042
Nontrade receivables	38,258,328	393,838,397	—	432,096,725
Due from franchisees	—	257,548,511	—	257,548,511
Other noncurrent assets:				
Security and other deposits	—	—	1,396,875,108	1,396,875,108
Construction bond	—	—	33,845,521	33,845,521
<b>AFS financial assets</b>	—	—	20,430,029,363	20,430,029,363
	<b>₱12,904,014,405</b>	<b>₱1,881,586,100</b>	<b>₱21,860,749,992</b>	<b>₱36,646,350,497</b>
<b>Financial Liabilities</b>				
<b>Other financial liabilities</b>				
Trade and other payables*	₱439,568,412	₱16,143,971,312	₱10,910,000	₱16,594,449,724
Loans payable	—	6,575,698,733	—	6,575,698,733
Other current liabilities	—	269,927,089	—	269,927,089
	<b>₱439,568,412</b>	<b>₱22,989,597,134</b>	<b>₱10,910,000</b>	<b>₱23,440,075,546</b>

\*excluding statutory liabilities amounting ₱202,147,758.



2015

	On Demand	One (1) year	More than One (1) year	Total
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	₱9,757,351,816	₱—	₱—	₱9,757,351,816
Short term investments	—	7,059,000	—	7,059,000
Trade receivables	—	905,655,683	—	905,655,683
Nontrade receivables	—	601,820,649	—	601,820,649
Due from franchisees	—	296,289,011	—	296,289,011
Other noncurrent assets:				
Security and other deposits	—	69,172,817	1,223,624,751	1,292,797,568
Construction bond	—	—	35,305,287	35,305,287
<b>AFS financial assets</b>	—	—	19,511,313,846	19,511,313,846
	<b>₱9,757,351,816</b>	<b>₱1,879,997,160</b>	<b>₱20,770,243,884</b>	<b>₱32,407,592,860</b>
<b>Financial Liabilities</b>				
<b>Other financial liabilities</b>				
Trade and other payables*	₱—	₱14,580,321,689	₱—	₱14,580,321,689
Loans payable	—	2,844,872,558	—	2,844,872,558
Other current liabilities	—	197,583,490	—	197,583,490
	<b>₱—</b>	<b>₱17,622,777,737</b>	<b>₱—</b>	<b>₱17,622,777,737</b>

\*excluding statutory liabilities amounting ₱215,214,322.

*Credit Risk*

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

The Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. The Group's policies include the following: setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.

The tables below show the aging analysis of loans and receivables and AFS financial assets as at December 31, 2016 and 2015.

2016

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents (excluding cash on hand)	₱12,026,536,651	₱—	₱—	₱12,026,536,651
Trade receivables	1,229,619,835	123,463,818	24,871,389	1,377,955,042
Nontrade receivables	416,279,219	15,817,506	—	432,096,725
Due from franchisees	202,709,522	—	54,838,989	257,548,511
Other noncurrent assets:				
Security and other deposits	1,396,875,108	—	—	1,396,875,108
Construction bond	33,845,521	—	—	33,845,521
<b>AFS financial assets</b>	20,430,029,363	—	—	20,430,029,363
	<b>₱35,735,895,219</b>	<b>₱139,281,324</b>	<b>₱79,710,378</b>	<b>₱35,954,886,921</b>



2015

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents (excluding cash on hand)	₱9,133,938,588	₱—	₱—	₱9,133,938,588
Short-term investment	7,059,000	—	—	7,059,000
Trade receivables	845,124,849	59,949,744	581,090	905,655,683
Nontrade receivables	597,533,345	4,287,304	—	601,820,649
Due from franchisees	266,828,000	—	29,461,011	296,289,011
Other noncurrent assets:				
Security and other deposits	1,292,797,568	—	—	1,292,797,568
Construction bond	35,305,287	—	—	35,305,287
<b>AFS financial assets</b>	19,511,313,846	—	—	19,511,313,846
	<b>₱31,689,900,483</b>	<b>₱64,237,048</b>	<b>₱30,042,101</b>	<b>₱31,784,179,632</b>

The Group's maximum exposure in financial assets are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

#### *Credit Quality*

Neither past due nor impaired financial assets are graded as either "A" or "B" based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

- Cash in banks and short-term investments are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.
- Receivables and due from franchisees are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.
- Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties. AFS financial assets are Grade A because these are securities placed in entities with good favorable credit standing.

The Group's financial assets considered as neither past due nor impaired amounting to ₱35.74 billion and ₱31.69 billion as of December 31, 2016 and 2015, respectively are all graded "A" based on the Group's assessment.

#### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso (₱) but maintain a minimal balance of foreign currency. The Group's currency risk arise mainly from foreign currency-denominated cash and cash equivalents, interest receivable and AFS financial assets which are denominated in currency other than the Group's functional currency.



The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase (decrease) in foreign currency rate		Effect on income before income tax (₱)	
	2016	2015	2016	2015
USD	+0.44%	+1.47%	₱17,692,567	₱47,427,378
	-0.44%	-1.47%	(17,692,567)	(47,427,378)

The Group used foreign exchange rate of ₱49.72:US\$1 and ₱47.06:US\$1 as of December 31, 2016, and 2015, respectively, in converting its dollar-denominated financial assets to peso.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency in 2016 and 2015 are as follows:

	2016		2015	
	USD	PHP	USD	PHP
AFS financial assets	\$73,440,000	₱3,651,436,800	\$67,004,668	₱3,153,239,676
Cash and cash equivalents	6,405,486	318,480,764	1,397,689	65,775,244
Receivables	1,028,165	51,120,364	5,914	278,313
Short-term investments	—	—	150,000	7,059,000
Total	\$80,873,651	₱4,021,037,928	\$68,558,271	₱3,226,352,233

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2016 and 2015. There is no impact on equity other than those already affecting income before income tax.

#### Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS investments.

Quoted AFS securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Quoted equity security consists of marketable equity security that is listed and traded on the Philippine Stock Exchange (PSE). The fair market value of the listed shares is based on the quoted market price as of December 31, 2016 and 2015.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index with all other variables held constant, showing the impact on equity:

	Change in variable	Effect on equity-Other comprehensive income
2016	+2.30%	₱48,760,000
	-2.30%	(48,760,000)
2015	+4.46%	₱92,857,200
	-4.46%	(92,857,200)



The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 2.30% and 4.46% in 2016 and 2015, respectively.

For quoted securities, the Group, used as basis of these assumptions, the annual percentage change in PSE composite index.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the Group's statements of income.

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## 29. Lease Commitments

### *Group as Lessee*

The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to twenty-five (25) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rent expense in 2016, 2015 and 2014 amounted to ₱4.99 billion, ₱4.50 billion and ₱3.66 billion, respectively (Notes 22 and 25).

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## 30. Agreements

- a) The Group has exclusive right to use the Ministop System in the Philippines which was granted to the Group by Ministop Co. Ltd., a corporation organized in Japan. In accordance with the franchise agreement, the Group agrees to pay, among others, royalties to Ministop based on a certain percentage of gross profit.

Royalty expense amounted to ₱72.67 million, ₱65.83 million and ₱54.60 million in 2016, 2015 and 2014, respectively (Note 22). Royalty payable to Ministop included under "Nontrade payable" as of December 31, 2016 and 2015 amounted to ₱6.65 million and ₱6.29 million, respectively (Note 17).

- b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱1.72 billion, ₱1.54 billion and ₱1.15 billion in 2016, 2015 and 2014, respectively.

As of December 31, 2016 and 2015, amounts due from franchisees amounted to ₱202.72 million and ₱266.83 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to ₱54.83 million and ₱29.46 million as of December 31, 2016 and 2015, respectively (Note 9).

- c) The Group obtained a license to use the Daiso Business Model in the Philippines that was granted to RDDC by Daiso Industries Co., Ltd. (DICL) in Japan. In accordance with the license agreement, RDDC agrees to pay, among others, royalties to DICL based on a certain percentage of monthly net sales.

Royalty expenses amounted to ₱6.31 million, ₱4.34 million and ₱5.54 million in 2016, 2015 and 2014, respectively.



- d.) On September 21, 2012, RSSI paid ₱121.21 million in exchange for the trademarks that were duly registered in the Philippine Intellectual Rights Office. The trademark allows the Group to use the brand and operate its stores in the Philippines (Note 15).

Royalty expense amounted to ₱1.26 million and ₱2.43 million in 2016 and 2015, respectively.

- e.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱75.4 million, ₱67.80 million and ₱59.9 million in 2016, 2015 and 2014, respectively.
- f.) On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines (Note 15).

The Group started Costa operations in June 2015. Royalty expenses amounted to ₱4.17 million and ₱1.26 million in 2016 and 2015, respectively.

- g.) The Group has other licenses and franchises to carry various global brands.

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### 31. Contingencies

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have material adverse effect in the Group's financial position and results of operations.

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### 32. Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 24, 2017.





## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders  
Robinsons Retail Holdings, Inc.  
43rd Floor, Robinsons Equitable Tower  
ADB Avenue corner Poveda Sts., Ortigas Center  
Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated March 24, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic Group financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Wenda Lynn M. Loyola  
Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),

March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5908712, January 3, 2017, Makati City

March 24, 2017



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**

**CONSOLIDATED COMPANY FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position as of December 31, 2016 and December 31, 2015.

Consolidated Statements of Comprehensive Income for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

Consolidated Statements of Changes in Equity for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

Consolidated Statements of Cash flows for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

**SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors on Supplementary Schedules

- I. Supplementary schedules required by Annex 68-E
  - A. Financial Assets (Other Short-Term Cash Investments)
  - B. Amounts Receivable from Directors, Officers, Employees,  
Related Parties and Principal Stockholders (Other than Related Parties)
  - C. Amounts Receivable/Payable From/To Related Parties which are Eliminated During the  
Consolidation of Financial Statements
  - D. Intangible Assets
  - E. Short term and Long term Debt
  - F. Indebtedness to Related Parties
  - G. Guarantees of Securities of Other Issuers
  - H. Capital Stock
- II. Schedule of all of the effective standards and interpretations (Part 1, 4J)
- III. Reconciliation of Retained Earnings Available for Dividend Declaration  
(Part 1, 4C; Annex 68-C)
- IV. Map of the relationships of the companies within the group (Part 1, 4H)
- V. Schedule of Financial Soundness Indicators
- VI. Use of Proceeds from Initial Public Offering



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE A: FINANCIAL ASSETS (OTHER SHORT-TERM CASH INVESTMENTS)****DECEMBER 31, 2016**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares or principal amount of bonds and notes</b>	<b>Amount shown in the balance sheet</b>	<b>Value based on market quotation at end of reporting period</b>	<b>Income received and accrued</b>
AFS Financial Assets				
Various bonds	₱15,801,030,050	₱16,626,329,363	₱16,626,329,363	₱681,976,669
Notes	1,683,700,000	1,683,700,000	1,683,700,000	72,249,100
Investment in preferred shares	2,000,000,000	2,120,000,000	2,120,000,000	111,500,000
	₱19,484,730,050	₱20,430,029,363	₱20,430,029,363	₱865,725,769



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)****DECEMBER 31, 2016**

<b>Name and Designation of debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of period</b>
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NOT APPLICABLE

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**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE C: AMOUNTS RECEIVABLE/PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS****DECEMBER 31, 2016**

<b>Entity with Receivable Balance</b>	<b>Balance at Beginning of Period</b>	<b>Net Movement</b>	<b>Write-offs</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of period</b>
Robinsons Retail Holdings Inc.	₱323,154,022	(₱290,476,819)	₱—	₱32,677,203	₱—	₱32,677,203
Robinsons Toys Inc.	186,302,596	(186,302,596)	—	—	—	—
Robinsons Convenience Stores Inc.	39,106,088	(39,106,088)	—	—	—	—
Robinsons Supermarket Corporation	27,282,993	(6,348,592)	—	20,934,401	—	20,934,401
Robinson's Incorporated	17,689,258	—	—	17,689,258	—	17,689,258
Robinson's Handyman Inc.	—	—	—	—	—	—
RHD Daiso- Saizen Inc.	123,902,882	(76,673,152)	—	47,229,730	—	47,229,730
Eurogrocer Corp (EC)	51,518	(51,518)	—	—	—	—
	₱717,489,357	(₱598,958,765)	₱—	₱118,530,592	₱—	₱118,530,592



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE D: INTANGIBLE ASSETS****DECEMBER 31, 2016**

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Goodwill	₱2,069,985,136	₱1,311,428,830	₱—	₱—	₱—	₱3,381,413,966
Trademarks	1,931,832,025	1,264,098,435	—	—	—	3,195,930,460
License	84,848,486	—	(12,121,212)	—	—	72,727,274
Franchise	22,512,422	1,790,188	(2,475,881)	—	—	21,826,729
	₱4,109,178,069	₱2,577,317,453	(₱14,597,093)	₱—	₱—	₱6,671,898,429

See Note 15 of the Consolidated Financial Statements.



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**

**SCHEDULE E: SHORT TERM AND LONG TERM DEBT**

**DECEMBER 31, 2016**

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Bank loans	₱6,575,698,733	2.5%	₱6,575,698,733	₱—
	₱6,575,698,733		₱6,575,698,733	₱—

See Note 18 of the Consolidated Financial Statements.



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES****DECEMBER 31, 2016**

<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
Robinsons Land Corporation	₱240,296,367	₱319,287,068
Universal Robina Corporation	163,433,775	210,197,263
JG Summit Holdings, Inc.	5,097,598	7,358,001
	₱408,827,740	₱536,842,332





**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS****DECEMBER 31, 2016**

<b>Name of issuing entity of securities guaranteed by the company for which this statements is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount of owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
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**NOT APPLICABLE**



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE H: CAPITAL STOCK****DECEMBER 31, 2016**

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	1,385,000,000	1,385,000,000	—	484,749,997	380,183,003	520,067,000
	1,385,000,000	1,385,000,000	—	484,749,997	380,183,003	520,067,000

See Note 19 of the Consolidated Financial Statements



**ROBINSONS RETAIL HOLDINGS, INC.****SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE  
STANDARDS AND INTERPRETATIONS**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2016:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendment to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendment to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendment to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
	Amendment to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5 (Amended)</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7 (Amended)</b>	Financial Instruments: Disclosures	✓		
	Amendment to PFRS 7: Disclosures, Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendment to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendment to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendment to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments		✓	



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		✓	
	Classification and Measurement (2010 version)		✓	
	PFRS 9, Financial Instruments (2014 or final version)		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions	✓		
	PFRS 10 and PAS 28, Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		✓	
<b>PFRS 12 (Amended)</b>	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Clarification of Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers		✓	
<b>PFRS 16</b>	Leases		✓	
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 1: Presentation of Financial Statements Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7 (Amended)</b>	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative		✓	
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12 (Amended)</b>	Income Taxes	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 14</b>	Regulatory Deferral Accounts		✓	
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Employee Benefits, Discount Rate: Regional Market Issue			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27</b>	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Amendments to PFRSs 2014 – 2016 Cycle)		✓	
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions		✓	
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34 (Amended)</b>	Interim Financial Reporting	✓		
	Amendments to PAS 34: Disclosure of Information ‘Elsewhere in the Interim Financial Report’	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
<b>PAS 40 (Amended)</b>	Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property		✓	
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants		✓	
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓





PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
<b>IFRIC 8</b>	<i>Scope of PFRS 2</i>			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>			✓
<b>IFRIC 11</b>	PFRS 2 - Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate		✓	
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non- Depreciable Assets			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2016.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2016. The Group will adopt the Standards and Interpretations when these become effective.



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Unappropriated Retained Earnings of the Parent Company, January 1, 2016</b>		₱1,204,840,339
Adjustments		—
<b>Unappropriated Retained Earnings, as adjusted January 1, 2016</b>		<b>1,204,840,339</b>
<b>Net income based on the face of audited financial statements</b>	2,108,804,697	
Less: Non-actual/unrealized income net of tax:		
Equity in net income of an associate		—
Unrealized foreign exchange gain - net		—
Unrealized actuarial gain	15,780,561	
Fair value adjustment (marked-to-market gains)		—
Fair value adjustment of investment properties resulting to gain		—
Adjustment due to deviation from PFRS/GAAP - gain		—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		—
Add: Non-actual/unrealized losses net of tax:		
Depreciation on revaluation increment		—
Adjustment due to deviation from PFRS/GAAP - loss		—
Loss on fair value adjustment of investment properties		—
<b>Net income actual/realized</b>		<b>2,093,024,136</b>
Less: Appropriations during the year		230,000,000
Dividend declarations during the year		872,550,000
<b>Total Parent Company Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2016</b>		<b>₱2,195,314,475</b>



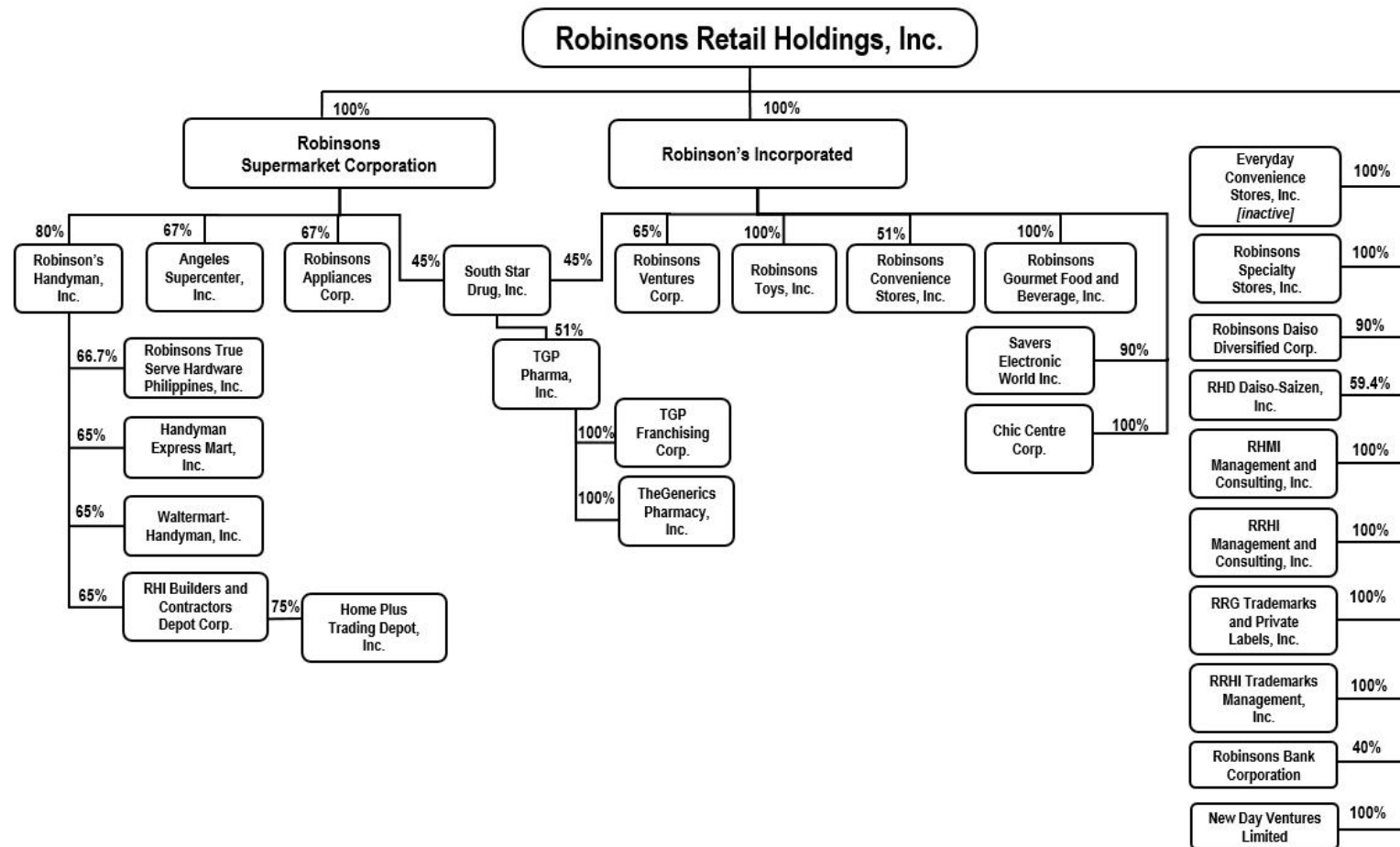
## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

### MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2016

#### Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2016:



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

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Financial Soundness Indicator	2016	2015
i. Liquidity ratio:		
Current ratio	<b>1.24</b>	1.28
ii. Profitability ratio:		
Gross profit margin	<b>0.22</b>	0.22
Return on assets	<b>0.07</b>	0.07
Return on equity	<b>0.11</b>	0.11
iii. Stability ratio:		
Solvency ratio	<b>0.28</b>	0.32
Debt to equity ratio	<b>0.52</b>	0.43
Asset to equity ratio	<b>1.52</b>	1.43
Interest rate coverage ratio	<b>63.48</b>	321.29

*\*See attached reporting computation.*



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015**

	2016	2015
Current assets	<b>₱30,232,287,219</b>	₱23,802,224,175
Current liabilities	<b>24,477,871,631</b>	18,525,837,005
Current ratio	<b>1.24</b>	1.28
Gross profit	<b>23,026,280,226</b>	19,749,042,342
Net sales	<b>105,293,324,032</b>	90,882,627,706
Gross profit margin	<b>0.22</b>	0.22
After tax net profit	<b>5,195,728,303</b>	4,577,166,286
Depreciation and amortization	<b>2,038,230,133</b>	1,647,365,077
	<b>7,233,958,436</b>	6,224,531,363
Total liabilities	<b>26,129,506,600</b>	19,654,349,623
Solvency ratio	<b>0.28</b>	0.32
Total liabilities	<b>26,129,506,600</b>	19,654,349,623
Total equity	<b>50,565,545,029</b>	45,505,275,850
Debt to equity ratio	<b>0.52</b>	0.43
Total assets	<b>76,695,051,629</b>	65,159,625,473
Total equity	<b>50,565,545,029</b>	45,505,275,850
Asset to equity ratio	<b>1.52</b>	1.43
Earnings before interest and taxes	<b>5,492,885,079</b>	4,728,840,722
Interest expense	<b>86,533,530</b>	14,718,429
Interest rate coverage ratio	<b>63.48</b>	321.29
Net income	<b>5,195,728,303</b>	4,577,166,286
Average total assets	<b>70,927,338,551</b>	61,327,797,712
Return on assets	<b>0.07</b>	0.07
Net income	<b>5,195,728,303</b>	4,577,166,286
Average total equity	<b>48,035,410,440</b>	43,371,186,496
Return on equity	<b>0.11</b>	0.11



## REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors  
Robinsons Retail Holdings, Inc.  
110 E. Rodriguez Jr. Avenue  
Libis, Quezon City

We have performed the procedures agreed with you and enumerated below with respect to the attached Annual Progress Report as at December 31, 2016 on the application of proceeds from the Initial Public Offering (IPO) of Robinsons Retail Holdings, Inc. (the Company) on November 11, 2013. The procedures were performed solely to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the accuracy of the information being represented by the Company relating to the application of proceeds whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, "*Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*" applicable to agreed-upon procedures engagements. These agreed-upon procedures and results thereof are summarized as follows:

1. Checked the mathematical accuracy of the Annual Progress Report on the Application of Proceeds from IPO (the Report) as at December 31, 2016, and agreed the amounts for expansion of store network, renovation of existing stores, repayment of bank loans and other corporate purposes to the related schedules.
2. Obtained the schedules of capitalized cost for expansion of store networks, renovation of existing stores and other corporate purposes during the period January 1, 2016 to December 31, 2016 totaling P5.11 billion and checked the mathematical accuracy of the schedules. On a test basis, we traced certain items of the capitalized costs to the accounting records and supporting documents.
3. Obtained the supporting documents for the payment of P68 million to Metrobank and Trust Company (MBTC) related to the repayment of bank loans and agreed the amount to the accounting records and supporting documents.

We report our findings below:

1. With respect to item 1, we found it to be mathematically correct and the amounts agreed to the respective schedules. We also noted that the amounts in the schedules consist of acquisitions and/or payments recorded in the Company's records for the period January 1, 2016 to December 31, 2016.
2. With respect to item 2, we found the schedules to be in order and mathematically correct. The capitalized items tested, on a sample basis, agreed with the accounting records and supporting documents.
3. With respect to item 3, we obtained the official receipts issued by MBTC for the payments of the bank loans of South Star Drug, Inc., a subsidiary, amounting to P68 million. The amount recorded agreed with the supporting documents.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSAs) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the use of proceeds from the IPO based on the said standards.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the updated report on the Company's use of proceeds from the IPO and items specified above and do not extend to any financial statements of Robinsons Retail Holdings, Inc., taken as whole.

SYCIP GORRES VELAYO & CO.

*Wenda Lynn M. Loyola*

Wenda Lynn M. Loyola  
Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),

March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5908712, January 3, 2017, Makati City

January 12, 2017



## **ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**

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### **USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING**

#### **FOR THE PERIOD ENDED DECEMBER 31, 2016**

As disclosed in the Company's prospectus, gross and net proceeds were estimated at ₱26.79 billion and ₱26.07 billion, respectively for the Primary Offer (excluding any additional expenses that may be incurred in relation to the Over-allotment Option).

The Company received actual gross proceeds amounting to ₱26.79 billion from the Primary offering of 461,897,500 shares on November 11, 2013 and an additional ₱0.23 billion from the exercised over-allotment of 3,880,550 shares, and incurred ₱745.65 million IPO-related expenses, resulting to actual net proceeds of ₱26.27 billion.

For the year ended December 31, 2016, the application of the net proceeds is broken as follows:

<b>Use of Proceeds</b>	<b>Amount in Pesos</b>
Expansion of store network	₱4,050,755,671
Renovation of existing stores	800,094,080
Repayment of bank loans	68,044,997
Other corporate purposes	264,038,488
Total	₱5,182,933,236