LT GROUP, INC.

SUSTAINABILITY REPORT 2019

Building a Sustainable Foundation

Table of Contents

Message from the Chairman

Our commitment and dedication to service are just a few things we take to heart as a business and as a member of the global community. We believe that the success of our business is the success of all Filipinos, achieved through our collective strength and solidarity working towards a common goal to elevate the lives of our fellow countrymen who are most in need.

Despite the challenges that the world faced in 2019, the resilience of humanity remains. We continue to move forward by building better and stronger. We hold on to hope and continue to see the good in each other. We remain committed to a brighter tomorrow as we surge forward to a better future.

This is the first sustainability report of LT Group, Inc. You will find in these pages our contribution to a global movement to save the future. Guided by our theme, 'Building a Sustainable Foundation', we have stepped up to the challenges of the year that was and continue to look at better ways to operate so we can create sustainable value for all our stakeholders. We look forward to doing more and doing better in the years to come.

As a new decade unfolds, we remain true to our vision of excellence and leadership in business while providing sustainable value for our stakeholders. We believe that although the future might be filled with more challenges, it will be brighter and better.

Dr. Lucio C. Tan
Chairman and Chief Executive Officer

Message from the President

The landscape of business is changing. Success in doing business is no longer solely limited to the health of our balance sheets but our Company's interactions with employees, customers and suppliers, contribution to the communities we operate in and role in environmental preservation. Beyond creating financial value, we look to creating sustainable value for this generation and the generations to come. As effective stewards of today's resources, we are able to help pave the way for a better tomorrow.

At LT Group, Inc. (LTG), we believe that true excellence is achieved by success in financial as well as environmental and social aspects. With this in mind, our commitment to long-term value creation is also a commitment to long-term sustainable development expressed through our alignment to the United Nations' Sustainable Development Goals (SDGs).

LTG's financial success this year was unprecedented. Our total revenues for this reporting period amounted to Php114.25 billion. Of this amount, we spent Php11.49 billion on employee wages and benefits, Php14.95 billion on payments to government, and Php0.09 billion on community investments.

Across the Group, we have robust policies and practices that allow us to remain consistent with our business values, goals and strategy.

We have governance systems in place that help us mitigate risks and ensure compliance. We continue our drive against corrupt practices within the Group with our regular anti-corruption information sessions. Our Whistle-Blower Policy also ensures that any suspected incidents of corruption are reported and resolved without any threat of retaliation to the reporting party. On the other hand, we observe strict compliance with all applicable laws and regulations. Any oversights to compliance are immediately addressed with all necessary requirements. Our compliance teams are working to achieve our target of surpassing standard compliance.

At LTG, we take very seriously our role in helping save the environment and the responsible usage of natural resources. Across the Group, we have placed measures to monitor our water and energy consumptions, and limit our waste production. These are not only beneficial to the environment but also help optimize our operations. We advocate and support efforts on water conservation and the reuse of wastewater, energy efficiency and the use of renewable energy, and proper waste segregation including the transition away from single-use plastics. We also support eco-friendly and sustainable ventures with green financing schemes. By taking care of the environment, we are able to work better while able to help make sure that future generations have clean air to breathe, clean water to drink, and a healthy planet to live in.

The wellness and safety of our people is another one of our top priorities. We regularly conduct trainings on occupational health and safety to inform and update them on the dos and don'ts of a safe working environment. Throughout our operations, we ensure fairness, gender equality, and diversity and inclusion.

Our businesses rely on the continued patronage of our customers and so we work hard to uphold excellence and quality through the products and services we offer. We ensure that our customers are able to make well-informed decisions by ensuring transparency of our products and services through our websites, social media profiles and other platforms. We also make sure that any information that our customers decide to share with us are managed securely in compliance with the Data Privacy Act of 2012 and other related regulations.

As the communities where we operate in are key to our success, we work hard to give back and contribute to their progress and development. Our main corporate social responsibility arm, the Tan Yan Kee Foundation, Inc., takes the lead in conducting projects in the education, health services, social welfare and environmental aspects with projects and activities that continue to touch the lives of our fellow Filipinos in numerous ways.

In the year that passed, we have taken new and bolder steps on our journey to sustainability. These are our ways of showing our deep commitment to becoming more sustainable as a business. In the coming years, we continue to strengthen our efforts in helping build a sustainable future. We look forward to the new decade with renewed hope to surge forward to greater heights.

Michael G. Tan
President and Chief Operating Officer

2019 Highlights

Economics and Governance		
Php114.25 *billion pesos* total revenues	**45% | 55%** *Female* *Male* LTG Board of Directors gender balance	**100%** employees, business partners and governance body members know of our anti-corruption policies
Environment		
0.05 *kilotons* hazardous waste generated and disposed	**5,662.97** *megaliters* total groundwater withdrawal	**161.34** *million gigajoules* direct energy consumption
402.50 *kilotons* non-hazardous waste generated and disposed	**1,149.89** *megaliters* total third-party water withdrawal	**224.82** *million kilowatt hours* electricity consumed
Employees		
12,390 total number of employees	**53% | 47%** *Female* *Male* workforce gender balance	**40%** of all employees covered by Collective Bargaining Agreement[1]
Society		
787 *of 930 ha.* hectares planted and reforested in Barangay R.A. Padilla in Carranglan, Nueva Ecija	**198,040** seedings ready for planting by the LCT Legacy Forest Project	**2000+** number of scholars across all scholarship programs since 1998

[1] The denominator used to calculate this figure is the total number of employees, which includes employees who are eligible and non-eligible by law to form a union.

Our Business Strategy

Our Long-term Strategic Objectives

Vision

To be a world-class conglomerate at the forefront of Philippine economic growth, successfully maintaining a strong presence and dominant position in key Philippine industries while ensuring continuous benefits to its consumers, communities, employees, business partners and shareholders.

Mission

Anchored to its Vision, the LT Group commits:

- To increase stockholder values through long-term growth in its major business groups.
- To continuously improve the value of its products and services and to provide consumers with more and better choices.
- To build the largest, most effective distribution network and widest customer reach in the Philippines.
- To leverage on synergies between its various businesses to continuously improve revenues and cost structure.
- To enhance the welfare of our employees and the communities where we live and work.

The Vision and Mission Statements are reviewed and approved annually by the Board of Directors. The latest reviews were on January 15, 2019 and January 17, 2020.

The LT Group logo

The LT Group Logo is a symbol of strength and solidarity, the essence of our logo. The clean balanced lines and curves are central elements that form a mystical symmetrical tree. Drawn in an Eastern-Oriental style, it gives hint to the company's Chinese heritage.

Tree is life. Life is growth. Like a tree, a company with firm roots, properly nurtured, will continuously grow and give value.

The tree's trunk is upright, and the branches spread out, which is a symbolic consolidation of the subsidiaries and stakeholders within two circles — the inner circle for continuity, the outer circle for solidarity.

Our Organizational Profile

LT Group, Inc. (LTG or the Company) is a stock corporation incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on May 27, 1937 to engage in the trading business. On November 17, 1947, the Company's shares of stock were listed in the Philippine Stock Exchange (PSE). The Company's corporate life is 50 years from the date of incorporation and was extended for another 50 years from and after May 27, 1987. On September 22, 1995, the Philippine SEC approved the change in the Company's primary purpose to that of a holding company. On July 30, 1999, the Company acquired Twin Ace Holdings Corporation, now known as Tanduay Distillers, Inc. (TDI), a producer of distilled spirits, through a share swap with Tangent Holdings Corporation (Tangent). The share swap resulted in LTG wholly owning TDI and Tangent increasing its ownership in LTG to 97%. The Company's primary purpose is to engage in the acquisition by purchase, exchange, assignment, gift or otherwise; and to hold, own and use for investment or otherwise; and to sell, assign, transfer, exchange, lease, let, develop, mortgage, enjoy and dispose of, any and all properties of every kind and description and wherever situated, as to and to the extent permitted by law.

After a series of restructuring activities in 2012 and 2013, LTG has expanded and diversified its investments to include the beverages, tobacco, property development and banking businesses, all belonging to Dr. Lucio C. Tan and his family and assignees. These business segments that are comprised of the subsidiaries, as well as LTG, are collectively referred to as the "Group" in this report.

As of December 31, 2019, LTG is 74.36%-owned by its ultimate parent company, Tangent, which is also incorporated in the Philippines.

The official business address of the head office is 11th Floor, Unit 3 Bench Tower, 30th St. Corner Rizal Drive Crescent Park West 5, Bonifacio Global City, Taguig City.

Our Group's diversified portfolio of consumer-focused businesses is well-positioned to benefit from broad-based growth in the Philippine economy. The Group is guided by its over-all aim to be a leading and innovative player in all businesses it is engaged in, continuously improving the value of its products and services. Building its synergistic opportunities between its current businesses, we aim to develop the widest and most effective distribution network in the country.

Our Businesses

Beverages

Asia Brewery, Inc. (ABI) began operating as a beer company in 1982 with the inauguration of its first brewery in Cabuyao, Laguna. It has since diversified to become one of the largest beverage groups in the country offering non-alcoholic and alcoholic beverages. ABI has leading brands in several categories which include Cobra (energy drink), Absolute & Summit (bottled water) and Vitamilk (Soymilk).

In 2012, ABI began the distribution of yogurt products under its partnership with Grupo Leche Pascual (now Calidad Pascual S.A.U.). In 2016, it spun off its beer and Tanduay Ice (alcopop) brands to form a joint venture with Heineken N.V.

Property Development

Eton Properties Philippines, Inc.

Eton Properties Philippines, Inc. (Eton) was established in 2007 as the real estate arm of the Group. Eton carries a diversified portfolio and is involved in both the development and sale of residential subdivisions, high-rise towers and mid-rise buildings as well as in the development and leasing of condominiums, offices, commercial spaces, and serviced apartments.

Tobacco

In 2010, Philip Morris Philippines Manufacturing Inc. (PMPMI) and Fortune Tobacco Corporation (FTC) entered into an agreement to combine their businesses and formed PMFTC Inc. (PMFTC). PMPMI traces its roots from the licensing agreement entered into by Philip Morris International with La Suerte Cigar and Cigarette Factory to manufacture and sell Marlboro in 1955. Meanwhile, FTC was established in 1965 by Dr. Lucio C. Tan to produce cigarettes for the Philippine market. FTC achieved market success early on and was responsible for introducing some of the most successful local cigarette brands in the Philippines, including the Fortune, Champion and Hope menthol brands. Prior to the creation of PMFTC, FTC was the largest domestic tobacco company in the Philippines.

Today PMFTC has a diverse portfolio of international and domestic brands covering all price points in the Philippines. PMFTC manufactures 9 out of the top 15 brands available in the market today.

Banking

Philippine National Bank (PNB) is one of the country's largest private universal banks that provides a full range of banking and other financial services that include corporate banking, consumer banking, investment banking, asset management, insurance services, credit cards, remittances and foreign exchange. PNB was originally established as a government bank in 1916 but has been fully privatized since 2007. In February 2013, Allied Banking Corporation was merged with PNB.

Distilled Spirits

Tanduay Distillers, Inc. (TDI) is a leading distilled spirits producer in the Philippines which started in 1854. TDI produces rum as well as other distilled spirits. The brand and assets of Tanduay Distillery, Inc. were acquired by Dr. Lucio Tan in 1988 from Elizalde & Company, Inc. In 2018 and 2019, Tanduay was named by Drinks International as the World's Number One Rum based on sales volume.

TDI diversified into the production and sale of bioethanol in 2016.

Our Corporate Structure

[1] Owns 50% less 1 share
[2] Voting control at 59.83%
[3] At 30.17% as of end-2016; increase in stake from conversion of convertible notes.

Our Markets and Geographical Reach

As a Group, we are able to reach and serve numerous customers and markets across the Philippines and around the world. The diversity of our products and services, coupled with the excellence that we maintain, ensures the continued patronage of our customers and stakeholders.

LT Group, Inc.

LTG, as the parent/holding company, is domiciled and operates within the Philippines.

Asia Brewery, Inc.

ABI markets, sells and distributes its products throughout the Philippines through 13 exclusive major distributors. ABI's exclusive distributors have a network of 46 sales offices, 22 warehouses and 35 depots. This extensive network assures product availability to ABI consumers and also provides ABI expeditious nationwide placement of new products. ABI's products are transported to distributors' warehouses by third-party transportation companies, with the costs for the account of such distributors. ABI, through its subsidiary Asia Pacific Beverages Pte Ltd., also has operations in Myanmar.

Eton Properties Philippines Inc.

Eton has a full-range of projects including offices, commercial spaces, a serviced apartment, and residential developments in key cities in Metro Manila, Laguna and Cebu. Eton markets its projects to residential market segments, office locators, and commercial tenants through internal and external sales and marketing channels.

Philippine National Bank

PNB caters to customers in the Philippines and around the world through its head office in Metro Manila, 715 domestic branches and offices across the Philippines, and over 71 overseas branches, desk offices, remittance centers and subsidiaries in 17 locations in the United States (New York, California, Hawaii, Illinois, Nevada, Texas, Washington), Canada (Ontario, British Columbia, Manitoba), Europe (France, Italy, Germany, UK), the Middle East (KSA, UAE, Kuwait, Bahrain, Qatar, Oman), and Asia (Hongkong, Japan, Singapore, Guam, China).

PNB's customers primarily include the corporate, the middle market, retail customers, the National Government (NG), local government units (LGUs), government-owned and controlled corporations (GOCCs) and various government agencies. PNB also has a big customer base from the Overseas Filipino Worker (OFW) segment.

Tanduay Distillers Inc.

TDI serves more than 215,000 points of sale throughout the Philippines through 10 exclusive distributors, who in turn work with a large number of sub-distributors. TDI has generally maintained good business relationships with its distributors since 1988. TDI's distributors operate 48 sales offices and 84 warehouses located throughout the Philippines. TDI through Tanduay Brands International, Inc. employs in-house sales staff who provide marketing and general administrative support to TDI's distributors. TDI's products are transported from the production facilities to distributors' warehouses by third-party transportation companies for the account of the distributors.

Governance

Corporate Governance

The Group has four (4) committees which assist the Board in its oversight function over the LTG and its subsidiaries namely, the Audit and Risk Management Committee, the Executive Committee, the Nomination and Compensation Committee, and the Corporate Governance Committee. Each Committee was created for a specific purpose and is tasked to oversee the necessary details in the operations of the Company and its subsidiaries. The Committees help the Company comply with its principles of good governance.

The Company's Audit and Risk Management Committee is composed of five (5) qualified, outstanding and distinguished Directors, four (4) of whom, including the Chairman, are Independent Directors. It was created precisely to assist the Board in the fulfilment of its oversight responsibilities over the financial reporting process, the system of internal control, the management of financial and non-financial risks, the audit process, and the Group's process for monitoring compliance with laws and regulations including related party transactions.

The Executive Committee is composed of six (6) directors with Dr. Lucio C. Tan as Chairman and Mr. Harry C. Tan, Mr. Lucio K. Tan, Jr.[2], Mr. Michael G. Tan, Ms. Juanita T. Tan Lee, and Ms. Florencia G. Tarriela as its members. As provided in its Charter, the Committee is vested with the powers of the Board only insofar as managing the business and affairs of the Company. However, it is excluded from exercising any powers which are expressly reserved to the Board of Directors under the laws of the Philippines, the corporate By- Laws and the Group's Revised Corporate Governance Manual.

The Group's Nomination and Compensation Committee is composed of six (6) directors with Dr. Lucio C. Tan as Chairman and Mr. Harry C. Tan, Mr. Lucio K. Tan, Jr.,[3] Mr. Michael G. Tan, Ms. Juanita T. Tan Lee and Mr. Wilfrido E. Sanchez as its members. The Committee meets at least once a year in compliance with its charter for purposes of ensuring a formal and transparent Board nomination process in selecting, compensating, monitoring and, when necessary, replacing key executives as well as overseeing succession planning.

The Group believes that good corporate governance is vital in its pursuit of becoming a world-class conglomerate, able to stay "at the forefront of the Philippine economic growth and successfully maintaining a strong presence and dominant position in key Philippine industries while ensuring continuous benefits to its consumers, communities, employees, business partners and shareholders." To do so, it has created a Corporate Governance Committee composed of five (5) directors and carefully placed Ms. Florencia G. Tarriela as its Chairman and Mr. Lucio K. Tan, Jr.,[4] Mr. Michael G. Tan, Mr. Johnip G. Cua and Mr. Wilfrido E. Sanchez as its members.

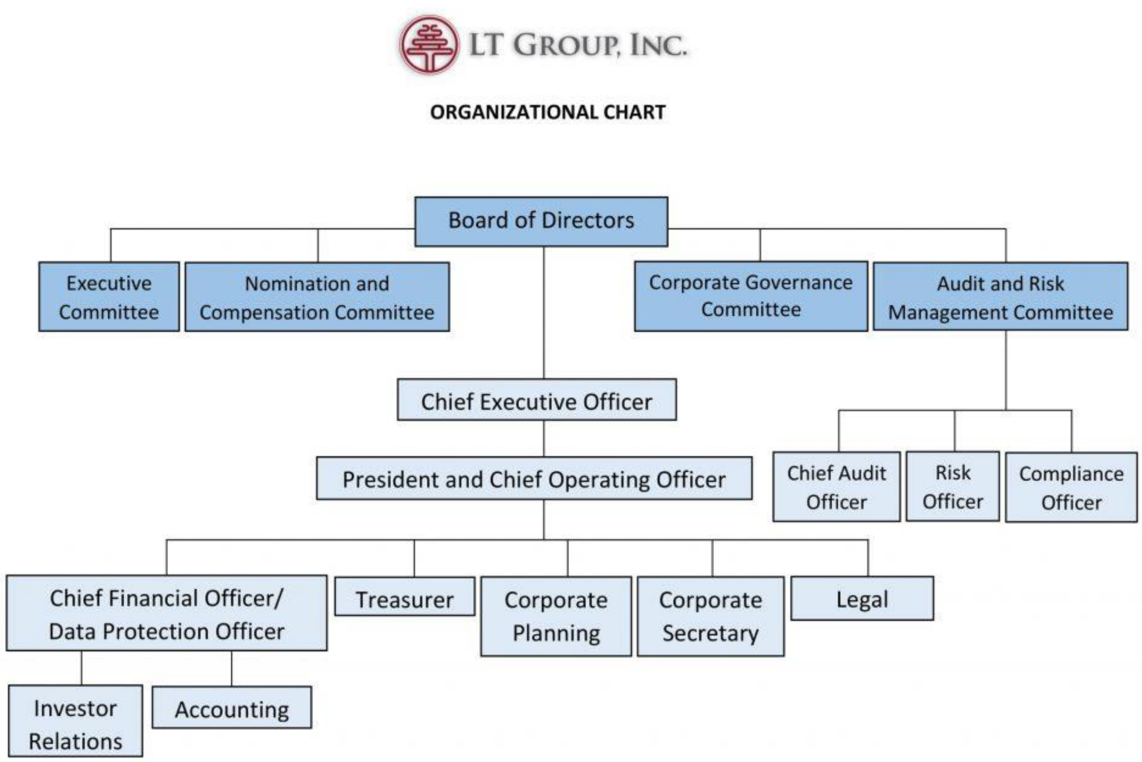
The Committee was created precisely to oversee the periodic performance evaluation of the Board, its committees and the executive management, among others. It must make sure, through these periodic

[2] Passed away on 11 November 2019 and succeeded by Mr. Lucio C. Tan, III on 17 December 2019.
[3] ibid.
[4] ibid.

evaluations, that a Director is capable of fulfilling and has been adequately carrying out his duties and responsibilities as such. Pursuant to the Group's Revised Manual on Corporate Governance, the Committee meets at least twice a year or as often as may be necessary.

As of this reporting period, there has been no significant changes to the Group's size, structure, and ownership.

Organizational Chart



Supply Chain Management

Asia Brewery Inc.

ABI’s energy drink concentrates are sourced primarily from well-known international suppliers. Sugar is procured from third and related parties and local suppliers including Victorias Milling Corporation, generally under supply contracts of up to one year. ABI also purchases carbon dioxide and other additives from local producers. Quality water is the primary ingredient in the water bottling business of ABI. Water is sourced primarily from sites near the bottling plants and undergoes several purifying steps to ensure it meets standards.

ABI manufactures the majority of the bottles used for its beverage products. These are manufactured at ABI’s Cabuyao plant in Laguna. Bottling and packaging materials, including aluminum closures, crowns and corrugated cartons are produced by ABI’s subsidiary, Packageworld, Inc., which purchases any required raw materials from multiple suppliers in the Philippines and internationally.

Eton Properties Philippines, Inc.

Eton has a wide network of local suppliers. Most suppliers and contractors are based in the National Capital Region. For the construction of its buildings, a dedicated department conducts canvassing, bidding and accreditation process for all contractors. All items for procurement also have to undergo the canvassing, bidding and accreditation process before being recommended for purchase. All suppliers must have complete regulatory registration and incorporation documents to be accredited.

Philippine National Bank

PNB's procurement process comprises the following: (1) end user/requesting unit—provides the purchasing unit their sourcing requirements; (2) vendor accreditation unit—ensures that all bank suppliers are accredited; (3) purchasing unit—source out from suppliers, conducts canvassing and cost negotiations, and recommends for purchase; (4) warehouse unit—receives deliveries for issuance to requesting units; (5) accounts control and bills processing unit—prepares requests for payment bookings submitted to Corporate Disbursing for payment processing; (6) and the suppliers—provides the needed items, receives payment from the bank for rendered service.

The current procurement practices of the Bank begin with the engagement of accredited suppliers only, which are those that passed the screening procedures of the Bank’s Accreditation and Vendor Management Department. However, non-accredited suppliers may be engaged in instances as seasonal/occasional transactions, one-time engagements, and emergency purchases. The process is then followed by canvassing, bidding, and awarding procedures. During this time, the purchaser provides the supplier with the business requirements. The purchaser secures a minimum of three (3) bids and makes recommendations to the Procurement Committee for approval. The purchaser includes in the recommendation the delivery timeline, quality of materials, payment terms and other requisites. Most of the purchases are sourced from Metro Manila-based suppliers. There are only a few items which are sourced from local suppliers (province-based) to minimize the logistical costs.

On the other hand, the development and mode of distribution of PNB products and services take into account customer needs and preferences, guided by the Bank's established policies and systems on risk management, compliance transparency, and data privacy. PNB's Retail Banking Sector's supply chain consists of organic products and services delivered through its nationwide network of branches, electronic banking channels, and outsourced services. It also provides its clientele with products and services supplied by its joint venture partners, Allianz PNB Life Insurance, Inc. and PNB-IBJL Leasing and Finance Corporation; bank subsidiaries PNB General Insurers Co., Inc. and PNB Capital and Investment Corporation; as well as a third -party service providers selected through a rigid vendor accreditation process. The Institutional Banking Sector's PNB Connect, on the other hand, harnesses the supply chain by bringing together an entire community of small and medium enterprises, suppliers, and their customers. The PNB Connect is the Bank's response to the heightened demand for sophisticated, technology-based financial products that are offered by other banks, non-financial institutions and non-traditional competitors. Examples of these products are Bayad Connect, Corporate Remote Collection System, and Credit Product Programs for industries in the power distribution, automotive, construction and consumer goods production.

Tanduay Distillers Inc.

TDI uses ethyl alcohol, which is distilled from sugarcane molasses. TDI obtains most of its ethyl alcohol from its two subsidiaries – Asian Alcohol Corporation and Absolut Distillers, Inc. and other suppliers. Manapla Distillery which is owned by Victorias Milling Company, is also one of the alcohol suppliers of TDI.

The distillery companies obtain their molasses from sugar mills and traders. Major suppliers are Universal Robina Corporation, Victorias Milling Corporation, Binalbagan Sugar Company, LYL Marketing, Shuurmans & Van Ginneken Phils., Inc., Grandcane Company, Inc., and Tate & Lyle Corporation.

As of this reporting period, there has been no significant changes to the Group’s supply chain.

Membership of Associations

Asia Brewery, Inc.

ABI's bottled water plant in Cabuyao has been a member of the International Bottled Water Association (IBWA) since it started its bottled water business in 1992. IBWA, in reference to the Code of Federal Regulations of the United States Department of Health and Human Services' Food and Drug Administration, prescribes the Good Manufacturing Practices for Processing and Bottling of Bottled Drinking Water. This includes specific design and performance requirements for determining whether the facilities, methods, practices, and controls used in the processing, bottling, holding and shipping of bottled drinking water are in conformance with or are operated or administered in conformity with good manufacturing practices to assure that bottled drinking water is safe and has been processed, bottled, held and transported under sanitary conditions.

Eton Properties Philippines, Inc.

Eton is a member of the Credit Management Association of the Philippines (CMAP), the Philippine Association of National Advertisers (PANA), the Subdivision and Housing Developers Association (SHDA), the Chamber of Real Estate Brokers' Association (CREBA), the Philippine Tour Operators Association, Inc., the Executive Housekeepers Association of the Philippines, the Association of Credit Executives in the Tourism Industry, Inc., and the Employers Confederation of the Philippines, Inc.

For SHDA, we view membership as strategic and desirable for Eton because it keeps us abreast on current developments in the Housing sector, plus it gives us an avenue, as developer, to air our issues with our regulator, the DHSUD (formerly HLURB), and lobby for changes in regulations adversely affecting Eton as developer.

Philippine National Bank

PNB has the following industry memberships: Integrated Bar of the Philippines; Bankers Association of the Philippines; Association of Certified Fraud Examiners; ACI Philippines, The Financial Markets Association, Inc.; Association of Certified Public Accountant in Commerce; Association of AML Officers (AMLO); Association of Bank Compliance Officers (ABCOMP); Agusan Chamber; Asian Bankers Institute; Asian Bankers Association; Bankers Institute of the Philippines; Bank Marketing Association of the Philippines; British Chamber; Bank Security Management Association; Credit Management Association of the Philippines; Credit Card Association of the Philippines; Executives Finance Management Association; Federation of the Philippine Industries, Inc.; Financial Executive Institute of the Philippines; Financial Technology of the Philippines; Institute of Corporate Directors, Inc.; Institute of Internal Auditors of the Philippines, Japanese Chamber; Korean Chamber; Information Systems, Audit and Control Association; Makati Commercial Estate Association, Inc.; Management Association of the Philippines; Money Market Association of the Philippines, Inc.; Philippine Association of National Advertisers, Inc.; Philippine Chamber of Commerce and Industries, Inc.; People Management Association of the Philippines; Mabuhay Miles; Philippine Business Coalition for Women Empowerment; Philippine Payments Management, Inc.; Public Relations Society of the Philippines; Rotary Club; Tax Management Association of the Philippines; Trust Officers Association of the Philippines; Women's Business World.

Tanduay Distillers Inc.

TDI is a member of the Distilled Spirits Association of the Philippines and the Bioethanol Producers Association, which serves as the medium for presenting the industry position in case of major changes in regulations.

About this Report

Reporting Scope and Boundary

This is our first sustainability report, which presents our sustainability performance as of and for the year ended December 31, 2019, unless otherwise indicated. We at LTG believe that sustainability is an essential feature of the way we do business because our resilience in the future partly depends on it. Together with our annual report, this sustainability report aims to communicate to you our commitment to sustainability, what we are doing about it, and where we are going.

This sustainability report covers LTG, as the holding company, and our subsidiaries operating within the Philippines particularly ABI, Eton, and TDI. PNB, which was part of the materiality assessment process we have conducted for this report, has prepared its own sustainability report that complements this report. PMFTC has not been included in the materiality assessment process and, as such, will not be covered in detail because it is under the management of Philip Morris International Inc. (PMI) and will be included in PMI's sustainability report.

Due to the diverse nature of our businesses—beverages, property development, tobacco, banking, and distilled spirits—some differences may be observed in terms of material issues and context. However, common issues have been consolidated for the Group enabling the reader to get a good grasp of our big picture.

No assurance has been sought for the non-financial disclosures presented in this report, but this is of primary consideration in the future as our reporting matures. All financial data and general information about the business in this report, however, have been disclosed in our 2019 Annual Report.

Economic Performance Boundary

LTG's economic performance data presented in this report is from the consolidated financial statements as of and for the year ended December 31, 2019 covering LTG, as the parent company, and all its subsidiaries and associates operating in the Philippines and abroad. For more information, please refer to the 2019 Annual Report.

Reporting Approach

In the preparation of this report, we used the principle of Materiality to determine our key issues. Utilizing a framework developed for this purpose, we came up with a long list of potential material issues gathered from internal and external sources, and prioritized according to input from internal stakeholders via both quantitative and qualitative metrics to identify which material issues have the capacity to impact the Group and our operations, and its impact to our various stakeholders.

Sustainability Reporting Guidelines and Standards

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, and the sustainability reporting guide provided by the Philippine SEC in Memorandum Circular No. 4, Series of 2019. We have also aligned this report to the 17 United Nations (UN) Sustainable Development Goals (SDGs) to further our commitment in contributing to the global sustainable development agenda.

Stakeholder Engagement Mechanisms

Our Board of Directors is tasked with identifying our stakeholders in the communities where the Group operates in or those that are directly affected by our operations. The Board then formulates a clear policy of accurate, timely, and effective communication with identified stakeholders. Our stakeholders include our *stockholders*, *employees*, *customers*, *trade partners*, and the *government*.

We engage with our stakeholders in through a number of ways including but not limited to:

1. Annual Shareholders' Meeting
2. Annual Press Briefing
3. Quarterly Analysts' Briefing
4. Meetings with the Congress
5. Investors' Conference (as needed)
6. Private Meetings (as needed)
7. Conference Calls (as needed)
8. Plant Visits (as requested)

The Group also maintains open communications with the investing community to promote greater understanding of our businesses. Reports to the SEC and PSE are disclosed on time, and are available for viewing and downloading in the Group's website. There is also a dedicated Investor Relations Officer and the Group may also be corresponded with through email and/or telephone calls.

Across our subsidiaries, ABI maintains a Customer Complaint Report and conducts a regular Customer Satisfaction Survey. Eton's Property Management Group and Customer Support Team manage on-site concerns and concerns from existing clients, respectively. PNB's Customer Experience Division manages all client concerns and complaints through a variety of channels 24 hours a day, 7 days a week. TDI maintains a number of channels including their website, email address, phone numbers, and social media profiles through which customers may relay any issues and concerns.

The key topics and concerns raised during the Annual Shareholders' Meeting, Annual Press Briefing, and Quarterly Analysts' Briefings are the financial results of the Group, future plans of operations, and other significant changes on the operations of the Group. As for the meetings with the government, significant updates on the regulatory compliance especially on taxes are discussed.

Sustainability Report Feedback

We aim to improve our reporting over the course of time to meet the highest standards of reporting and meet stakeholders' expectations. On our first sustainability report, we would like to know how well we have done on any aspect of this report or if you have any suggestions for improvement—from content to design and presentation, among others, you may reach us at sustainability@ltg.com.ph.

Our Approach to Materiality

Our journey to sustainability is informed by our materiality assessment process. We looked at a variety of sources and conducted workshops to assess and determine the most critical material issues that have the highest capacity to impact the Group, internally, and its stakeholders, externally.

Scan

- Global standards, issues and mega trends that affect the industries we are engaged in
- Regulatory requirements
- Material issues identified by our peers
- Media coverage around the Group and potential material issues identified
- Review of internal policies and board papers identifying potential material issues

Prioritize

- Collected data analyzed quantitatively and qualitatively
- List of identified potential material issues voted according to order of importance to stakeholders and impact on and of the business

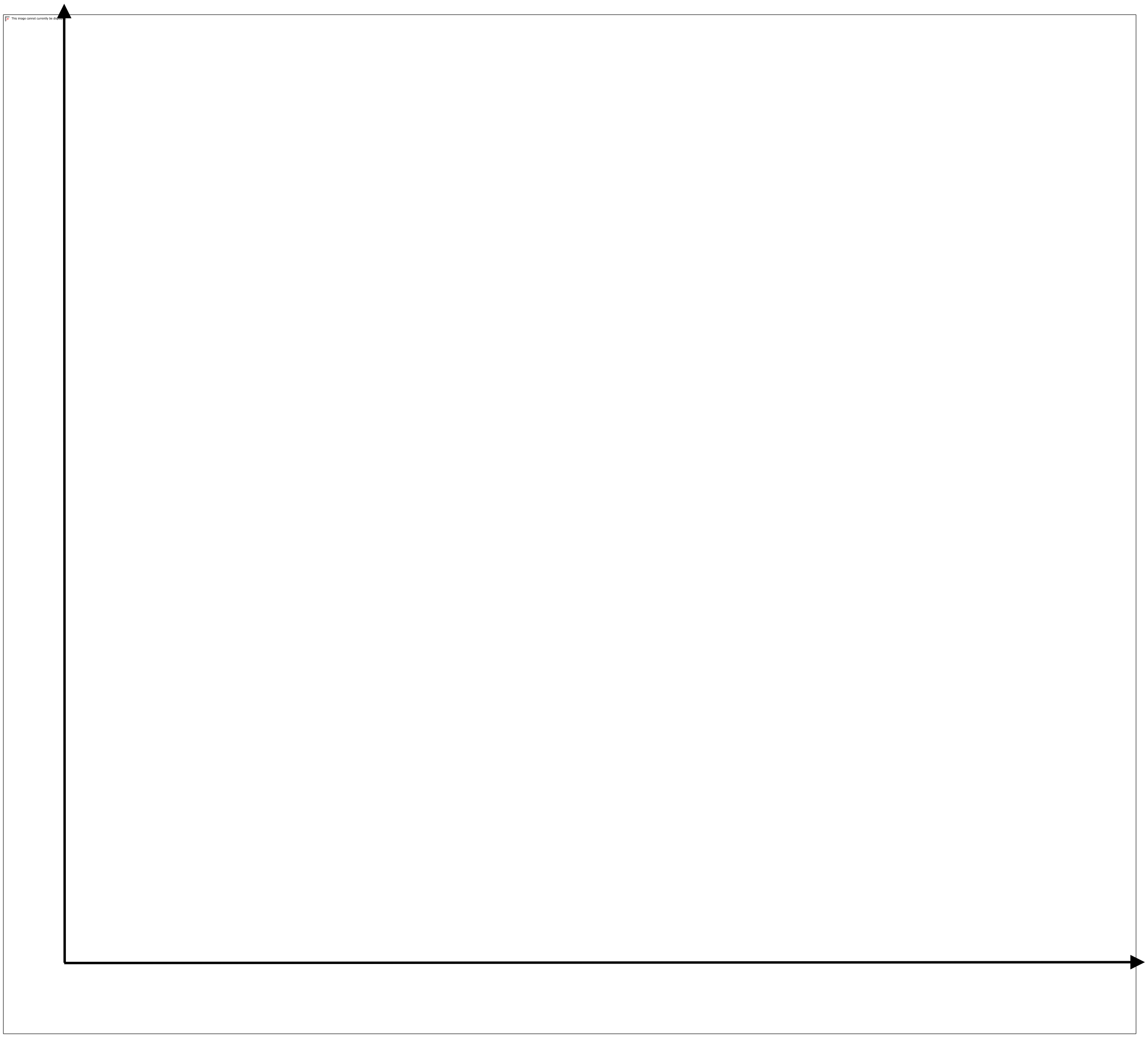
Validate

- Meeting and discussion with key management executives on prioritized material issues to see alignment with group strategy

From a long list of 44 material issues, we were able to prioritize to 17 top material issues and these were validated by key management officers.

Materiality Matrix

Our materiality matrix shows the 17 key material issues that were identified to have the most significant impact and stakeholder interest.



CATEGORY	KEY MATERIAL ISSUE	CATEGORY	KEY MATERIAL ISSUE
ECONOMICS AND GOVERNANCE	Economic Performance	ENVIRONMENT	Water Management
ECONOMICS AND GOVERNANCE	Socio-economic Compliance	SOCIETY	Community Relations and Initiatives
ECONOMICS AND GOVERNANCE	Risk Management	EMPLOYEES	Safety and Well-being
EMPLOYEES	Employment	ENVIRONMENT	Managing Waste
ECONOMICS AND GOVERNANCE	Anti-Corruption	ENVIRONMENT	Energy Efficiency
CUSTOMERS	Marketing and Labeling	ENVIRONMENT	Climate Change
CUSTOMERS	Customer Health and Safety	CUSTOMERS	Digital Transformation and Innovation
CUSTOMERS	Customer Engagement and Satisfaction	CUSTOMERS	Customer Data Privacy and Security
ECONOMICS AND GOVERNANCE	Illicit Trade		

Our Key Material Issues

	Material Issues	**Relevant SDGs**
1	Economic Performance *Maintaining profitability to return a dividend and re-invest in products and services. This also covers stable revenues in the event of political and economic uncertainties, market competition, pressure from regulatory bodies, and employing strategies to increase market share.*	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
2	Socio-economic Compliance *Complying with socioeconomic laws and regulations, and regulatory changes in both financial and non-financial reporting*	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
3	Risk Management *Managing risks that may greatly impact the Group's operations and performance. This includes systems and policies in place to address potential credit, market, interest rate, liquidity, security, reputation and other risks relevant to the operations of its subsidiaries.*	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
4	Employment *Attracting and retaining highly capable individuals to support high performance, and includes employee wages and other forms of compensation such as bonuses and executive remuneration, as well as fostering gender equality in the workplace.*	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
5	Anti-Corruption *Demonstrating integrity, transparency, governance, and responsible business practices, as expected by the marketplace, international norms, and stakeholders*	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
6	Marketing and Labeling *Providing customers access to accurate and adequate information on the positive and negative economic, environmental and social impacts of the products and services they use–both from a product and service labeling and a marketing communications perspective. This also includes communication of customer protection policies and laws.*	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
7	Customer Health and Safety *Protecting and promoting health and safety of our customers through assurance of product quality, effective safety risk management and promotion of a safety culture. This also refers to ensuring that products are free from toxic or hazardous contents that may endanger customer safety.*	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION

8	Customer Engagement and Satisfaction *Meeting customer expectations and needs in delivery of our products, services and experiences. This also ensures that customer complaints are recorded, monitored, resolved and reported to regulatory bodies, as applicable.*	
9	Illicit Trade *Implementing policies and measures to ensure the security of aspects in the supply chain which could be most susceptible to illegal trading and counterfeiting. This entails full cooperation with law enforcement agencies, and engagement with policymakers for a more effective and balanced regulation.*	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
10	Water Management *Optimizing the use of water resources, including management of water treatment of drinking water, industrial water, sewage or wastewater, water resources and flood protection*	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
11	Community Relations and Initiatives *Maintaining our social license to operate through engagements with the community*	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12	Safety and Well-being *Protecting and promoting health, safety and well-being of our employees and contractors through effective safety risk management and promoting a safety culture*	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH
13	Managing Waste *Managing and minimizing waste, including responsible waste management by resource reduction, reuse, recycling and reprocessing, waste treatment and waste disposal*	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
14	Energy Efficiency *Managing and minimizing energy use, increasing efficiency measures and using low-carbon emission energy sources*	7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
15	Climate Change *Ensuring that the Group is prepared to anticipate, address, and recover from impacts of climate change that might pose risks to the workforce, cause disruption to operations and/or loss of property*	13 CLIMATE ACTION
16	Digital Transformation and Innovation *Implementing digitalization of products and services to streamline customer experience. This also refers to other innovations that capitalize on current trends on blockchain, artificial intelligence, etc. This also includes cybersecurity and cyber resilience measures within the Group.*	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17	Customer Data Privacy and Security *Managing the privacy of customer information and ensuring personal information is secure against fraud and theft*	

Unique Material Issues across Subsidiaries

During the materiality assessment process, we determined unique key material issues across some subsidiaries. Although we did not include specific disclosures for these material issues in this report as we will be reporting on them in future editions, we have included them here for information.

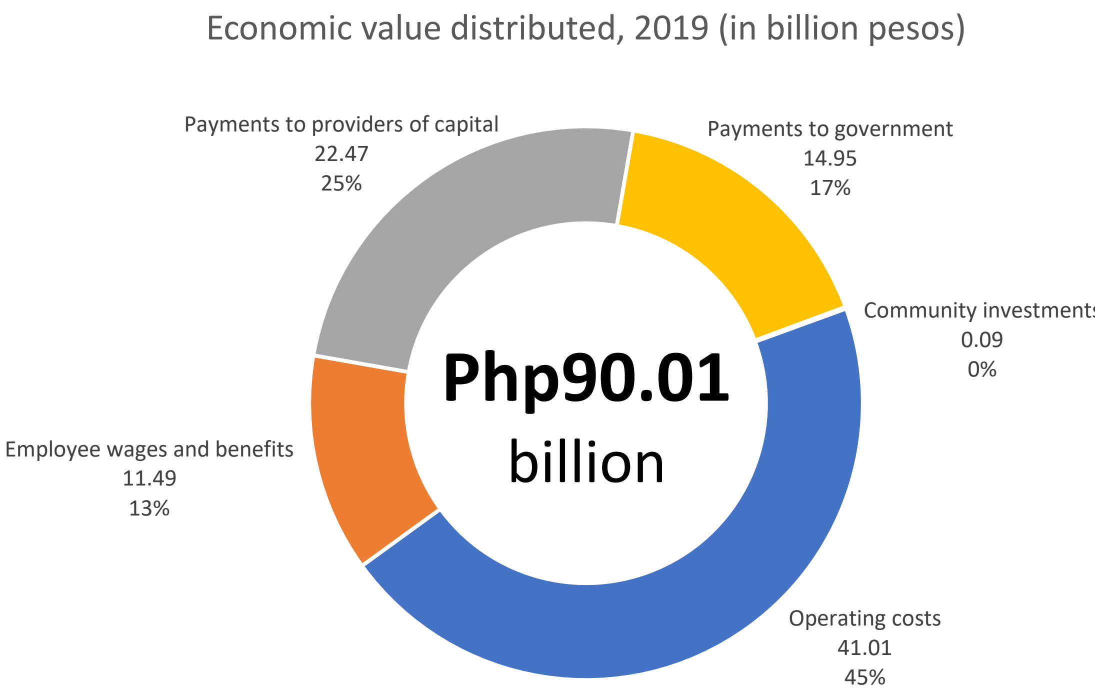
Material Issues	Relevant SDGs
ABI and PNB	
Learning and Development *Developing our workforce capabilities, skills and competencies to create a positive and sustainable organizational culture*	
ABI and TDI	
Environmental Compliance *Complying with environmental laws and regulations*	
ABI	
Greenhouse Gas Emissions *Managing and minimizing emissions to free the air of pollutants – including carbon and other greenhouse gases (GHGs)*	
Labor/Management Relations *Using consultative practices with employees and their representatives, including communicating significant operational changes*	
PNB	
Indirect Economic Impact *Supporting infrastructure investments and public services that are additional consequences of the direct impact of financial transactions and the flow of money between PNB and its stakeholders*	
TDI	
Materials Stewardship *Using materials efficiently and judiciously, whether renewable or non-renewable, necessary for the provision of products and services*	
Supply Chain Management *Supporting local suppliers, or those owned by women or members of vulnerable groups, and assessing procurement practices that may cause or contribute to negative impacts in the supply chain*	

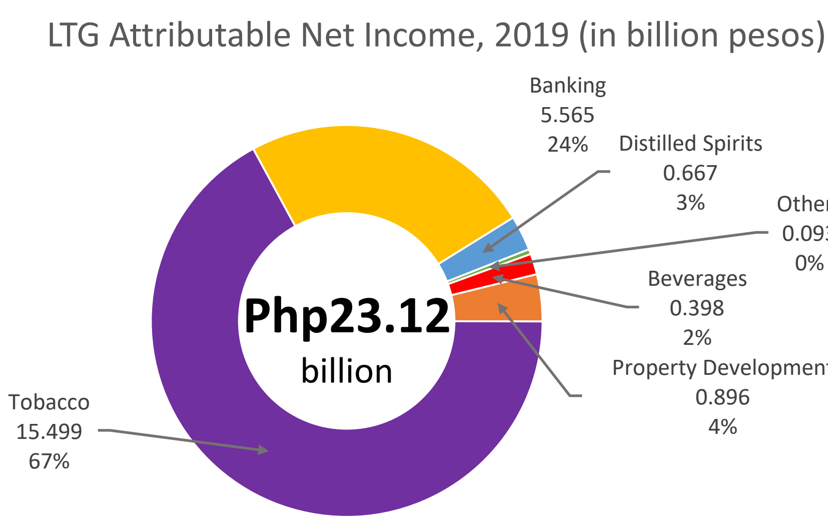
Our Strategy and Performance

In the following sections, you will find out more about our sustainability journey in 2019. The disclosures have been divided into five categories — Economics and Governance, Environment, Employees, Customers and Society – with the corresponding key material issues contained therein.

Economic Performance

This year was a banner year for LTG. Our economic performance hit record-breaking heights due to our strong commitment to excellence in doing business. Our total revenues for this reporting period is Php114.25 billion. Our total operating costs amounted to Php41.01 billion, while employee wages and benefits accounted for Php11.49 billion. Payments to government accounted for Php14.95 billion, and payments to providers of capital amounted to Php22.47 billion. Our total community investments is at Php0.09 billion from various donations of our subsidiaries. As of the end of the current reporting period, the economic value retained is at Php24.24 billion.





Socio-economic Compliance

Businesses play an important role in nation-building. It provides jobs for people, helps create economic value and drive growth, nurtures innovation, and can significantly contribute to long-term progress. However, due to the numerous areas that businesses can affect, it also has the potential to have negative impacts to societies and economies. We recognize the importance of how our businesses operate and its compliance to social and economic laws, rules and regulations.

Across the Group, our Corporate Governance Committee, together with our Compliance Officer and Corporate Secretary, ensures that we are able to consistently comply, and aim to go beyond compliance, with all conditions set by Philippine regulatory bodies and legislation, as well as international standards. Our Manual on Corporate Governance, which contains our Code of Business Conduct and Ethics, mandates that all personnel in the business, regardless of rank or seniority, abide by all government laws, rules and regulations. This is cascaded on to our employees as part of onboarding procedures and is available on our corporate website for easy reference to anyone who wishes to access the document.

In terms of reporting to regulatory bodies, we ensure strict and timely compliance with the requirements set by the SEC, the PSE and the Bureau of Internal Revenue (BIR), among others. This allows us to avoid penalties due to late submissions and also paves the way for us to improve our reporting methods and immediately take corrective measures to address regulatory issues and concerns.

For 2019, there was one incident of non-compliance with laws and regulations in the social and economic area with a final decision and a monetary fine amounting to Php61,600.00. This incident of non-compliance was due to an oversight in the updating of the LTG website as per SEC regulation. This was promptly addressed with the necessary fines paid, thus we are now compliant to regulation. We are committed to ensure that no incidents of non-compliance are recorded for the next reporting period and that any incident that may arise is resolved immediately.

Risk Management

Businesses are faced with risks—from shifts in the economy, operations and strategy to changes in legislation and taxation. With this in mind, it is imperative that businesses manage risks and use it to its advantage to create value and nurture sustainability.

Our Enterprise Risk Management (ERM) system is in place to help us mitigate risks for value creation and sustainable growth. Our Chief Risk Officer ensures continued compliance with SEC regulations on the implementation of risk management activities aligned with its risk management framework. Our ERM system is partly based on the Enterprise Risk Management - Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

At PNB, the Risk Management Group (RMG) ensures that needed processes and procedures are implemented to successfully operationalize the Bank's own ERM Framework, aligned to the risk governance framework and the three lines-of-defense model. PNB's Risk Oversight Committee, which meets monthly, looks into the Bank's constantly changing risk profile based on the material risks defined in the its Internal Capital Adequacy Assessment Process (ICAAP) document. To ensure consistent risk management and monitoring, the RMG directly engages with all levels of the organization across its business and support groups, which includes ongoing training activities and learning sessions to properly equip personnel. For new employees, the RMG conducts trainings twice a month on business continuity, data privacy awareness, operational risk, and ICAAP during the New Employees Orientation Program. For existing employees, the RMG conducts the Risk Education and Awareness Program annually to employees in both domestic and overseas branches covering business continuity, data privacy awareness, trust risk, credit risk, market risk, operational risk and ICAAP. RMG maintains a database of employees who have attended and have yet to attend risk trainings.

Anti-Corruption

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Our strong commitment for fair and equitable business practices ensures that we do not engage in corrupt activities. We comprehend the negative effects of corruption on people's lives and do our best to counter it.

Across the Group, our Code of Business Conduct and Ethics ensures that we do not engage in nor condone any act of bribery or corruption with government officials in order to facilitate transactions. The Code also ensures that all our Directors, Officers, and Employees comply with all government rules, laws, and regulations, and to conduct themselves in a way that avoids conflicts of interest. Approved by our Board, the Code is aligned to the standards set by SEC in accordance with internationally accepted standards. The Board also conducts regular reviews of the Code to ensure its continued relevance and to update when needed. We conduct regular refresher sessions on the Code to existing employees, and as part of onboarding procedures for new employees. The Code is also available on our corporate website for easy reference to anyone who wishes to access the document.

For any suspected cases of corruption, employees may report to their immediate supervisor who shall determine the existence of reasonable ground to escalate the matter. Directors and Officers shall then report any known or suspected cases of corruption to the Chairman of the Corporate Governance Committee. Alternatively, employees and officers may also use the Whistle-Blower Policy, which allows one to report any instances of suspected or known unethical behavior or corruption anonymously.

100%

of all our employees, business partners and governance body members know of our anti-corruption policies

To further enhance our action against corruption, our subsidiaries also have their own policies that complement the Group's Code. ABI, Eton, PNB and TDI have their own Code of Conduct and Ethics. ABI, apart from the Code of Conduct, maintains a Labor Management Council and Committee on Right Ethics (CORE) which helps manage cases of misconduct and corruption. Eton's Code of Ethics contains a no-gift policy. PNB maintains a policy on Soliciting and Receiving Gifts and a policy on Office Decorum, which includes anti-bribery and anti-corruption clauses. TDI has Conflict of Interest Policy, aside from the Corporate Code of Conduct.

Due to our commitment and drive against corruption, there has been no instance of corruption nor have there been any cases reported through our Whistle-Blower Policy in 2019. We continue our commitment to maintain zero cases of corruption for 2020 and moving forward.

Environment

We recognize the importance of the natural environment in building a sustainable foundation for our business. From the environment comes the resources that we use to deliver our products and services, and we are committed to protect it not just for the current generation but for the generations of the future. Our commitment to help save our environment is long-standing as evidenced by our initiatives that began prior to 2019.

At ABI, we began producing water in glass bottles to provide an alternative to single-use plastics. In 2019, ABI sold 544,776 glass bottles of water in 330ml and 1000ml variants. In addition, through ABI's partnership with the World Wide Fund for Nature (WWF), we have committed to give Php1.00 million of our sales proceeds annually to be used for WWF's transformational programs for water conservation.

At Eton, we have shifted to clean and renewable energy sources for our office buildings. Our office buildings in Eton Centris are powered by geothermal energy through Cleanergy of AboitizPower, a starting point for more clean energy initiatives in the future for our properties.

At PNB, we have an ongoing multibillion-peso financing program to support eco-friendly and sustainable businesses and projects that promote nation-building and countryside development, environmental protection and conservation, and sustainable development. In 2019, over 40% of the total loans of the Bank were used to finance green and sustainable businesses and projects in the food and manufacturing industry, the energy transmission, generation, and generation industry, and the infrastructure development industry.

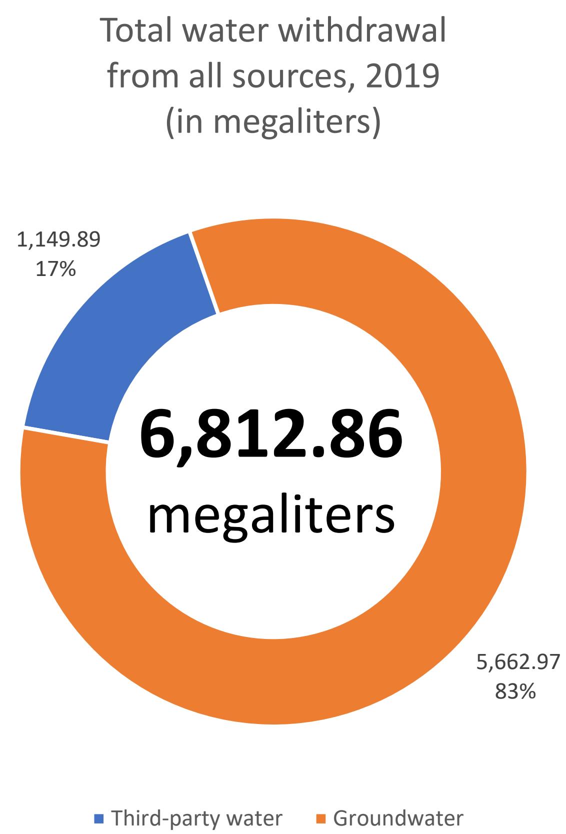
At TDI, to support the shift for using renewable sources of energy, our solar power and bioethanol facilities in Lian, Batangas have helped bridge the gap in making clean energy accessible to interested parties. On the other hand, our carbon dioxide by-product from TDI's production, which would otherwise be released to the atmosphere, is converted to dry ice. Waste water or sludge is also converted to fertilizer as part of our effort for zero effluent discharge.

In a world with rapidly changing climate conditions, our businesses are faced with new threats and opportunities that shape the way we operate. We constantly do our best to meet and go beyond regulatory compliance to effectively manage our overall environmental footprint. We look to new ideas and innovate on what we can do to contribute to efficient resource use and address the impacts of climate change.

Water Management

As the world feels the effects of climate change, water scarcity has become the new normal. Our Group takes very seriously the impact of water scarcity to our operations as well as how we impact water resources. Across the Group, we strictly observe and comply with regulation related to water consumption and management.

At ABI, we observe strict monitoring of our water consumption and how we manage our waste water through our Water Treatment Process and our Waste Water Treatment Process, respectively. We observe



strict compliance with regulation and have secured all necessary permits and installed all required equipment to allow us to draw water from our deep wells sustainably.

At Eton, we have strengthened our campaign to encourage our property tenants and residents to conserve water at all times. We sent out circular memoranda to remind them to check if there are leaks in their faucets and showerheads, and to make sure that their faucets and other water sources are turned off when they leave the premises to prevent any water wastage.

At PNB, the water that we use is purchased from a third-party water services provider. At our head office in Pasay, waste water is treated at our Sewage Treatment Plant (STP) before being released to the Manila Bay in strict compliance with conditions set by regulators. At our offices in Makati, waste water is discharged to the sewer lines of our third-party water services provider and subsequently treated at their STP. We continue to look for better ways to improve our water consumption. For example, we have adjusted the flushing mechanisms of our water closets to reduce the volume of water being used per flush in toilets and urinals as well as the replacement of defective faucets and leaking water valves.

At TDI, our Water Resource Management Toolkit is strictly implemented to ensure our operational compliance to regulation. Using the tool, we conduct monthly monitoring of our water consumption through sub-meters on all points-of-use. The extraction of water from our deep wells is under strict compliance with the conditions set by the National Water Resources Board (NWRB) which regulates and monitors the volume of water we extract. We ensure that our liquid chemical waste is hauled by accredited third-party contractors and is treated properly by requiring a Certificate of Treatment. We also partner with local non-government organizations (NGOs), like the Cabuyao River Protection Advocates, in activities that improve and protect the water quality of receiving water bodies. Ongoing initiatives include the Adopt-a-River program where we adopted Cabuyao River in Cabuyao, Laguna and the Adopt-an-Estero program where we adopted Cabungan-an Creek in Murcia, Negros Occidental. We regularly conduct river and creek clean-up activities, the installation of trash catchment mechanisms, and an education campaign for the community regarding environmental stewardship.

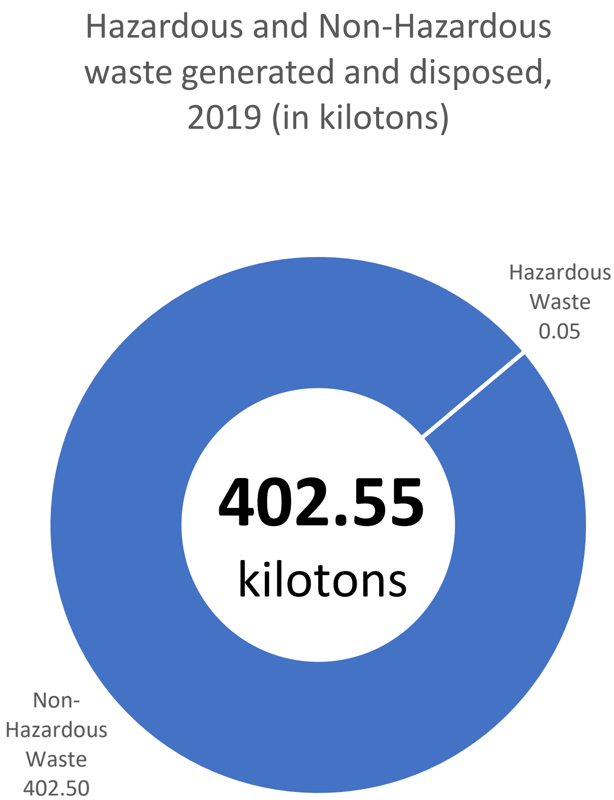
For this reporting period, our total water withdrawal is 6,812.86 megaliters (ML), where 5,662.97 ML is from groundwater sources and 1,149.89 ML is from third-party water suppliers.

Managing Waste

Waste management is an important part of our operations and how we manage our environmental footprint. We are continuously looking for better ways to dispose of our waste. We are also looking at better ways to work so we can lessen the amount of waste we produce thereby cutting cost on waste disposal services and lessening our impact to the environment.

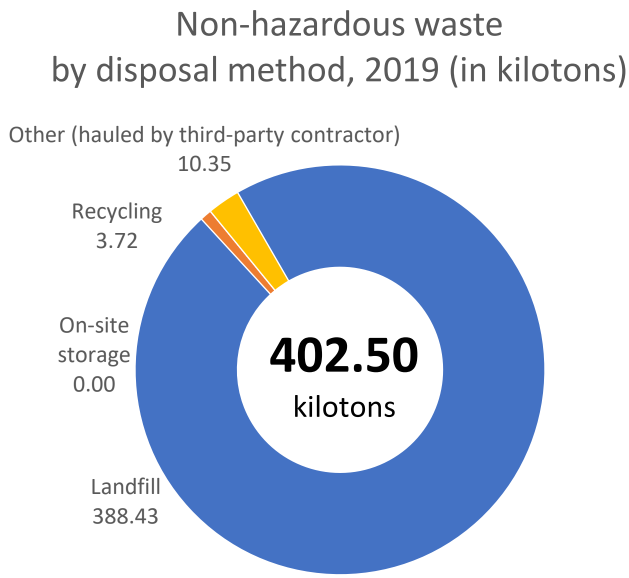
Across the Group, we have encouraged internal communication to be only be transmitted electronically to limit the use of paper. We have also promoted two-sided printing and repurposing scratch paper for second use. LTG, ABI and Eton strictly observe proper waste segregation. Waste from LTG and Eton is handled by the respective building management where LTG and Eton are tenants. Waste from ABI is handled by a third-party contractor that has been accredited by Department of Environment and Natural Resources (DENR) to handle hazardous and non-hazardous wastes.

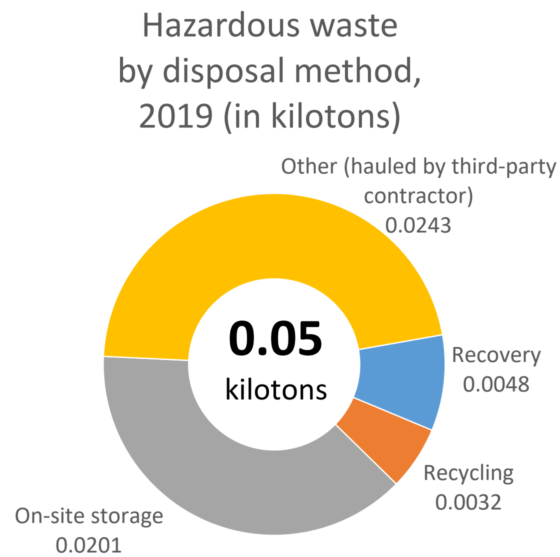
At PNB, our solid waste is managed by third-party contractors. We have ensured that these contractors are compliant with government regulation as part of our due diligence procedures. These contractors work with our designated Pollution Control Officers who take the lead in monitoring our waste disposal system and provide needed insight on how we can continue to improve our performance.



At TDI, our Solid Waste Management Plan is strictly implemented in all our plants to manage and control solid waste in compliance with the conditions set by our Environmental Compliance Certificate (ECC). We have third-party contractors who haul and dispose of our solid waste. As part of due diligence, we ensure that our contractors have the necessary government accreditation. The Pollution Control Officers of each plant evaluate the performance of their respective plants and report this to the regulators. The results of the evaluation are discussed during the regular Environment, Health and Safety (EHS) meetings for steps forward.

For 2019, we generated and disposed of 0.05 kilotons and 402.50 kilotons of hazardous and non-hazardous waste, respectively. We also disposed of 633 pieces of lead acid batteries through our accredited third-party service providers. Due to the strict and efficient implementation of our solid waste management plan, as well as a Group-wide campaign to reduce waste, no violations or non-compliance incidents have been reported.





Energy Efficiency

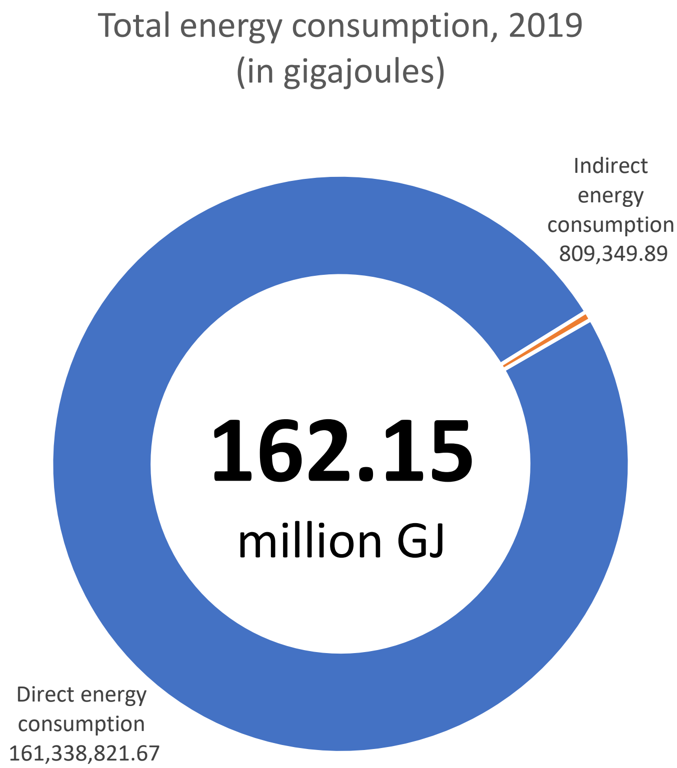
Across the Group, we continue to strengthen our energy efficiency efforts that promote energy conservation and reduce our overall carbon footprint. For example, we use LED lights across most of our offices and sites to replace conventional bulb and tube lights.

At the LTG office, we have set the air-conditioning units at 25 degrees Celsius to ensure maximum energy efficiency. Employees are also asked to only turn on equipment when needed and to unplug unused equipment. We also promote carpooling and the use of our company car service to help them in their commute.

At ABI, we have allocated resources and implemented our Energy Management System Policy for our beverage manufacturing plants where we saw a 15% improvement in energy consumption.[5] At ABI Cabuyao, we were able to reduce our coal consumption by 33% and increase efficiency after we conducted maintenance and rehabilitation work on our steam boiler.[6] In June 2019, at our ABI Bottled Water Plant (BWP) in Sta. Rosa, Laguna, we optimized our PET (polyethylene terephthalate) Blowing Machine Preform Oven by converting it into an Eco-Oven Module Assembly that uses less power to operate and has resulted in 25% energy efficiency for two lines of the BWP.[7] Other activities that sought

[5] Using 2018 as base year.
[6] ibid.
[7] ibid.

to improve, repair or maintain refrigeration systems, among other equipment, have all led to reduced energy consumption and increased energy efficiency.



At Eton's head office, our employees are encouraged to turn off office equipment when not in use, which includes the implementation of our lights-off policy during noon break. For our buildings, residents and tenants are reminded through memos to conserve energy by making sure that lights are turned off and appliances such as air-conditioning units are unplugged when not in use.

At PNB, we have an energy conservation program that allows us not only to save on our energy costs but also to address our emissions in compliance with regulation. Our main source of direct emissions are our standby generator sets, which are only used during power interruptions. Our Pollution Control Officers monitor these emissions and ensure effective compliance. We also have allocated resources for regular third-party smoke emissions testing to ensure accurate data and assessments. In terms of energy efficiency, we have engaged the services of a third-party provider who provide us with regular reports on the status of our energy efficiency situation. From these reports, adjustments are regularly implemented based on performance and operating conditions.

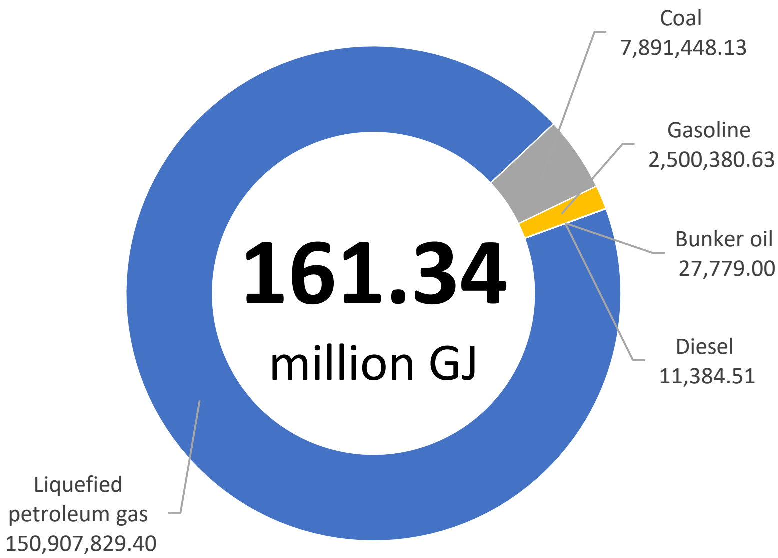
At TDI, we monitor our energy consumption and emissions in relation to production outputs by using the *energy use ratio* (EUR)[8]. EURs for our three (3) plants differ depending on the factors affecting their operations. The energy consumption of our Cabuyao plant is limited to usage from production as it does not have bottle washing since it uses brand new bottles. The energy consumption of our Negros and El Salvador plants, on the other hand, consider usage in all aspects as they use second-hand bottles requiring bottle washing in their operations. Each plant, led by their respective Pollution Control Officers, submits their energy consumption reports to our Group Safety, Environment and Risk Management (GSERM) Department as part of their environmental key performance indicator (KPI) monitoring. Any positive or negative deviation from the set EUR target is analyzed and steps are made for mitigation and conservation measures.

As of the current reporting period, our total energy consumption across the Group is 162.15 million gigajoules (GJ). Our direct energy consumption (Scope 1) is at 161.34 million GJ, while our indirect energy consumption (Scope 2) from purchased electricity is 0.809 million GJ.

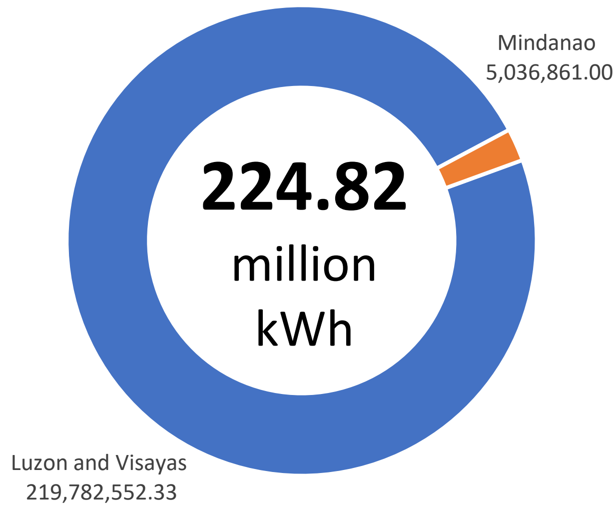
---

[8] Energy Use Ratio (EUR) – Average total amount of electricity and fuel consumed on-site from all sources converted to mega joules (MJ) for every liter of product produced.

Direct energy consumption (Scope 1), 2019 (in gigajoules)



Indirect energy consumption (Scope 2), 2019 (in kilowatt hours)



Climate Change

Climate change is not just a buzzword to the Group. It is a real challenge that we consider in our operations today and on to the future.

At ABI, our Manufacturing Continuity Program is a practical guide on how to prevent, prepare, respond and recover before, during and after a disaster, incident or crisis. Our primary considerations include the reduction of employee exposure to health and safety risks, reducing operations downtime, and managing financial loss. Updated annually, this guide covers various scenarios that are due to or made worse by the effects of climate change including severe weather conditions, typhoons, flooding, epidemics, among others. We regularly communicate with regulators and other stakeholders on the impact of our operations to local communities and the climate.

At Eton, we have taken steps in combating climate change by finding ways to use clean and renewable energy. Together with our partners, Eton's office buildings at Eton Centris in Quezon City currently use clean and renewable energy through the MakBan Geothermal Power Plant via Cleanergy of AboitizPower.

At PNB, our long-standing campaign for climate stewardship is expressed through the Bank's sustainability report highlighting the PNB's drive to address the effects of climate change to the business. The Bank is also currently drafting its sustainability financing policy and framework, which will enable us to effectively assess and manage the Bank's environmental and social risks and impacts when doing business.

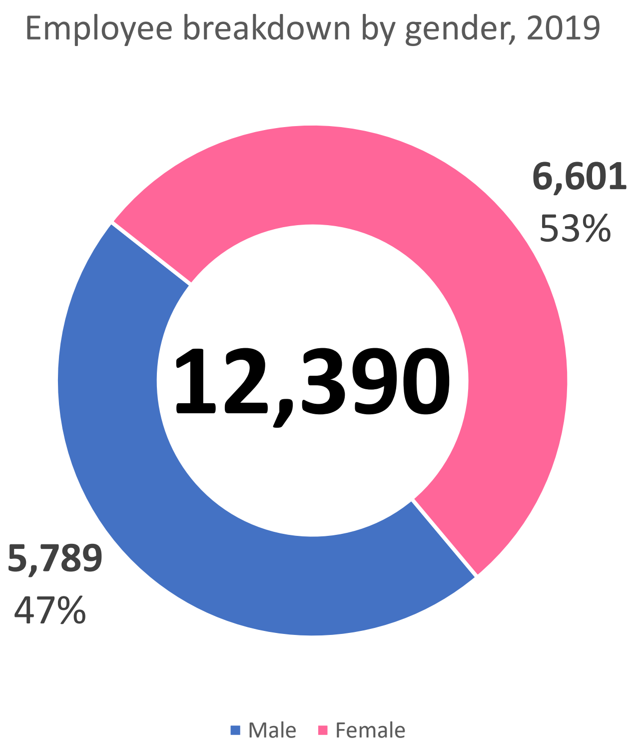
At TDI, we observe strict compliance to DENR's policies on ozone-depleting gases and GHG emissions. Our Incident Management Crisis Resolution Procedure is climate-informed and includes various scenarios caused by or made worse by climate change. We use DENR-approved fuels in our operations such as low-sulfur fuel oil for our boilers. We also participate in various reforestation programs throughout the year. As part of our ongoing plans to strengthen our campaign against climate change, we will be mapping out and measuring our GHG emissions in the near future to implement evidence-based policies to reduce emissions.

Employees

Our businesses rely on the people who work to make our every success possible. Within our workforce can be found exceptional human capital who are our partners in creating sustainable value. We do our best to recruit, retain and nurture our human capital in a safe and healthy work environment that not only fosters creativity and innovation but also gives a strong focus on work-life balance.

Employment

Across the Group, we have a strong commitment to ensure fair employment practices, gender equality, diversity and inclusion. We ensure strict compliance to all requirements of the Labor Code of the Philippines and the General Labor Standards of the Department of Labor and Employment (DOLE) who conduct regular inspections and evaluations on our compliance.



As of 2019, no instances of non-compliance have been recorded and we are at full compliance.

Our employment policies have been created in accordance with labor laws, industry practices, and the existing collective bargaining agreements (CBAs) with the employees' unions. Across the Group, 40% of all our employees are covered by an existing CBA — 22% of employees at ABI, 49% of employees at PNB, and 22% of employees at TDI — and we ensure that we uphold and safeguard the rights of our all employees, whether they are covered by a CBA or otherwise. We have policies on hiring, transfer, promotion, employee benefits, resignation and separation, and learning and development, among others, which are regularly reviewed and evaluated by senior management.

We have a Code of Business Conduct and Ethics which is a guide on professional and ethical conduct for all executives and employees of our businesses. The Code is aligned to the standards set by the SEC in accordance with internationally accepted standards. Embedded in the Code is our Whistle-Blower Policy, which helps us ensure that all incidents of misconduct and unethical behavior are reported anonymously without fear of retaliation.

For any cases of misconduct, disputes or controversies arising from the interpretation, meaning, application and implementation of our CBAs between the union and the concerned business or between the concerned business and any covered employee, our Grievance Machinery Policy is in place to address and resolve these cases for timely investigation and resolution.

Full-time employees across our subsidiaries are entitled to all government-mandated benefits as well as but not limited to life insurance coverage, healthcare coverage, vacation and sick leaves, parental leaves, retirement provision, loan facilities, among others.

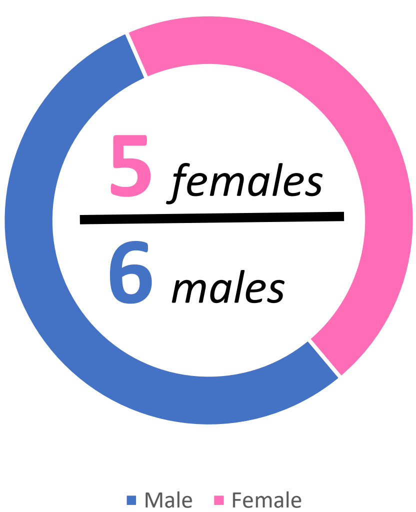
In November 2018, leveraging on its diverse and inclusive workforce, the Philippine National Bank (PNB) approved its Policy on Diversity and Inclusion to further foster innovation, create sustainable value and impact, and improve employee acquisition and retention. The Bank is also looking at its existing policies and is working to craft gender-responsive provisions that ensure gender equality and non-discrimination.

In May 2019, PNB became the first domestic universal bank to join the Philippine Business Coalition for Women Empowerment (PBCWE). As part of the membership, the Bank underwent the ***Economic Dividends for Gender Equality (EDGE) Certification*** *assessment in the 3rd quarter of 2019 in preparation for EDGE Certification set to be completed in 2020.*

We take particular pride in our gender equality and diversity and inclusion (D&I) practices where a significant number of women are in our governance bodies and senior management. The Board of Directors of LTG is comprised of five (5) women and six (6) men. Our combined workforce also shows a majority of women employees. Our robust practices also ensure that there is no difference between the basic salaries of men and women.

As of this reporting period, our workforce is at 12,390 regular employees where 6,601 people or 53% are females. We also have 360 contractual workers. Our employee turnover rate is at 9.27%. We hired 1,625 new employees of which 618 were females.

Composition of LTG Board of Directors, 2019

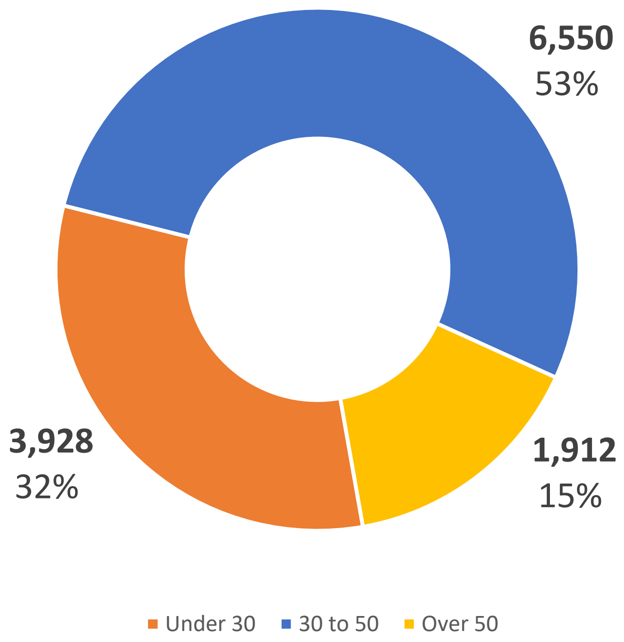


Total number of employees by employment contract, by gender, 2019			
Male		**Female**	
Permanent	*Temporary*	*Permanent*	*Temporary*
5,789	0	6,601	0

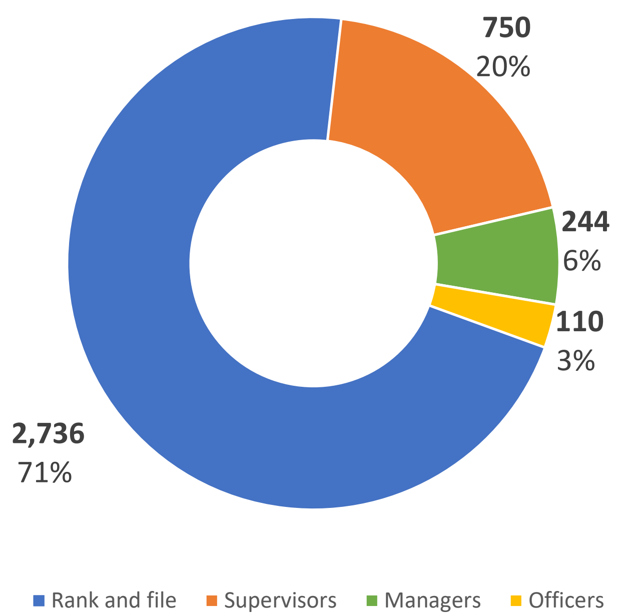
Total number of employees by employment type, by gender, 2019			
Male		**Female**	
Full-time	*Part-time*	*Full-time*	*Part-time*
5,789	0	6,601	0

Total number of employees by employment contract, by region, 2019		
Region	***Permanent***	***Temporary***
Luzon	9,580	0
Visayas	1,347	0
Mindanao	1,463	0

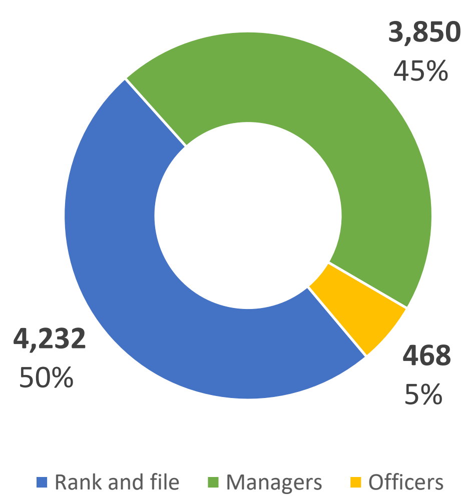
Employee breakdown by age group, 2019



Employee breakdown by category, 2019
(for LTG, ABI, Eton, and TDI only)

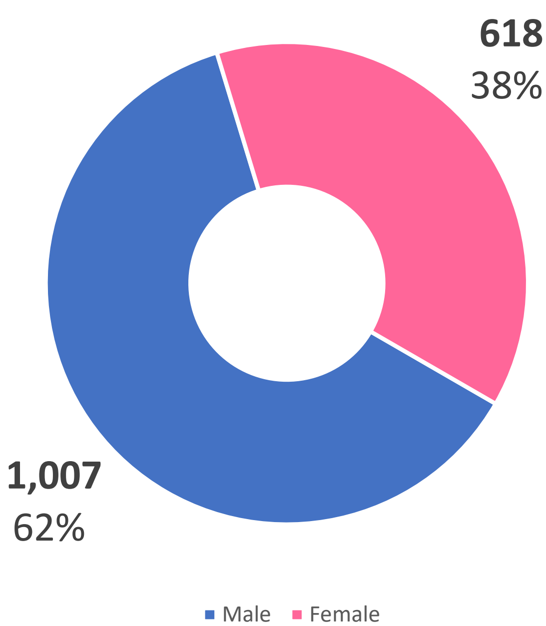


Employee breakdown by category, 2019
(for PNB only)[9]

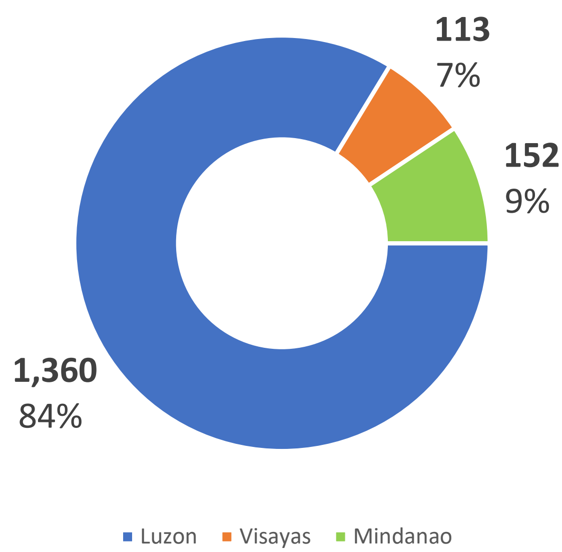


[9] PNB's employee breakdown by category has been separated from the Group-wide figures as PNB has no corresponding ranks for the Supervisor category.

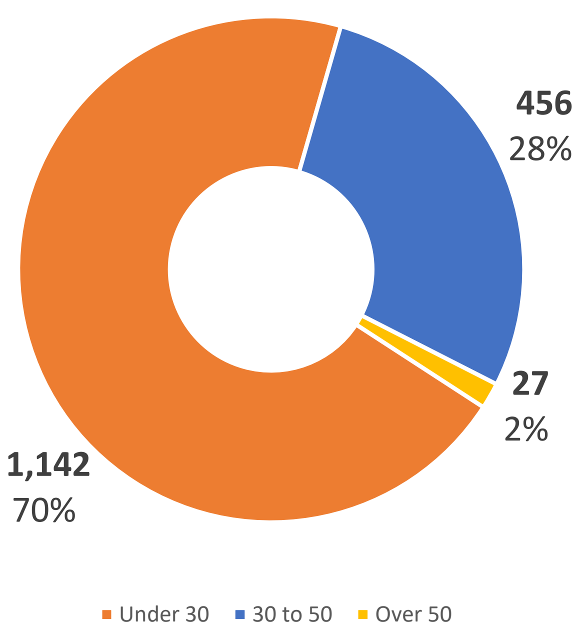
New hires by gender, 2019



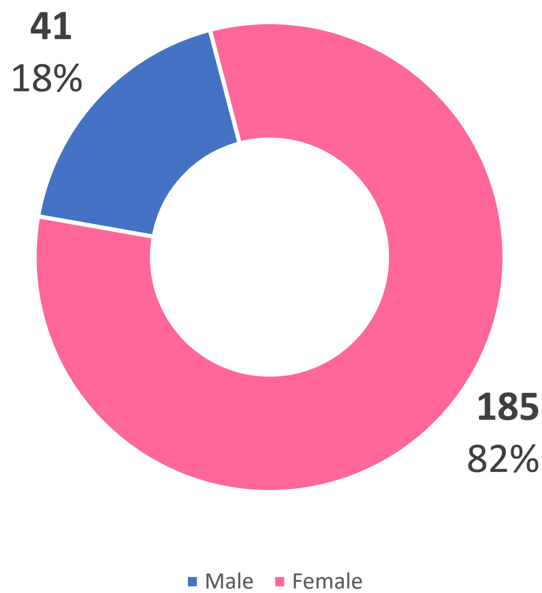
New hires by region, 2019



New hires by age group, 2019



Employees who took parental leave by gender, 2019



Return to work rate by gender, 2019		
	Male	***Female***
Employees due to return after parental leave	39	173
Employees that returned to work after parental leave	39	173
Return to Work Rate (%)	**100%**	**100%**

Retention rate by gender, 2019		
	Male	***Female***
Employees retained 12 months after returning to work following parental leave	16	166
Number of employees returning from parental leave in prior periods	16	166
Retention Rate (%)	**100%**	**100%**

Safety and Well-being

We recognize the great importance of our people's safety and well-being. A safe working environment is an important feature of our operations and we make sure we are able to provide this to our employees at all times.

Across the Group, we have an Occupational Safety and Health (OSH) Policy to safeguard our employees' right and access to humane working conditions. Our respective OSH committees and accredited Safety Officers help ensure strict implementation of this policy in accordance with our policies on good corporate governance and in compliance with the conditions set by DOLE. We also conduct regular reviews and evaluation of this policy to assess its effectiveness and to effect any changes if needed. The respective Committees regularly meet to manage work-related hazards, including investigation and incident reporting, which is guided by DOLE's guidelines on the Notification and Keeping of Records Accidents and/or Occupational Illnesses (Rule 1050, Occupational Safety and Standards, As Amended 1989, DOLE). Our employees across the Group are covered by a healthcare plan which include coverage for occupational health services.

We conduct regular training programs on occupational safety and health internally through our Safety Officers, health providers, government agency partners, and third-party providers. Apart from the DOLE-prescribed mandatory training hours for OSH, we conduct other trainings to further commitment to maintaining safety and health across all our operations. For example, at Eton's construction sites, we also conduct loss control management seminars, first-aid trainings, working at heights and scaffold safety trainings, and heavy equipment operation trainings, among others. This is on top of our annual trainings for OSH, Basic Occupational Safety and Health (BOSH), and Construction Occupational Safety and Health (COSH), a requirement for the construction industry. At TDI, our Safety Officers are required to conduct trainings on hazardous materials management, hot works operation, spill control, confined space safety and working at heights, and laboratory safety, among others. Group-wide, our businesses also respectively publish health bulletins regularly to promote sustained awareness among our employees.

At ABI, we implement the Hazard Identification, Risk Assessment and Determining Control (HIRADC) procedure, whereas Eton's sites and TDI implement the Hazard Identification, Risk Assessment and Control (HIRAC) procedure. These allow us to identify hazards and assess risks according to their likelihood and severity. After evaluation, we are able to determine and apply controls to manage these hazards and risks in the workplace.

As of 2019, we have zero instances among full-time employees of high-consequence work-related injuries[10] during the reporting period.

[10] A high-consequence work-related injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

OHS Management System Coverage, 2019		
	No. of employees	*Percentage*
Covered by occupational health and safety management system		
Regular employees	11,906	100%
Contract workers	360	99%
Covered by occupational health and safety management system that has been internally audited		
Regular employees	11,491	97%
Contract workers	360	99%
Covered by occupational health and safety management system that has been audited or certified by an external party		
Regular employees	8,610	72%
Contract workers	0	0

Work-Related Injuries, 2019		
	Number of cases	*Rate*
For employees		
Fatalities as a result of work-related injuries	0	0
High-consequence work-related injuries (excluding fatalities)	0	0
Recordable work-related injuries	49	5.82
Number of hours worked (hours)	8,413,664	
For contract workers		
Fatalities as a result of work-related injury	0	0
High-consequence work-related injuries (excluding fatalities)	0	0
Recordable work-related injuries	15	5.49
Number of hours worked (hours)	2,730,632	

Customers

Our journey to creating value would not be complete without our customers. By listening to them, we are able to understand our businesses better and we are able to move forward and grow in unprecedented ways. We learn about the changing market, developing preferences, and new or recurring trends by listening to our customers. This way, we are able to improve the way we do business and create products and services that our customers need, many of which have become homegrown brands we can be truly proud of.

Over the years, our businesses have remained true to its promise of excellence. We strengthen our commitment and look to innovative ways to provide quality products and services and create new and better value for our customers.

Marketing and Labeling

The way a business communicates to its customers is an important aspect of doing business. Our Group ensures transparent and easily-accessible information about our products and services to help our customers arrive at a well-informed choice. Across the Group, we follow local and international standards and regulation on responsible marketing and labeling practices. We continue to look at better ways to improve our websites and other information channels for ease-of-access to our clients.

At ABI, our Manufacturing Change Control (MCC) document is a practical guide we follow when we introduce, manage, execute and implement changes in terms of raw materials used, packaging, operational activities, promotional activities, and product campaigns. The MCC, together with our New Product Development document and our Stock Aging Management document, enables us to cover different aspects of how we market and label our products to consumers at different stages. We ensure strict compliance with guidelines on information and labeling set by the Philippine Food and Drug Administration (FDA), as well as all requirements set by the Philippine Ad Standards Council (ASC), and the Department of Trade and Industry (DTI), which may include information on sourcing, content, safe use, and proper disposal.

At Eton, our Marketing team ensures that our materials are compliant with our branding guidelines and all applicable laws and regulation set by the Department of Human Settlements and Urban Development (DHSUD) [formerly Housing and Land Use Regulatory Board (HLURB)] and DTI, among others. We regularly conduct a review of branding guidelines to address and accommodate new trends in industry branding. Likewise, we ensure that our brand logos and product names are duly registered at the Philippine Intellectual Property Office (IPO).

At PNB, we observe strict compliance with the conditions set by the Bangko Sentral ng Pilipinas (BSP), as well as guidelines by the Philippine Deposit Insurance Corporation (PDIC), ASC, DTI, among others. All our marketing tools have undergone internal reviews and have the necessary permits from regulators. Our Social Media Framework is also in place to help us manage our reputational risk across our social media platforms.

At TDI, we are guided by our Brand Guidance Policy, created through research done by TDI on marketing standards practiced in the Philippines. Our Quality Policy guides our labeling practices where we follow a mandatory minimum standard for information on our labels, which include alcohol content, packing size, intended sale placement (whether domestic or export), manufacturing plant address, BIR assessment number, ingredient declaration, and product traceability, among others. When critical, we also include proper product storage conditions and mixing guides, as well as guidelines on disposal. We continuously monitor this under our Quality Management System, and in strict compliance with conditions set by regulatory bodies such as the ASC for our television and radio advertisements. Labels of products for local distribution conform to the guidelines of FDA, while labels for products meant for export are subject to labeling regulations of the importing country. All our products are evaluated and registered by the FDA with their corresponding Philippine Intellectual Property Office (IPO) registration. We conduct regular assessments and evaluations throughout the year as we continuously look for new and innovative ways to strengthen our presence in existing markets and heighten our appeal to emerging markets.

In 2019, due to our strict commitment to comply with laws and regulations on marketing and labeling, we have recorded zero incidents of non-compliance.

Customer Health and Safety

Our customers' health and safety will always be a top priority for us. Across all our products and services, we make sure that our customers are protected and safe from toxins and hazards. We continuously look at ways to contribute to improving our customers' quality of life.

At ABI, our Food Safety and Quality Policy ensures that our products meet international standards on quality and safety as set by our Quality Management System and policies of the FDA, as well as the National Sanitation Foundation and the International Bottled Water Association. We continue to ensure that all our plants are certified, that there are zero cases of non-conformance to regular internal and external audit procedures, and that key performance indicators on quality and packaging are met.

At Eton, we look to building and developing properties that positively impact the way communities live and grow. We strictly meet and observe all conditions set out by regulation and secure all needed permits as required by local zoning laws, regulations set by the National Building Code of the Philippines, as well as policies of the DHSUD (formerly HLURB), the Bureau of Fire Protection (BFP), DENR, among others.

At TDI, our Quality Policy is in place to ensure that our products are not just of excellent quality but are free of any elements that could potentially be harmful to our customers. Within our Quality Management System, and in compliance with the policies of the FDA, we make sure that strict implementation of our Quality Policy is observed as well as efficient response and resolution to product complaints with our product complaints procedure, consumer response program and corrective action plan.

During the reporting period, we recorded zero incidents of non-compliance with regulations on customer health and safety. We strengthen our commitment to ensure customer health and safety at all times and aim to maintain zero cases in the next reporting period.

Customer Engagement and Satisfaction

The longevity of our businesses has always partly depended on how well we listen to our customers. By listening well, not only are we able to improve the way we work, but we are able to create better value. We consider customer engagement and satisfaction a top priority.

At ABI, as part of our Food Safety and Quality Policy, we regularly conduct a Customer Satisfaction Survey. Together with our Customer Complaint Report, we use these tools to understand how well we have done and to see which areas of improvement we need to work on based on customer feedback sent through our website, email, phone and social media profiles.

At Eton, our commitment to customer engagement and satisfaction is rooted in our mission and vision as well as our Code of Ethics. We work hard to ensure that we are able to address client concerns and meet client demands in an efficient and timely manner. Our Customer Support team handles all concerns coming from our existing clients, while our Property Management Group takes care of on-site concerns. Our Marketing team, on the other hand, handles all feedback received from our website and social media platforms from both existing and prospective clients.

At PNB, customer engagement and satisfaction is embedded across all client touchpoints—from account opening to administration and termination. Our dedicated Customer Experience Division handles all client concerns and complaints 24 hours a day, 7 days a week through various channels including our Customer Care Hotline, website, email, secure online messaging platforms and the private messaging function of our social media profiles. Our Customer Care Policy ensures that any complaints brought to our attention are acknowledged, processed and resolved in a timely manner. Consistent with our Data Privacy Policy, we also ensure proper documentation for these issues and complaints and report them to the concerned regulators for compliance.

At TDI, we regularly engage in relationship-building activities between our salesmen and our customers. We are also active on social media and conduct marketing promotion campaigns throughout the year. We conduct monthly and annual evaluations of our activities to look at ways to improve. For any complaints, our customers are able to reach us through our website, telephone, email and/or our social media profiles. Each bears a distinct code which will identify the plant batch, line and date of production to pinpoint source of any defective products.

Digital Transformation and Innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

In today's information age, businesses are driven by change that allow them to grow and improve. We recognize the importance of digital transformation and innovation as we look to reach new heights in the way we do business.

Our businesses are currently looking at ways to continuously keep up with present trends in technology. At Eton, we have integrated innovation in our business as we continue to look at smart cities and the impact of smart home systems to our properties. We are also looking at plans to continue upgrading our Enterprise Resource Planning (ERP) system.

At PNB, we launched our Ecosystem Strategy in 2016, which is an end-to-end, sustainable value chain concept to provide customized banking solutions and other services, which include integrated cash management solutions, bills payment, and payroll services to parties in the value chain. Digital transformation is at the very core of this strategy as we innovate and find better solutions to working with our partners. To make banking accessible to everyone, we currently have 1,557 automatic teller machines (ATMs), and 81 cash accept machines (CAM) for 24-hour banking convenience.

At TDI, we are documenting business processes of our new ERP system, which automates and integrates the management of many business processes. Quarterly operational audits will be conducted to ensure that written policies and procedures are being followed.

Customer Data Privacy and Security

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Keeping information safe and secure is a top priority for us. We look to new and innovative ways to keep data that we have and data entrusted to us safe and secure at all times. We comply with all applicable regulation and go beyond compliance in making sure that our data safekeeping capabilities are continuously updated.

Across the Group, we are guided by our Data Privacy Policy which provides a framework for processing personal data from an individual in compliance with local data privacy laws and professional standards, most notably the Philippine Data Privacy Act of 2012. Our respective Data Protection Officers ensure strict compliance and implementation of the policy as well as handling of inquiries and complaints related to data privacy and security.

At Eton, we have a Data Privacy Manual, which complements our Group-wide Data Privacy Policy. This manual is reviewed and evaluated annually for any changes and improvement needed. Our Data Protection Officers work closely with our Legal Department to ensure that all required documentation is obtained from our clients. We also make sure that our employees are compliant with existing conditions set by regulation.

At PNB, together with our Group-wide Data Privacy Policy, our Enterprise Data Privacy Policy reinforces our strong commitment to data privacy and security. This policy was developed based on the Philippine Data Privacy Act of 2012, the General Data Protection Regulation 2016/679 (GDPR) of the European Union (EU), ISO 27001:2013 for Information Security Management System and our Enterprise Information Security Policy, the Manual of Regulation for Banks (MORB) of the BSP, and publications and references issued by industry associations as the Information Systems Audit and Control Association (ISACA) and the International Association of Privacy Professionals (IAPP), among others. With our Data Privacy Management Division (DPMD), comprised of our Data Protection Officers and Data Protection Program Managers, we ensure firm compliance with both local and international regulations as well as international standards, including the compliance checklist of the National Privacy Commission and the six (6) data protection principles of the EU GPDR. Our DPMD also works with our Customer Experience Division for a quick and easy way to resolve any data privacy-related concerns directly coming from our customers. Within the Bank, all our personnel are bound by our confidentiality policy. We also regularly send out data privacy advisories to all personnel concerned regarding updates and trends on data privacy and security.

For 2019, we recorded three (3) incidents of inadvertent leakage of customer data, and four (4) incidents of non-compliance with rules and regulation on data privacy across the Group. These incidents, which were recorded at PNB, have all been addressed and immediately resolved in accordance with the Bank's Enterprise Information Security Policy and Enterprise Data Privacy Policy. We also regularly reiterate our Group-wide Data Privacy Policy for continued awareness. While the rest of our subsidiaries had zero cases of non-compliance with rules and regulation on data privacy, our commitment to ensuring data privacy and security remains strong to avoid similar incidents in the next reporting period.

Society

Community Relations and Initiatives

We consider the communities we operate in as our partners in value creation. From these communities, we are able to access a wealth of human and natural resources that contribute greatly to our success. We are committed to contributing back to the very communities that help us grow for their success is our success.

The Group's main corporate social responsibility (CSR) arm is the Tan Yan Kee Foundation, Inc. (TYKFI). Together with our partners, TYKFI pursues projects that focus on education, health services, social welfare and the environment.

In education, TYKFI maintains a number of scholarship and education activities. In partnership with the University of the East (UE), the UE-TYKFI Scholarship Program, an academic scholarship program for deserving UE undergraduates and faculty members, has 123 new and continuing scholars this year totaling to over 1,410 beneficiaries, including 18 faculty members and 103 grantees who have benefitted from the program in over 21 school years.

The TYKFI-STA Scholarship Program for Farmers' Children, which provides free private school education for deserving high school students from marginalized farming families, currently has 160 scholars from grades 7 to 12 in Sta. Teresita's Academy in Aritao, Nueva Vizcaya.

In partnership with the Foundation for Liberty and Prosperity (FLP), the TYKFI-FLP Legal Scholarship Program, a scholarship for selected junior and senior year law students who are at the top of their class, currently has 20 scholars across various law schools in the country.

TYKFI together with ABI has a Medical Specialty Scholarship Program that helps Filipino doctors finish specialty training abroad. Four (4) medical doctors completed their specialty training in 2019 with the help of the program: Dr. Andrei Paulo Angbue-Te, Dr. Noruel Gerard Salvador, Dr. Rosemarylin Or, and Dr. Giselle Gotamco.

Together with the Foundation for Upgrading the Standards of Education (FUSE), TYKFI sponsored the training of 133 teachers to update and upgrade their teaching skills across different subjects. The school supplies projects benefited 1,076 children while the food distribution project reached 1,179 children and teachers alike at the adopted schools. TYKFI also participated in Brigada Eskwela 2019 where Nagtenga Elementary School in Sta. Cruz, Ilocos Sur was provided with materials to help remodel three (3) old Marcos-type classrooms for kindergarten and second and third grade students. The Tan Yan Kee Library also conducted summer learning activities for children on Chinese literature, language and culture from May to July. From August to October, the library gathered a diverse group of 11 people aged 14 to 85 for its Chinese Ink Painting classes.

In health services, TYKFI continues to hold the monthly Asia Brewery Medical Forum in cooperation with the Association of Asia Brewery Medical Specialty Scholars. These forums provide the public with better health information as well as information on the latest treatment options. Some of the topics discussed in 2019 include eye conditions, gastrointestinal tract afflictions, common childhood diseases, kidney health and women's health. Doctors who are Asia Brewery Medical Scholars also provided free consultations during the forums. Meanwhile, TYKFI has partnered with LGUs and private medical specialists in extending free consultation to goiter patients.

In social welfare, TYKFI spearheaded a host of projects in partnership with sister companies as well as public and private organizations to help develop communities and improve their quality of life. It sponsored the training of seven (7) local government officials and six (6) teachers on good governance and solid waste management through a clean-up drive within a mangrove park in Boracay, Aklan. Aside from collecting almost 50 sacks of garbage, the participants also planted api-api, a local mangrove species in line with the *Roots for Boracay Project* in partnership with TDI, DENR and the local government of Barangay Manoc-Manoc.

TYKFI sponsored the skills enhancement training of 19 past trainees from farming communities in the towns of Kayapa and Sta. Fe, Nueva Vizcaya and Sta. Cruz, Ilocos Sur on basic cosmetology in partnership with Ang Hortaleza Foundation. 30 housewives were also trained in longanisa-making in the community of Las-Ud in Sta. Cruz, Ilocos Sur.

Together with Eton, TYKFI launched the Masaganang Palayan Project by donating high quality rice seeds and fertilizers to 18 farmers from Comon and Tabueng in Aritao, Nueva Vizcaya. Each of the farmers received an average of three (3) to five (5) sacks of hybrid rice seeds that can yield up to 100 to 110 *cavans* of high quality palay. Another project together with Eton is the TYKFI-Eton Joint Housing Assistance Project where four (4) newly-built houses were turned over to the families of four (4) scholars under the TYKFI-STA Scholarship Project

Together with TDI through Tanduay Athletics, TYKFI co-sponsored the Golden KAP Basketball Tournament, a grassroots sports development program participated in by community members from Aritao, Nueva Vizcaya and Carranglan, Nueva Ecija. The project was initiated to enable the youth to develop their skills in sports, instill the value of sportsmanship, and foster intercommunity goodwill and fellowship. Three (3) barangays from each of the two municipalities participated in the tournament with over 75 youth players.

In response to the aftermath of the earthquakes that displaced numerous families in Cotabato, TKYFI, together with Philippine Airlines, PNB and TDI, distributed *Chairman's Gift Boxes* filled with food and drinks to over 2,000 evacuees across five (5) evacuation camps in Makilala, Cotabato and Kidapawan City during the HOPE Caravan's disaster relief campaign.

TYKFI also helped PNB conduct a financial literacy seminar for 20 barangay treasurers from Aritao, Nueva Vizcaya.

In the protection of the environment, one of TYKFI's biggest undertakings is the Dr. Lucio C. Tan Legacy Forest Project. Started in 2014, over 787 hectares of the 930-hectare area for reforestation and protection in Barangay R.A. Padilla in Carranglan, Nueva Ecija have been planted with different varieties of timber, fuelwood, and fruit trees. Other planting and reforestation sites include the Laguna-Quezon Land Grant

(LQLG) of the University of the Philippines Los Baños (UPLB) and parts of Nueva Vizcaya, as well as the Mangrove Rehabilitation Projects in Ilocos Sur and Boracay.

Apart from rehabilitating the forests, TYKFI provided livelihood opportunities by giving jobs to the farmers and teaching them new scientific methods of producing vegetables, and organic and ornamental plants. TYKFI also conducted holistic development programs for the farm workers that include values formation, wellness promotion and spiritual development. At the 56-hectare planting site in Barangay Joson in Carranglan called Friendship Park, various developmental activities have been conducted like intercropping, ring weeding, fertilizer application, hedgerow establishment, and road gravelling. In April 2019, more than 150 students from UPLB visited the project's Nueva Ecija site and learned about the goals, experiences, and sustainability efforts of the project.

In September and October 2019, 19 farming students from the Don Bosco Training Center in San Jose, Nueva Ecija who are NC-II-certified also went to the TYKFI farm project site to undergo a 10-day immersion program under their Supervised In-Plant training.

Due to its successful efforts in reaching out to the community, TYKFI was conferred the 2019 Global NGO Leadership and Excellence Award due to its holistic commitment framework in doing CSR that works to leave no one behind.

At ABI, through our Asia Brewery Manufacturing Operations Resources & Environment Sustainability (AMORES) project, the flagship sustainability project of ABI, we continue to drive further our commitment to environmental and community stewardship. Together with WWF Philippines as our partner, we conducted the Education is Adaptation program to teach schoolchildren and teachers the environmental impact of waste and the importance of waste segregation. With this program, we were able to conduct one (1) teachers' training and three (3) information sessions with students of Molino Elementary School, Panipuan Elementary School, and Baliti Elementary School all in the province of Pampanga.

At PNB, our Corporate Social Responsibility Policy drives forward our commitment to incorporate and implement CSR and sustainability-related initiatives in our operations. With the creation of our new Corporate Sustainability Unit, we are currently developing our sustainability policy, roadmap and framework. Annually, we allocate at least two percent of our net income to various CSR activities as education programs on financial literacy, and scholarships, as well as livelihood development initiatives and environmental campaigns.

At TDI, we have partnered with Dualtech Training Center to train their students under the Technical Education and Skills Development Authority's dual training system. Lasting for 18 months, Dualtech students spend time training with us at TDI from Monday to Friday and attending classes and other activities at their school during Saturdays.

In 2019, 89% of our local operations have implemented community initiatives.

LTG's Unique Key Material Issue

Over time, our Group has grown and expanded to include businesses in different industries with different challenges. In our journey to sustainability, we recognize these unique challenges as opportunities for us to show our skill and capability in meeting these challenges head on and create long-term value for our stakeholders.

Illicit Trade

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The presence of smuggled and/or counterfeit tobacco products, also known as illicit cigarettes, in the country has created considerable challenges to our operations in PMFTC. As illicit cigarettes evade paying government-mandated excise taxes and value added tax (VAT), the price gap between illicit cigarettes and legitimate cigarettes is widened resulting to low prices of illicits compared to our licit low-priced brands. These illicit cigarettes then become an attractive alternative for smokers, particularly the youth and low-income groups. The legislated annual increase of excise taxes on tobacco products further widen price gaps and make illicit cigarettes even more attractive. It is a major economic problem for governments. In the Philippines, the Intellectual Property Office of the Philippines (IPO) reported that in 2018 alone, around Php20 billion worth of illicit cigarettes and illicit cigarette-making paraphernalia were seized.

1000+

*participants to **63** engagements by PMFTC on raising awareness about the illegal cigarette trade problem*

At PMFTC, we work closely with other affiliates of Philip Morris International, Inc. (PMI) to share intelligence and resources to fight illicit trade guided by the objectives and the principles of the WHO Framework Convention on Tobacco Control (FCTC) Protocol to Eliminate Illicit Trade in Tobacco Products. We also regularly engage various internal and external stakeholders to raise awareness about the illegal cigarette trade problem, which includes capacity building activities on how to spot an illicit cigarette product. In 2019, PMFTC conducted 63 separate engagements with over 1,000 participants who are trade and law enforcement partners, and PMFTC employees.

PMFTC is part of a multisectoral movement called "Fight IT (Illicit Trade)" led by the Federation of Philippine Industries (FPI) to curb unfair trade and secure national revenues and protect legitimate players in the domestic market. The Fight IT movement is also supported by sectors, of which common issues are smuggling and illicit trade in their industries, including rice, sugar, corn, palm oil, tobacco, steel, cement and ceramic tiles. With its strengthened fight against illicit trade, Fight IT action plans include: (1) to intensify its public information drive against illicit trade; (2) to develop a regulatory and fiscal information campaign designed to increase the awareness of retailers on illicit trade; and (3) to advocate for laws and regulations to mitigate illicit trade and support industry investigators who will monitor the illegal tobacco trade for the purpose of pushing for enforcements.

As part of the global PMI group, we at PMFTC channel our efforts on illicit trade through the following:

1. Fighting the diversion of our products by continuously improving measures to secure the supply chain with all stakeholders;

2. Sharing our knowledge with the impacted parties through continuous research, analysis, and communication of illicit trade issues and consequences; and

3. Pre-empting attempts to illegally divert our smoke-free products by assessing potential risks and by equipping our organization for this new challenge.

For further information, please refer to the PMI 2018 Sustainability Report.

Appendix

GRI Content Index

GRI Standard	Disclosure		Page No.	Omissions
GRI 101: Foundation 2016 (GRI 101 does not include any disclosures)				
General Disclosures				
GRI 102: General Disclosures 2016	***Organizational Profile***			
	GRI 102 - 1	Name of the organization	9	-
	GRI 102 - 2	Activities, brands, products, and services	9-11	-
	GRI 102 - 3	Location of headquarters	9	-
	GRI 102 - 4	Location of operations	13-14	-
	GRI 102 - 5	Ownership and legal form	9-12	-
	GRI 102 - 6	Markets served	13-14	-
	GRI 102 - 7	Scale of the organization	13-14, 29, 39-41	-
	GRI 102 - 8	Information on employees and other workers	39-43	-
	GRI 102 - 9	Supply chain	17-18	-
	GRI 102 - 10	Significant changes to the organization and its supply chain	17-18	-
	GRI 102 - 11	Precautionary Principle or approach	30	-
	GRI 102 - 12	External initiatives	22	-
	GRI 102 - 13	Membership of associations	19-20	-
	Strategy			
	GRI 102 - 14	Statement from senior decision-maker	4-6	-
	Ethics and Integrity			
	GRI 102 - 16	Values, principles, standards, and norms of behavior	8, 15-16, 31	-
	GRI 102 - 17	Mechanisms for advice and concerns about ethics	31	-
	Governance			
	GRI 102 - 18	Governance structure	15-16	-

GRI 102 - 22	Composition of the highest governance body and its committee	15-16	-
GRI 102 - 23	Chair of the highest governance body	15-16	-
GRI 102 - 26	Role of highest governance body in setting purpose, values, and strategy	8	-
	Stakeholder Engagement		
GRI 102 - 40	List of stakeholder groups	22	-
GRI 102 - 41	Collective bargaining agreements	39	-
GRI 102 - 42	Identifying and selecting stakeholders	22	-
GRI 102 - 43	Approach to stakeholder engagement	22	-
GRI 102 - 44	Key topics and concerns raised	22	-
	Reporting Practice		
GRI 102 - 45	Entities included in the consolidated financial statements	21, 29	-
GRI 102 - 46	Defining report content and topic Boundaries	21-24	-
GRI 102 – 47	List of material topics	25-27	-
GRI 102 - 48	Restatements of information		Not applicable as this is the first year of reporting.
GRI 102 - 49	Changes in reporting		Not applicable as this is the first year of reporting.
GRI 102 - 50	Reporting period	21	
GRI 102 - 51	Date of most recent report		Not applicable as this is our first sustainability report.
GRI 102 - 52	Reporting cycle	21	-
GRI 102 - 53	Contact point for questions regarding the report	22	-
GRI 102 - 54	Claims of reporting in accordance with the GRI Standards	22	-
GRI 102 - 55	GRI content index	56-62	-
GRI 102 - 56	External assurance	21	-

Material Topics				
GRI 201: Economic Performance 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	21, 25, 29	-
	GRI 103 - 2	The management approach and its components	29	-
GRI 201: Economic Performance 2016	GRI 201 - 1	Direct economic value generated and distributed	29	-
GRI 419: Socioeconomic Compliance 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	25, 30	-
	GRI 103 - 2	The management approach and its components	30	-
	GRI 103 - 3	Evaluation of the management approach	30	-
GRI 419: Socioeconomic Compliance 2016	GRI 419 - 1	Non-compliance with laws and regulations in the social and economic area	30	-
Risk Management				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	25, 30-31	-
	GRI 103 - 2	The management approach and its components	30-31	-
	GRI 103 - 3	Evaluation of the management approach	30-31	-
GRI 102: General Disclosures 2016	GRI 102 - 11	Precautionary principle or approach	30	-
GRI 205: Anti-Corruption 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	25, 31	-
	GRI 103 - 2	The management approach and its components	31	-
	GRI 103 - 3	Evaluation of the management approach	31	-
GRI 205: Anti-Corruption 2016	GRI 205 - 2	Communication and training about anti-corruption policies and procedures	31	-
	GRI 205 - 3	Confirmed incidents of corruption and actions taken	31	-

GRI 303: Water and Effluents 2018				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 32-33	-
	GRI 103 - 2	The management approach and its components	32-33	-
	GRI 103 - 3	Evaluation of the management approach	32-33	-
GRI 303: Water and Effluents 2018	GRI 303 - 1	Interactions with water as a shared resource	32-33	-
	GRI 303 - 2	Management of water discharge-related impacts	32-33	-
	GRI 303 - 3	Water withdrawal	33	-
GRI 306: Effluents and Waste 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 34	-
	GRI 103 - 2	The management approach and its components	34	-
	GRI 103 - 3	Evaluation of the management approach	34	-
GRI 306: Effluents and Waste 2016	GRI 306 - 3	Waste by type and disposal method	34-35	-
GRI 302: Energy 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 35-37	-
	GRI 103 - 2	The management approach and its components	35-36	-
	GRI 103 - 3	Evaluation of the management approach	35-36	-
GRI 302: Energy 2016	GRI 302 - 1	Energy consumption within the organization	35-37	-
Climate Change				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 37-38	-
	GRI 103 - 2	The management approach and its components	37-38	-
	GRI 103 - 3	Evaluation of the management approach	37-38	-
GRI 201: Economic Performance 2016	GRI 201 - 2	Financial implications and other risks and opportunities due to climate change	37-38	-
GRI 401: Employment 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	25, 39-40	-
	GRI 103 - 2	The management approach and its components	39-40	-

	GRI 103 - 3	Evaluation of the management approach	39-40	-
GRI 401: Employment 2016	GRI 401 - 1	New employee hires and employee turnover	39, 42	-
	GRI 401 - 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	40	-
	GRI 401 - 3	Parental leave	43	-
GRI 403: Occupational Health and Safety 2018				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 44	-
	GRI 103 - 2	The management approach and its components	44	-
	GRI 103 - 3	Evaluation of the management approach	44	-
GRI 403: Occupational Health and Safety 2018	GRI 403 - 1	Occupational health and safety management system	44	-
	GRI 403 - 2	Hazard identification, risk assessment, and incident investigation	44	-
	GRI 403 - 3	Occupational health services	44	-
	GRI 403 - 4	Worker participation, consultation, and communication on occupational health and safety	44	-
	GRI 403 - 5	Worker training on occupational health and safety	44	-
	GRI 403 - 6	Promotion of worker health	40, 44	-
	GRI 403 - 7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	44	-
	GRI 403 - 8	Workers covered by an occupational health and safety management system	45	-
	GRI 403 - 9	Work-related injuries	45	
GRI 417: Marketing and Labeling 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	25, 46-47	-
	GRI 103 - 2	The management approach and its components	46-47	-
	GRI 103 - 3	Evaluation of the management approach	46-47	-
	GRI 417 - 1	Requirements for product and service information and labeling	46-47	-

GRI 417: Marketing and Labeling 2016	GRI 417 - 2	Incidents of non-compliance concerning product and service information and labeling	47	-
	GRI 417 - 3	Incidents of non-compliance concerning marketing communications	47	-
GRI 416: Customer Health and Safety 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	25, 47	-
	GRI 103 - 2	The management approach and its components	47	-
	GRI 103 - 3	Evaluation of the management approach	47	-
GRI 416: Customer Health and Safety 2016	GRI 416 - 1	Assessment of the health and safety impacts of product and service categories	47	-
	GRI 416 - 2	Incidents of non-compliance concerning the health and safety impacts of products and services	47	-
Customer Engagement and Satisfaction				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 48	-
	GRI 103 - 2	The management approach and its components	48	-
	GRI 103 - 3	Evaluation of the management approach	48	-
GRI 102: General Standard Disclosures 2016	GRI 102 - 43	Approach to stakeholder engagement	22	-
	GRI 102 - 44	Key topics and concerns raised	22	-
Digital Transformation and Innovation				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 48-49	-
	GRI 103 - 2	The management approach and its components	48-49	-
GRI 418: Customer Privacy 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 49-50	-
	GRI 103 - 2	The management approach and its components	49-50	-
	GRI 103 - 3	Evaluation of the management approach	49	-
GRI 418: Customer Privacy 2016	GRI 418 - 1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	50	-

GRI 413: Local Communities 2016				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 51-53	-
	GRI 103 - 2	The management approach and its components	51-53	-
GRI 413: Local Communities 2016	GRI 413 - 1	Operations with local community engagement, impact assessments, and development programs	51-53	-
	GRI 413 - 2	Operations with significant actual and potential negative impacts on local communities	51-53	-
Illicit Trade				
GRI 103: Management Approach 2016	GRI 103 - 1	Explanation of the material topic and its boundary	26, 54-55	-
	GRI 103 - 2	The management approach and its components	54-55	-

Task Force on Climate-related Financial Disclosures (TCFD) Content Index

Recommended Disclosures		LTG SR Disclosure Content (Page No.)
Governance ***Disclose the organization's governance around climate-related risks and opportunities.***		
a)	**Describe the board's oversight of climate related risks and opportunities.**	15-16, 23
b)	**Describe management's role in assessing and managing climate-related risks and opportunities.**	15-16, 23
Strategy ***Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material.***		
a)	**Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**	Still being studied
b)	**Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.**	37-38
c)	**Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**	37-38
Risk Management ***Disclose how the organization identifies, assesses, and manages climate-related risks.***		
a)	**Describe the organization's processes for identifying and assessing climate-related risks.**	30-31
b)	**Describe the organization's processes for managing climate-related risks.**	30-31, 37-38
c)	**Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.**	30-31
Metrics and Targets ***Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.***		
a)	**Describe the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**	30-31, 32-38
b)	**Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**	35-37
c)	**Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.**	Processes are still to be set up for the future reporting of this metric