

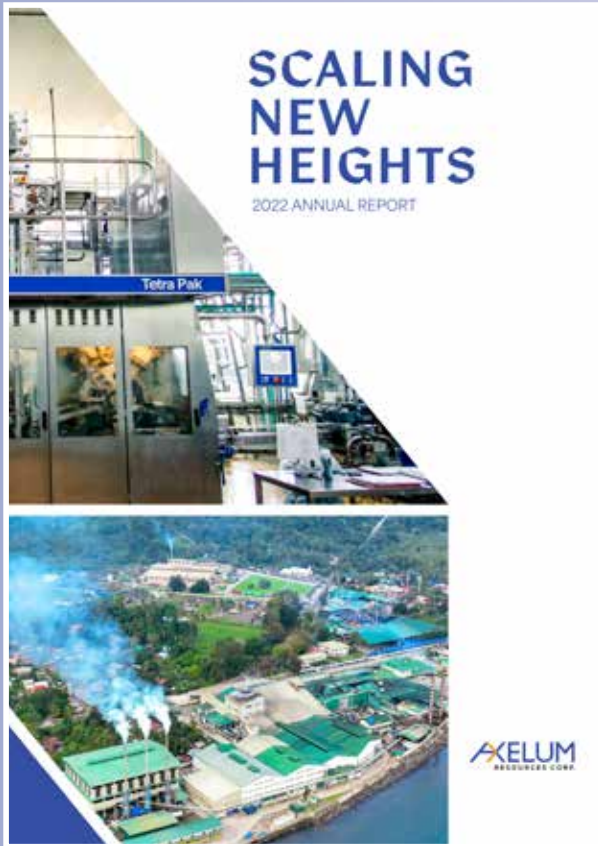
# SCALING NEW HEIGHTS

2022 ANNUAL REPORT



**AXELUM**  
RESOURCES CORP.





# About the Cover

The cover shows Axelum’s Medina Plant located in the Municipality of Medina, Misamis Oriental. A world-class fully-integrated coconut manufacturing and exporting facility, equipped with state-of-the-art technology, and operated by nearly 5,000 people from host communities. Harmonizing these elements embody Axelum’s founding mission, to serve as a source of pride for our country and lasting opportunity for our fellow Filipinos.

# About the Report

The 2022 Annual Report narrates the historic success of Axelum for the year, attaining record earnings, setting up new avenues of growth and delivering on key non-financial objectives. ‘Scaling New Heights’ describes Axelum’s ascent towards loftier goals driven by innate resilience and the ability to execute amidst a challenging macroeconomic backdrop.

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# About Axelum

## COMPANY MILESTONES



### 1986

- ▶ Fiesta Brands, Inc. (FBI) gained control of the manufacturing facility of Red V Coconut Products Ltd. located in the Municipality of Medina, Misamis Oriental.
- ▶ FBI commenced initial operations to produce high-quality desiccated coconut and coconut milk powder.

### 1990

- ▶ FBI pioneered the first ultra-high temperature coconut processing plant in the Philippines to add coconut water and coconut milk/cream into its growing range of products.
- ▶ To establish a significant presence in North America, FBI acquired the marketing and distribution hub of Red V Foods Corp. in the United States including its brands, patents and trademarks.



### 2003

- ▶ FBI set up Fiesta Ingredients Australia Pty. Ltd. to capitalize on rising demand for premium coconut products in Australia and New Zealand.



### 2010

- ▶ Axelum Resources Corp. was incorporated to house operations of coconut water.



- ▶ Axelum seals partnership with Vita Coco, the world's largest and most popular coconut water brand.

### 2017

- ▶ Axelum consolidates the entire assets of FBI including operations in the United States and Australia.

### 2021

- ▶ Axelum completes planned initiatives and resumes robust growth trajectory in the new normal.

### 2022

- ▶ Axelum registers all-time high earnings amidst various global macroeconomic headwinds including global supply chain challenges.

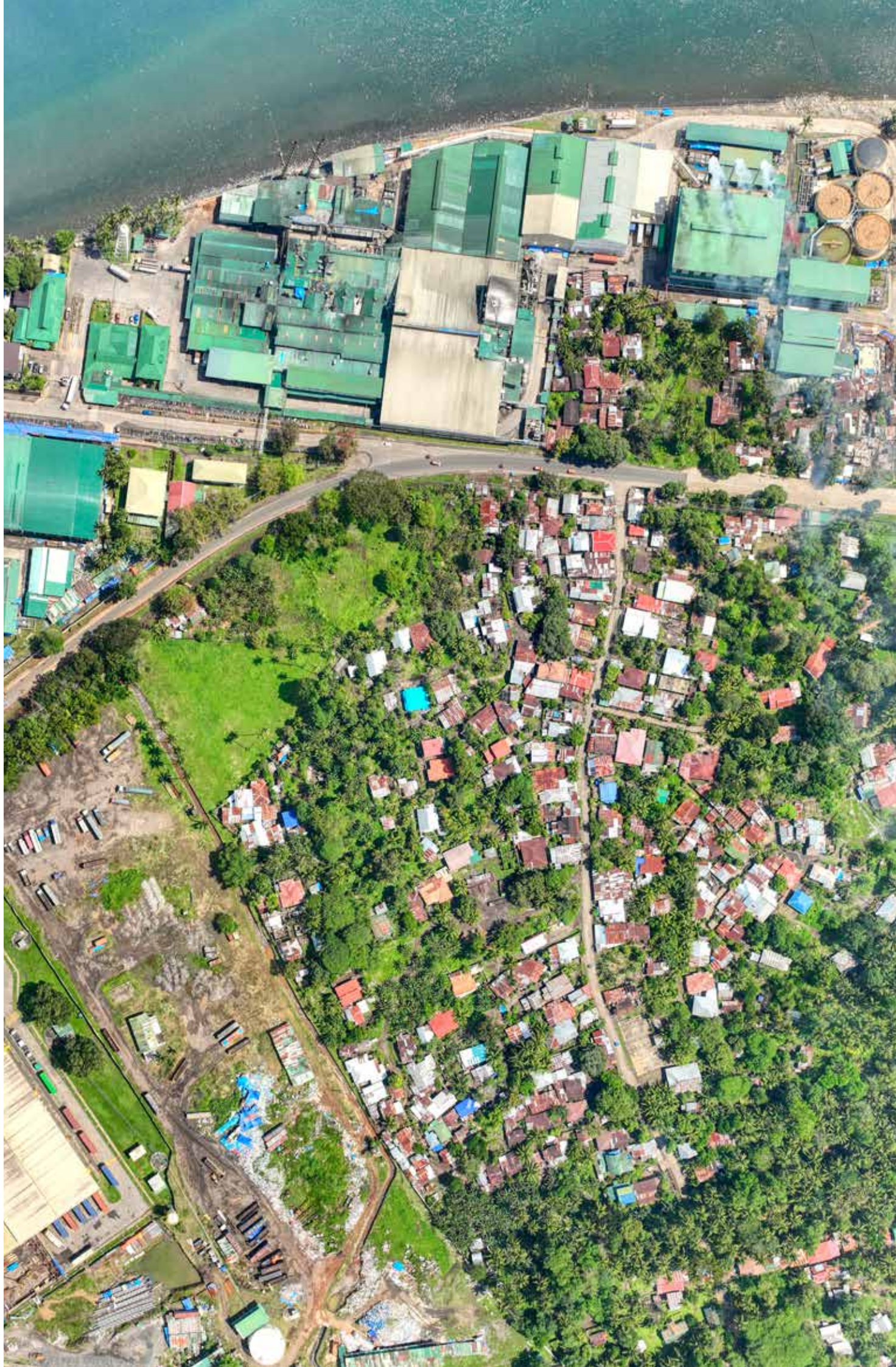


- ▶ Axelum launches its P4 Billion Initial Public Offering in the Philippine Stock Exchange to support long-term business expansion.

### 2020

- ▶ Axelum remains fundamentally sound despite the onset and prolonged impact of the COVID-19 pandemic.
- ▶ Axelum undertakes projects to reinforce core competencies and build strategic capabilities to strengthen and future-proof its business.





# Mission

We are a local company with a global mindset, whose main purpose is to nurture people with our products. Axelum aims to be the definition of excellence in food and beverage manufacturing, distribution and product development.

Axelum unceasingly strives to be:

- ▷ a foreign exchange earner;
- ▷ a labor-intensive employer;
- ▷ a developer of livelihood in socially depressed areas;
- ▷ a leader in cutting-edge technology;
- ▷ a protector of the environment;
- ▷ a promoter of spiritual and honorable Filipino values.



# Vision

To become the premier food manufacturer known for its dedication to excellence, client satisfaction and product innovation through our greatest asset: **OUR PEOPLE.**

# Core Values

**QUALITY** - We are committed to food safety and delivering premium products to our customers.

**MALASAKIT** - We nurture the environment and support local communities by creating sustainable livelihood that provide economic security and a sense of pride for the Filipino worker.

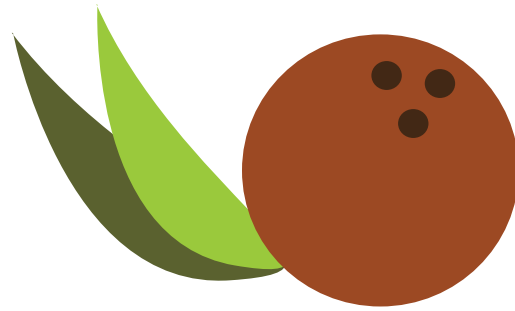
**BAYANIHAN** - We believe in the Filipino tradition of 'bayanihan' - a spirit of communal work, and cooperation. We are united and committed to the success of our people.

**CONSTANT IMPROVEMENT** - We constantly improve our business through continuous learning and innovation.

**INTEGRITY** - We uphold the principles of integrity, transparency and accountability in the fulfillment of our duties.

**FELLOWSHIP** - We always strive to be better and recognize each one's efforts, while staying receptive to new ideas





# Business Overview

## VALUE CHAIN

### THE COCONUT

The coconut is a versatile fruit from the coconut palm (*Cocos nucifera*), which is considered a major crop grown abundantly in tropical regions. The coconut tree can grow up to 80-feet tall and takes around three to eight years to bear fruit, with an average lifespan of between 60-80 years old. The coconut yields edible white meat and water, is known for its nutritional properties, and has been extensively used commercially as a universal food ingredient for confectioneries, baked goods, savory sauces, desserts and various cuisines.



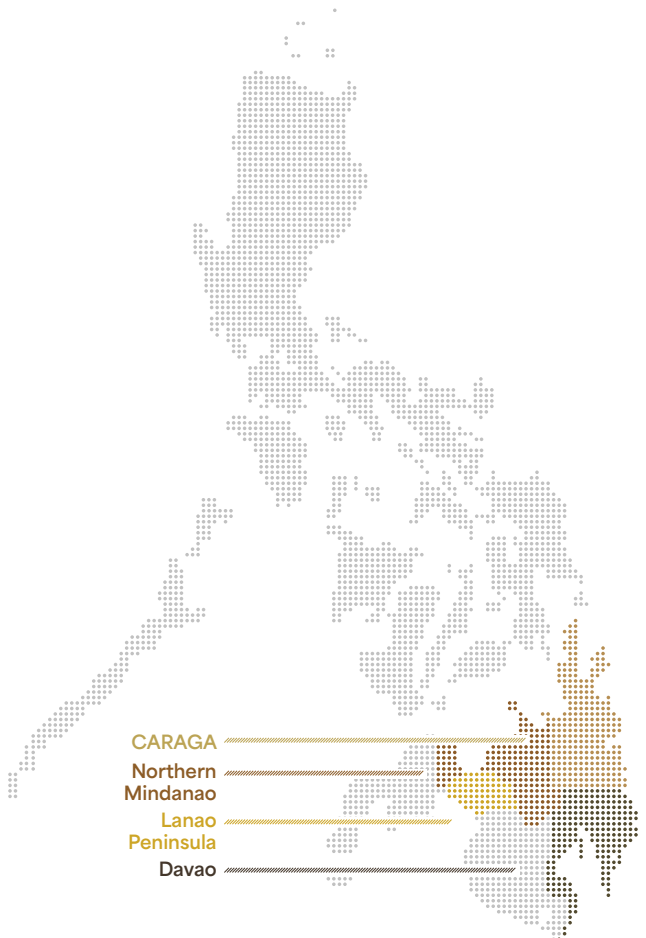
The liquid component is packaged into a refreshing drink, offering a healthier substitute to conventional beverages. The white meat is converted into high-value products including desiccated coconut, coconut milk powder, sweetened coconut, coconut cream/milk, reduced fat coconut, coconut cooking oil, toasted coconut, roasted coconut, crude coconut oil, paring cake and other variants



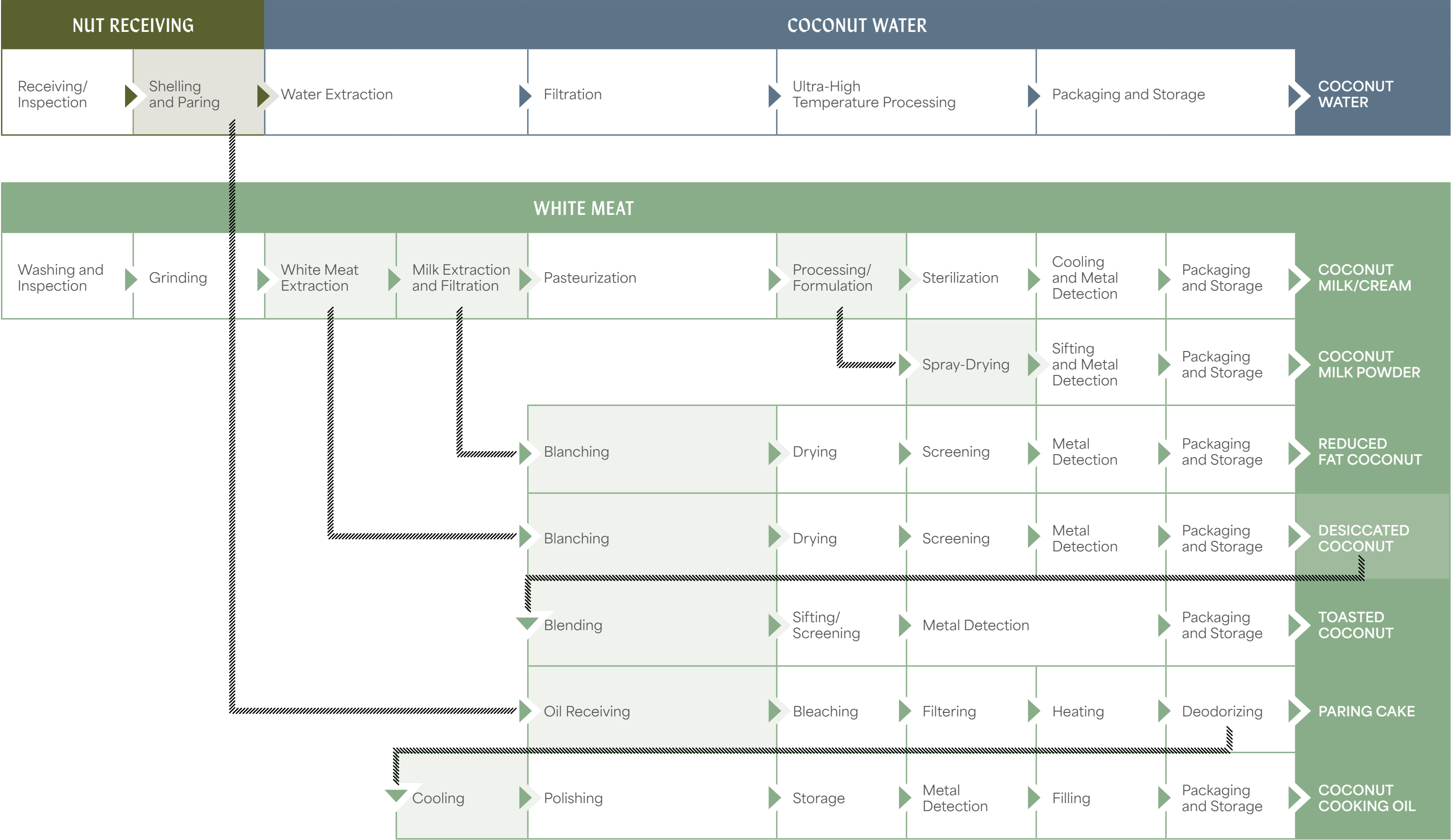
### RAW MATERIAL SOURCING

Axelum sources fresh coconuts from densely-populated regions in Mindanao, situated within a 200-kilometer radius of its main production facility, the Medina Plant. These areas include CARAGA, Northern Mindanao, Lanao Peninsula and Davao, which collectively account for approximately 30%-35% of total Philippine yearly harvests, benefit from adequate rainfall, minimal typhoons, and close proximity to lowlands with rich soil content.

Since 1986, Axelum has been repeatedly purchasing coconuts from thousands of coconut farmers at premium prices to augment farmer income and ensure sufficient allocation for its daily requirements. Coconuts are delivered to the Medina Plant or collected at strategically located nut buying stations to optimize the flow of supply. Coconuts are carefully inspected and selected to maintain international quality standards prior to processing.



MANUFACTURING, EXPORTING, AND RETAILING OPERATIONS







## MANUFACTURING PROCESS

Axelum makes full-use of the coconut including coconut shells which are utilized as feedstock to fuel industrial boilers that generate culinary-grade manufacturing steam, resulting to zero-waste from its primary raw material.

Axelum's products are classified into two main categories: White Meat and Coconut Water

Using cutting-edge technology and manufacturing processes at par with global standards, coconut white meat is processed into an extensive range of globally in-demand products. These high-value products include desiccated coconut, coconut milk powder, sweetened coconut, coconut cream/milk, reduced fat coconut, toasted coconut, roasted coconut, coconut cooking oil, crude coconut oil, paring cake and other variants.

Coconut water is extracted and packed in recyclable Tetra packaging material to preserve quality, freshness and natural coconut taste. Coconut water has gained mainstream popularity in recent years owing to its unique flavor, versatility and known health benefits.



## BEST-IN-CLASS PRODUCTS

For over three decades, Axelum's proven track record in terms of superior quality, reliability and technical expertise, has earned global recognition as the preferred supplier of world-class coconut products.







WHITE MEAT

Desiccated coconut is made from shredded high-quality pure white coconut meat that is dried to retain the natural aroma of the coconut. It is rich in fiber and carries a maximum fat of up to 70%. Desiccated coconut is a universal ingredient for confectioneries and bakeries. Axelum offers desiccated coconut in several variants including organic, toasted, roasted and sweetened versions, prepared in special granulated cuts, flakes, chips and others. Axelum’s desiccated coconut products are marketed under homegrown brands Fiesta and Red-V.

Coconut milk powder is a fine, creamy white powder produced from freshly squeezed coconut milk blended with natural stabilizers, developed and perfected to address the specific requirements of manufacturers, food service chefs and homemakers. It is also shelf-stable and easy to use. Coconut milk powder is a staple in Southeast Asian cuisine and a key input for confectioneries, baked goods, food sauces, desserts and savory dishes. Axelum’s Fiesta branded coconut milk powder is available in industrial and retail packaging.

Coconut milk/cream is the pure extract of coconut meat, combined with natural stabilizers and ultra-high temperature processed to preserve the freshness and

natural flavor of newly-squeezed coconut milk. Coconut milk/cream is popularly used in liquid applications and presents as an excellent milk alternative. Axelum’s coconut milk/cream products are sold under the labels Fiesta and Fiesta Tropicale.

Reduced fat coconut is made from shredded pure white meat, defatted and dried to 45%-55% fat content. It is best used for applications that require a low-fat high-fiber recipe, adding an exciting texture and chewiness to a host of bakery offerings. Axelum’s reduced fat coconut products are branded as Cocorich.

Coconut cooking oil is extracted from the dried white meat. Axelum’s coconut cooking oil products are marketed domestically under the brand Romantika and comes in industrial and retail sizes.

Sweetened coconut is the shredded flesh of ripened coconut with a soft and chewy texture that can be prepared in unique fancy cuts. Sweetened coconut is regularly used as batter for baked goods.

Toasted coconut is made from desiccated coconut and is available in both sweetened and unsweetened varieties. This textural nutty ingredient is commonly used for baking, cereals, granola and decorative cake toppings.



COCONUT WATER

Coconut water is the clear liquid inside the fresh coconut that makes for a nutritiously delicious better-for-you drink. Coconut water is processed using advanced ultra-high temperature technology to preserve the quality and flavor of natural coconut water. Coconut

water can be mixed with a variety of beverage concoctions as juice base. Axelum produces coconut water in 330 mL and 500 mL sizes for export markets. Axelum is a major supplier to Vita Coco, the world’s largest and most popular coconut water brand.





### MULTIPLE QUALITY CERTIFICATIONS

Axelum adheres to the highest standards in food processing and safety. Axelum's manufacturing operations are backed by multiple quality certifications issued by major local and international certifying bodies. Each year, Axelum is subjected to approximately 25

to 30 quality audits conducted by customers and independent auditors. As a result of this discipline and commitment, Axelum has been an accredited supplier to several blue-chip domestic and multinational food companies for more than 30 years.

 <p>Global Standard For Food Safety Issue 7 AA</p> <p>BRC (British Retail Consortium)</p>	 <p>General Principles of Food Hygiene and Hazard Analysis and Critical Control Points (HACCP) System</p> <p>TÜV SÜD PSB Philippines</p>	 <p>Good Manufacturing Practices (GMP)</p> <p>TÜV SÜD PSB Philippines</p>
 <p>SEDEX Members Ethical Trade Audit</p>	 <p>Halal Certification Islamic Da'wah Council of the Philippines</p>	 <p>Halal Certification Halal Development Institute of the Philippines</p>
 <p>Laboratory Quality Management System</p> <p>PNS ISO/IEC 17025:2005</p>	 <p>Kosher Certification</p> <p>OK Kosher Certification</p>	 <p>Customs-Trade Partnership Against Terrorism (CTPAT)</p> <p>Bioterrorism</p>
 <p>Unilever Sustainable Certified Supplier - Coconut</p>	 <p>USDA Organic Certification Certified to 3 Organic Standards: (1) US Department of Agriculture, (2) European Union, and (3) Japanese Agricultural Standard</p>	





### GLOBAL DISTRIBUTION NETWORK AND TOP-TIER CUSTOMERS

Axelum operates a global distribution network that caters to a top-tier customer base, composed of renowned local and international consumer household brands in over 30 high-growth markets across North America, Australia, Europe, South America, Latin America, Middle East and parts of Asia including the Philippines.

Axelum operates two overseas distribution centers located in the United States, where its largest export markets are located, and Australia. These facilities provide direct customer access, priority account servicing

and on-the-ground market intelligence to stay relevant amidst an evolving consumer landscape. In addition, Axelum has tapped reputable distributors in key growth areas to capitalize on local knowledge and expertise.

Axelum supplies to 32 out of 72 major supermarket chains in North America including international food and beverage manufacturers, foodservice players and retail stores. Axelum has forged longstanding relationships with the majority of its key customers for more than 30 years.

## PROJECTS AND INNOVATIONS

### ENHANCING DIGITAL CAPABILITIES

Axelum continues to ramp up digitalization efforts to leverage on modern advancements, increase overall efficiency and stay ahead of existing market trends. This forms part of Axelum's pioneering thrust of being at the technological forefront in export food processing. Axelum adopts a Quick-Response or QR code system for its warehousing activities to facilitate quick-tagging and tracking of finished goods prior to shipping. Last year, Axelum launched a Computerized Maintenance Management System initially for all critical equipment to digitally monitor usage, preventive maintenance schedules and other equipment data to mitigate the risk of unforeseen breakdowns. The next phase of this project will eventually cover all non-critical and ancillary facilities to completely automate equipment maintenance.

To date, Axelum is in the process of migrating to an upgraded enterprise resource platform that will streamline and integrate various roles including supply chain, finance and sales into a central system. This is expected to improve operational synergies and efficiencies across the business. Planned implementation is targeted within the second half of 2023.





FINANCIAL HIGHLIGHTS			
	2022	2021	2020
Income Statement (in Php thousands)			
Sales	7,042,589	6,359,548	5,167,662
Gross Profit	2,106,352	1,736,453	1,298,052
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	1,502,266	1,150,993	837,408
Operating Income (EBIT)	1,072,718	816,623	529,644
Net Income	983,517	715,333	526,414
Balance Sheet (in Php thousands)			
Cash and Cash Equivalents	1,292,323	1,155,276	2,290,245
Total Assets	11,445,626	10,081,581	10,226,040
Total Liabilities	1,154,417	887,732	1,492,862
Total Equity	10,291,209	9,193,849	8,733,178
Cash Flows Statement (in Php thousands)			
Net Cash Flows Provided by Operating Activities	827,013	165,412	658,474
Net Cash Flows Used in Investing Activities	(933,298)	(313,717)	(163,071)
Net Cash Flows Provided by (Used) in Financing Activities	263,781	(1,030,399)	(1,067,027)

	2022	2021	2020
Key Financial Ratios			
Current Ratio	4.69	5.88	3.41
Debt to Equity Ratio	0.11	0.10	0.17
Return on Assets	8.6%	7.1%	5.1%
Return on Equity	9.6%	7.8%	6.0%
Margins and Other Key Data			
Gross Profit Margin	29.9%	27.3%	25.1%
EBITDA Margin	21.3%	18.1%	16.2%
Operating Margin	15.2%	12.8%	10.2%
Net Income Margin	14.0%	11.2%	10.2%
Capital Expenditures (in Php thousands)	679,644	199,479	426,277
Earnings Per Share (Basic)	₱0.26	₱0.18	₱0.13
Earnings Per Share (Diluted)	₱0.26	₱0.18	₱0.13





# Our Leadership

## MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



### FELLOW SHAREHOLDERS,

The year 2022 marked a period of great transition. We emerged from an unprecedented pandemic, armed with unique insights and experiences to take on bolder steps in this new reality. At home, Philippine gross domestic product expanded 7.6% in 2022, one of the fastest growing economies in the ASEAN region, mainly driven by revived consumption. Nonetheless, we remain cognizant of lingering challenges particularly the conflict in Eastern Europe that resulted to a chain of macroeconomic events: higher oil and commodity prices, supply disruptions, heightened inflation and elevated interest rates.

Despite these headwinds, Axelum registered all-time high earnings for 2022, anchored on sustained global demand, improved shipping situation and the benefit of a stronger dollar

to its export business. Equipped with a solid balance sheet, we are determined to build on this momentum as we continuously seek value-accretive growth opportunities both domestically and overseas.

On the non-financial side, we continue to implement our evolving sustainability agenda by fulfilling objectives in mitigating the effects of climate change and promoting social inclusion within host communities. For 2022, we managed to lower our direct carbon footprint by 5%, primarily due to the modernization of boiler equipment to enhance steam output without additional coconut shells as feedstock. In addition, we recycled up to 25% of wastewater for other uses and produced 2,335 regular-sized chipboards out of Tetra paper waste, that were repurposed as table dividers and cabinet partitions. Since

2017, as part of our carbon sequestration program, we have planted approximately 4,400 mahogany and bamboo seedlings in surrounding areas to help in flood prevention and land erosion. To date, we are finalizing plans to install a state-of-the-art solar panel facility in the Medina Plant to shift towards clean energy and limit dependence on traditional power sources.

At this point, we would like to express our sincerest gratitude to our esteemed Board for imparting their collective wisdom and guidance, our management team for setting the tone, and our entire workforce for their unrelenting pursuit of excellence and for going the extra mile despite formidable odds.

Finally, to our stakeholders, we thank you for your continued trust and for keeping us inspired to do what we do.

Most of all, we thank our Lord for blessing us with the strength and courage to carry out our life-long mission for the good of our country, our people, and for His greater glory.

**ROMEO I. CHAN**

CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER







## MESSAGE FROM THE PRESIDENT AND CHIEF OPERATING OFFICER

### DEAR SHAREHOLDERS,

The year 2022 was a proud and redefining moment for our company. We reported stellar earnings with record topline hitting the ₱7-billion level, translating to all-time high gross profit and EBITDA, while net income settled nearly at the ₱1-billion mark. These results are a clear testament in our ability to execute, the quality of our people and adherence to best practices, amidst prolonged global macroeconomic challenges. Our balance sheet remains solid with a healthy cash balance and financial ratios, combined with substantial room to leverage for growth. This puts us in a strong position to capitalize on opportunities to broaden our reach and create new avenues of growth.

For 2022, we continued to invest in building strategic capabilities to further strengthen our business. First, we completed the extension of our on-site finished goods warehouse to augment storage capacity by up to 30%, and expanded nut bodega space by 26%, to accommodate larger quantities of raw material. In addition, we adopted a QR-code system to efficiently track inbound and outbound warehousing activity. Next, we rolled out a computerized maintenance management system to calculate usage, efficiency and monitor preventive maintenance schedules for all critical equipment to mitigate the risk of unforeseen breakdowns. The next phase of this project

will cover all non-critical and ancillary facilities to completely automate equipment maintenance. Lastly, we are currently migrating to an upgraded enterprise resource platform that will streamline and integrate various functions including supply chain, finance and sales into a centralized program. This is expected to improve operational synergies and efficiencies across the business.

For the first quarter of 2023, we generated sales of ₱1.4 billion, leading to a gross profit of ₱244 million and positive EBITDA. Coconut water remains strong, posting 27% revenue growth year-on-year, and supported by a robust growth trajectory. However, the profound effect of the COVID-19 pandemic on global supply chains triggered elevated freight costs and longer shipping durations. As such, most customers beefed up inventory when the situation began to ease up towards the end of 2022. This led to a temporary slowdown in demand for the first three months of 2023, particularly for desiccated coconut, as customers recalibrated production to digest accumulated stocks.

In terms of our non-financial commitments, we managed to reduce our direct carbon footprint by 5%, mainly due to the modernization of aging boiler equipment to enhance steam output without additional coconut shell requirements as feedstock. Further, we recycled 25% of our wastewater for alternative uses and produced 2,335



**FOR 2022,  
we continued  
to invest in  
building strategic  
capabilities to  
further strengthen  
our business."**





regular-sized chipboards out of Tetra paper waste, which were utilized as table dividers, interior wall partitions and building material for victims of fire.

Since 2017, we have initiated carbon sequestration efforts by planting over 4,400 coconut, bamboo and mahogany seedlings in surrounding areas to help in reforestation, flood prevention and land erosion. In addition, we propagated napier grass across more than 15-hectares of farmland, that will also be used as boiler feedstock to further reduce our carbon emission. With regards to our green initiative, we are finalizing plans to install a modern solar panel facility in the Medina Plant to power peak operating hours and limit dependence on traditional energy sources.

Moreover, we are in the process of completing the permitting requirements of our most significant infrastructure and service project to date, the San Isidro Polymedic General Hospital in Gingoog City. This secondary-level hospital is envisioned to provide affordable and comprehensive healthcare to over 350,000 community residents especially those in far-flung areas. Target soft opening is scheduled around the third quarter.

Looking ahead, we are confident in restarting our growth momentum in the second half of the year, anchored on a sizeable orderbook and improved overall consumption. By next year, we are set to expand our filling line to increase coconut water capacity by up to

12 million liters annually, to meet rising demand for this popular mainstream better-for-you drink.

Recently, we launched a new product under homegrown brand, Fiesta Coconut Milk Powder, primarily targeted for the domestic retail market, aligned with our strategy to accelerate our consumer business. The new Fiesta Coconut Milk Powder features the unique nutty taste and natural coconut aroma, perfectly suited for a host of baked recipes, confectioneries, savory desserts or as dairy-substitute, to offer an exciting and delicious guilt-free indulgence. This product comes in flexible retail pouches and is available in all major supermarkets nationwide or online via Shopee and Lazada.

In closing, we are grateful for the stewardship and guidance imparted by a diverse group of passionate and like-minded

individuals, who truly believe in what we do. To our distinguished Board of Directors, management team, employees, business partners and key stakeholders, we thank you all for playing the role of enablers and dutiful servants in the Lord's vineyard.

Finally, we offer our eternal praise to Almighty God, to whom we deeply owe much of our success, and to whom all great things are made possible.

Ad Majorem Dei Gloriam!

**HENRY J. RAPEROGA**  
PRESIDENT AND  
CHIEF OPERATING OFFICER





## BOARD OF DIRECTORS



### A. ROMEO I. CHAN

CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
FOUNDING MEMBER

Nationality: Filipino  
Age: 73  
Date of Appointment: February 27, 2015

#### Education and Professional Qualification:

- ▶ Bachelor of Arts Degree, Major in Behavioral Science (Cum Laude and Department Honors) from Ateneo de Manila University

#### Current Directorships and Positions:

##### Publicly-Listed Companies

- ▶ Chairman and Chief Executive Officer of Axelum Resources Corp.
- ▶ Chairman, Executive Committee of Axelum Resources Corp.
- ▶ Member, Related Party Transaction Committee of Axelum Resources Corp.

##### Non-Listed Entities

- ▶ Chairman and Chief Executive Officer of the Fiesta Group of Companies, Gingoog Medina Development Corporation, Cocorich Food Corporation and Medina Development Foundation
- ▶ Chairman of Red V Foods Corp., 1052 Tradehouse Inc., 888 TradeAll Inc., Allcoco Development Corp., Buco Corp., Coco Derivatives Inc., Fiesta Brands Inc., Fresh Fruit Ingredients Inc., Muenster Ingredients Mfg. Inc. and First International Diversified Manpower Services, Inc.
- ▶ President of Metro Properties Inc., Coco Deuce Holdings, Inc., APO 315 Holdings Inc., Eschimox Holdings Inc.
- ▶ Executive Director of Philippine Tennis Academy Foundation and Greenridge East Holdings, Inc.

##### Previous Affiliations

- ▶ Managing Director at Saudi Bautechnik
- ▶ Sales Director at Hitachi Union, Inc.



### B. HENRY J. RAPEROGA

PRESIDENT AND CHIEF OPERATING OFFICER  
FOUNDING MEMBER

Nationality: Filipino  
Age: 63  
Date of Appointment: February 27, 2015

#### Education and Professional Qualification:

- ▶ Bachelor of Science Degree in Commerce, Major in Accounting from Polytechnic University of the Philippines
- ▶ Certified Public Accountant, 1982
- ▶ Master's Degree in Business Management at the Ateneo Graduate School of Business (Pending)

#### Current Directorships and Positions:

##### Publicly-Listed Companies

- ▶ President and Chief Operating Officer of Axelum Resources Corp.
- ▶ Member, Executive Committee of Axelum Resources Corp.
- ▶ Member, Board Risk Oversight Committee of Axelum Resources Corp.

##### Non-Listed Entities

- ▶ President and Director of Red V Foods Corp., ALLCOCO Development Corp., Blissful Cherubims Holdings, Inc. and Theol Holdings, Inc.
- ▶ Director of Fiesta Ingredients Australia Pty. Ltd.
- ▶ Vice-President and Treasurer of Metro Properties, Inc.

##### Previous Affiliations

- ▶ Accounting Manager at Service Systems International, Inc.
- ▶ Auditor at Sycip Gorres Velayo & Co.



### C. RICARDO C. LOPA, JR.

NON-EXECUTIVE DIRECTOR

Nationality: Filipino  
Age: 67  
Date of Appointment: April 08, 2015

#### Education and Professional Qualification:

- ▶ Bachelor of Arts Degree in Interdisciplinary Studies from Ateneo de Manila University

#### Current Directorships and Positions:

##### Publicly-Listed Companies

- ▶ Non-Executive Director of Axelum Resources Corp.
- ▶ Member, Executive Committee of Axelum Resources Corp.

##### Non-Listed Entities

- ▶ President of Monkey Eagle Brewery
- ▶ Director of Primegates Property, Inc.

##### Previous Affiliations

- ▶ General Manager at Asya Resorts
- ▶ Farm Manager at Hacienda Luisita, Inc.





## JASON M. ROSENBLATT

NON-EXECUTIVE DIRECTOR

Nationality: Singaporean

Age: 46

Date of Appointment: August 04, 2017

### Education and Professional Qualification:

- ▷ Bachelor of Arts Degree in Economics from Duke University
- ▷ Master's Degree in Business Administration from University of Chicago

### Current Directorships and Positions:

#### Publicly-Listed Companies

- ▷ Member, Executive Committee of Axelum Resources Corp.
- ▷ Non-Executive Director of Axelum Resources Corp.
- ▷ Non-Executive Director of LBC Express Holdings, Inc.

#### Non-Listed Entities

- ▷ Director of Crescent Fund Management Pte. Ltd.

#### Previous Affiliations

- ▷ Partner at Laurasia Capital Management
- ▷ Managing Director at ICBC Standard Bank (formerly Standard Bank)
- ▷ Head of Principal Strategies at DKR Oasis



## LAURITO E. SERRANO

LEAD INDEPENDENT DIRECTOR

Nationality: Filipino

Age: 62

Date of Appointment: May 15, 2019

### Education and Professional Qualification:

- ▷ Bachelor of Science Degree in Commerce (Cum Laude), Major in Accounting from Polytechnic University of the Philippines
- ▷ Master's in Business Administration Degree from Harvard Graduate School of Business
- ▷ Certified Public Accountant, 1980

### Current Directorships and Positions:

#### Publicly-Listed Companies

- ▷ Lead Independent Director of Axelum Resources Corp.
- ▷ Chairman, Audit Committee and Corporate Governance and Nomination Committee of Axelum Resources Corp.
- ▷ Independent Director of 2GO Group, Inc., Rizal Commercial Banking Corporation, Anglo Philippine Holdings Corporation and Premium Leisure Corporation

#### Non-Listed Entities

- ▷ Director of MRT Development Corporation and financial advisor to various companies

#### Previous Affiliations

- ▷ Partner at Sycip Gorres & Velayo Co. (Corporate Finance Consulting Group)



## ROSEMARIE P. RAFAEL

INDEPENDENT DIRECTOR

Nationality: Filipino

Age: 65

Date of Appointment: May 15, 2019

### Education and Professional Qualification:

- ▷ Bachelor of Arts Degree in International Studies from Maryknoll College

### Current Directorships and Positions:

#### Publicly-Listed Companies

- ▷ Independent Director of Axelum Resources Corp.
- ▷ Chairwoman, Board and Risk Oversight Committee of Axelum Resources Corp.
- ▷ Member, Audit Committee, Corporate Governance and Nomination Committee and Related Party Transaction Committee of Axelum Resources Corp.

#### Non-Listed Entities

- ▷ Chairwoman and President of AIC Group of Companies Holding Corporation (also known as Airspeed Group of Companies), Airspeed International Corporation, ASP Airspeed Philippines, Inc., Airspeed Express, Inc., Amazing Philippines Digital Economy Corporation and Linex Solutions Corporation
- ▷ President of Women's Business Council Philippines, Inc. and 1Sycamore Food Ventures, Inc.
- ▷ Director of Metro Child Foundation and Newlife Tanza

#### Previous Affiliations

- ▷ Sales Officer at Thai International Airline Ltd.
- ▷ Air Freight Sales Manager at LEP International Pty. Ltd.



## RAYMUNDO N. SUAREZ

INDEPENDENT DIRECTOR

Nationality: Filipino

Age: 60

Date of Appointment: May 15, 2019

### Education and Professional Qualification:

- ▷ Undergraduate Degree from De La Salle University

### Current Directorships and Positions:

#### Publicly-Listed Companies

- ▷ Independent Director of Axelum Resources Corp.
- ▷ Chairman, Related Party Transaction Committee of Axelum Resources Corp.
- ▷ Member, Audit Committee, Corporate Governance and Nomination Committee and Board Risk Oversight Committee of Axelum Resources Corp.

#### Non-Listed Entities

- ▷ Managing Director of 1008 Credit Corporation and NAREZ Development Corporation
- ▷ Director of Kayano Development Corp.

#### Previous Affiliations

- ▷ Harvest Credit Corporation
- ▷ Enterprise Credit and Finance Corporation
- ▷ Maxi Credit Corporation





KEY  
OFFICERS

A. PAUL RENE Z. TAYAG

SENIOR VICE-PRESIDENT  
FOUNDING MEMBER

Nationality: Filipino  
Age: 72

Education and Professional Qualification:

- ▶ Bachelor of Science Degree in Industrial Engineering from University of the Philippines Diliman
- ▶ Master's Degree in Business Administration from University of the Philippines Diliman

Current Directorships and Positions:

Publicly-Listed Companies

- ▶ Senior Vice-President of Axelum Resources Corp.

Non-Listed Entities

- ▶ Senior Vice-President of Fiesta Equities, Inc.
- ▶ Director of Red V Foods Corp., Fiesta Ingredients Australia Pty. Ltd. and Fiesta Ingredients España

Previous Affiliations

- ▶ Various executive positions at Smith Bell Group of Companies
- ▶ Faculty Member of the University of the Philippines Diliman (College of Engineering and College of Business Administration)

B. PRECIOSA D. CASTILLO

CORPORATE SECRETARY

Nationality: Filipino  
Age: 69

Education and Professional Qualification:

- ▶ Bachelor of Science Degree in Business Administration, Major in Accounting (Cum Laude) from University of the East
- ▶ Certified Public Accountant, 1975
- ▶ Management Development Program of the Asian Institute of Management, 1984 (Superior Performance)

Current Directorships and Positions:

Publicly-Listed Companies

- ▶ Corporate Secretary of Axelum Resources Corp.

Non-Listed Entities

- ▶ Chairman and President of 1189 Holdings, Inc.
- ▶ Director of Primegates Property, Inc. and Prevalij Finance Corp.
- ▶ Treasurer of Tragtek Holdings, Inc. and Sagmil Holdings, Inc.
- ▶ Corporate Secretary of Metro Properties, Inc., ALLCOCO Development Corp., MEDMISOR Holdings Inc. and Fiesta Group of Companies

Previous Affiliations

- ▶ Vice-President at FMMC Group of Companies
- ▶ Audit Supervisor at Sycip Gorres Velayo & Co.

C. KARILAGAN IMELDA Z. GOROSPE

VICE-PRESIDENT FOR U.S. OPERATIONS

Nationality: Filipino  
Age: 57

Education and Professional Qualification:

- ▶ Bachelor of Science Degree in Commerce, Major in Accounting from St. Paul College of Manila
- ▶ Outstanding Accounting Student Award (St. Paul College of Manila, 1986)
- ▶ Master's in Business Administration from Ateneo Graduate School of Business (Academics Completed)
- ▶ Certified Public Accountant, 1987
- ▶ Makati Elementary School, 1978 (Class Valedictorian)

Current Directorships and Positions:

Publicly-Listed Companies

- ▶ Vice-President for U.S. Operations of Axelum Resources Corp.

Non-Listed Entities

- ▶ Senior Vice-President of Red V Foods Corp.
- ▶ Director of Fiesta Ingredients Australia Pty. Ltd.



D. MARIA THERESA Z. PAGUIRIGAN

VICE-PRESIDENT, CHIEF FINANCE OFFICER,  
TREASURER AND ASSISTANT CORPORATE  
SECRETARY

Nationality: Filipino  
Age: 42

Education and Professional Qualification:

- ▶ Bachelor of Science Degree in Accountancy from St. Paul College of Manila
- ▶ Certified Public Accountant, 2001

Current Directorships and Positions:

Publicly-Listed Companies

- ▶ Vice-President, Chief Finance Officer, Treasurer and Assistant Corporate Secretary of Axelum Resources Corp.

Non-Listed Entities

- ▶ Treasurer and Member of Board of Trustees of Medina Development Foundation

Previous Affiliations

- ▶ Supply Chain Finance and Audit Partner at Unilever
- ▶ Audit Manager at Isla Lipana & Co.
- ▶ Senior Associate at Sycip Gorres Velayo & Co.

E. MACARIO R. PELAEZ

VICE-PRESIDENT FOR MANUFACTURING

Nationality: Filipino  
Age: 54

Education and Professional Qualification:

- ▶ Bachelor’s Degree in Electrical Engineering from Technological Institute of the Philippines (Manila Campus)
- ▶ Registered Electrical Engineer, 1994

Current Directorships and Positions:

Publicly-Listed Companies

- ▶ Vice-President for Manufacturing of Axelum Resources Corp.

Non-Listed Entities

- ▶ Lifetime Member of the Institute of Integrated Electrical Engineers and Medina Cocos Nucifera Eagles Club
- ▶ Corporate Secretary of Medina Development Foundation

Previous Affiliations

- ▶ Engineering Manager at Mofels Food Corporation
- ▶ Plant Manager at Speed Outline Resources
- ▶ Production Manager at Taiyu Food Products Corporation

F. PAUL C. CHEAH

VICE-PRESIDENT AND INVESTOR  
RELATIONS OFFICER

Nationality: Filipino  
Age: 39

Education and Professional Qualification:

- ▶ Bachelor’s Degree in Business and Finance from Heriot Watt University
- ▶ Master’s Degree in Business Administration from Ateneo Graduate School of Business
- ▶ CFA Investment Foundations Certificate, 2016

Current Directorships and Positions:

Publicly-Listed Companies

- ▶ Vice-President and Investor Relations Officer of Axelum Resources Corp.
- ▶ Independent Director of ATN Holdings, Inc. and Transpacific Broadband Group International, Inc.

Previous Affiliations

- ▶ Head of Investor Relations, Corporate Governance and Risk Management at Philex Mining
- ▶ Head of Investor Relations and Corporate Governance at Max’s Group
- ▶ Investor Relations Associate Manager at Ayala Land
- ▶ Corporate Planning and Investor Relations Manager at Cebu Pacific
- ▶ Senior Financial Analyst at Globe Telecom
- ▶ Research Analyst at BDO Unibank
- ▶ Finance Associate at Deutsche Knowledge Services

G. DOMINIC V. ISBERTO

COMPLIANCE OFFICER

Nationality: Filipino  
Age: 48

Education and Professional Qualification:

- ▶ Bachelor’s Degree in Management Engineering from Ateneo de Manila University
- ▶ Bachelor of Laws Degree from University of the Philippines
- ▶ Admitted to the Integrated Bar of the Philippines, 2000

Current Directorships and Positions:

Publicly-Listed Companies

- ▶ Compliance Officer of Axelum Resources Corp.

Non-Listed Entities

- ▶ Lifetime Member of the Institute of Integrated Electrical Engineers and Medina Cocos Nucifera Eagles Club
- ▶ Corporate Secretary of Medina Development Foundation

Previous Affiliations

- ▶ Corporate Secretary at Alliance Global Group, Inc., Emperador Inc., Global-Estate Resorts, Inc., Twin Lakes Corporation, Eastwood City Estates Association, Inc., Suntrust Properties, Inc. and Fil-Estate Properties, Inc.
- ▶ Vice-President for Corporate Advisory and Compliance at Megaworld Corporation





## BOARD COMMITTEES

### Executive Committee

Mr. Romeo I. Chan (Chairman)  
 Mr. Henry J. Raperoga  
 Mr. Jason M. Rosenblatt (Non-Executive)  
 Mr. Ricardo C. Lopa, Jr. (Non-Executive)

### Audit Committee

Mr. Laurito E. Serrano (Chairman, Independent)  
 Mr. Raymundo N. Suarez (Independent)  
 Ms. Rosemarie P. Rafael (Independent)

### Corporate Governance and Nomination Committee

Mr. Laurito E. Serrano (Chairman, Independent)  
 Ms. Rosemarie P. Rafael (Independent)  
 Mr. Raymundo N. Suarez (Independent)

### Board Risk Oversight Committee

Ms. Rosemarie P. Rafael  
 (Chairwoman, Independent)  
 Mr. Raymundo N. Suarez (Independent)  
 Mr. Henry J. Raperoga

### Related Party Transaction Committee

Mr. Raymundo N. Suarez  
 (Chairman, Independent)  
 Ms. Rosemarie P. Rafael (Independent)  
 Mr. Romeo I. Chan

# Corporate Governance



Axelum upholds the highest standards in corporate transparency, integrity and best practices in the conduct of its business, guided by the principles of the Organisation for Economic Co-operation and Development (OECD) as adopted in the ASEAN Corporate Governance Scorecard.

Axelum is compliant with the Revised Corporation Code of the Philippines and statutory requirements of the Securities Exchange Commission (SEC), Philippine Stock Exchange (PSE), Department of Environment and Natural Resources (DENR) and other applicable regulatory bodies.





## RIGHTS OF SHAREHOLDERS

### **DIVIDEND POLICY**

Axelum instituted a dividend policy of distributing up to 15% of the reported net income of the immediately preceding fiscal year, payable primarily in cash within 30 days from the declaration date, subject to the financial condition, operational requirements, and future expansion plans and programs of the Company. The Board of Directors (Board), in its discretion, may also decide to declare dividends to be payable in property or shares instead of in cash.

Axelum may declare dividends only out of its unrestricted retained earnings, which represent the net accumulated earnings of the Company with its capital unimpaired which are not appropriated for any other purpose. Any regular cash or stock dividend declaration shall be subjected to the exclusion of any retained earnings for expansion, if any, or other purposes. In the case of stock dividends, it should have been approved by at least two-thirds of the Company's total outstanding capital stock at a regular or special meeting called for that purpose. The Company shall likewise conduct a periodic review of the available unrestricted balance of retained earnings for purposes of earmarking any surplus thereof for future capital expenditures or for distributing the same as special cash or stock dividends.



The payment of cash dividends shall be subject to the approval by the Board and will depend, among others, upon the Company's earnings, cash flow, financial condition, future expansion plans and programs and operational requirements.

The Board shall periodically review, amend or update the foregoing dividend policy.

### **RIGHT TO PARTICIPATE IN DECISIONS CONCERNING FUNDAMENTAL CORPORATE CHANGES**

Axelum acknowledges the right of shareholders to participate in decisions concerning fundamental corporate changes including amendments to its Articles of Incorporation, increase of authorized capital stock and issuance of additional shares, and transfer of all or substantially all assets that may in effect result in the sale of the Company.

### **RIGHT TO PARTICIPATE EFFECTIVELY AND VOTE IN GENERAL SHAREHOLDER MEETINGS**

Shareholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code of the Philippines. Any shareholder may propose items for inclusion in the agenda of any regular meeting of stockholders.

Election of directors shall take place during the Annual Stockholders' Meeting of the Company. As mandated by the Revised

Corporation Code, cumulative voting shall be used in the election of directors. In voting upon any matter subject to shareholders' approval during the annual or any special stockholders' meeting, poll voting shall be encouraged. The Company shall also make it easy for shareholders to exercise proxy voting by making available in its website sample proxy materials.

The minutes of any annual or special shareholders' meeting shall be posted on the Company website within five (5) business days from the date of the meeting and, in the interest of transparency, the results of the votes taken during the most recent annual or any special shareholders' meeting shall likewise be available in the Company website.

The Board shall be transparent and fair in conducting meetings of the shareholders. The shareholders may personally attend such meetings and are likewise informed that if they cannot attend, they shall have the right to appoint a proxy. Subject to the requirements of the By-Laws, the right to designate a proxy shall not be unduly restricted.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, shareholders may participate in the Annual Stockholders' Meeting by remote communication and cast their votes by remote communication or in absentia on or before the deadline set by the Company.





Although directors may be removed with or without cause, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

The Company shall encourage active shareholder participation in the Annual Stockholders' Meeting by sending to the Company shareholders the notice therefor at least ten (10) business days or such other periods required by law prior to the date of the meeting and posting said notice in the Company website and publication in a newspaper of general circulation.

Minutes of the most recent Annual Stockholders' Meeting, which contains details of the voting procedures and results, quorum, agenda and resolutions, questions raised by shareholders and responses provided by the Board and other matters, can be viewed and downloaded from the Company's website. The most recent Annual Stockholders' Meeting was held on July 29, 2022 via remote communication in consideration of the health and well-being of the directors, stockholders, partners, and employees. All members of the Board were in attendance.

For 2022, the Company appointed R.G. Manabat & Co. (KPMG Philippines), an independent auditor, to count and validate the votes during the Annual Stockholders' Meeting.

### **MARKETS FOR CORPORATE CONTROL IN AN EFFICIENT AND TRANSPARENT MANNER**

If deemed necessary, the Board may engage professional independent parties to evaluate the fairness of transaction prices in cases of mergers, acquisitions and/or takeover requiring shareholders' approval.

### **EXERCISE OF OWNERSHIP RIGHTS BY ALL SHAREHOLDERS**

Beyond the Annual Stockholders' Meeting, Axelum regularly communicates with various institutional and retail shareholders through one-on-one meetings, email, conferences and roadshows.



## **EQUITABLE TREATMENT OF SHAREHOLDERS**

### **SHARES AND VOTING RIGHTS**

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.

Each common share entitles the person in whose name it is registered in the books of the Company to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders. Shareholders may cast their votes by remote communication or in absentia, or by proxy. Please refer to Annex

"A" of the Company's Definitive Information Statement disclosed on June 21, 2022 via PSE EDGE for the procedures and requirements for voting and participation in the most recent annual stockholders' meeting on July 29, 2022.

### **NOTICE OF ANNUAL GENERAL MEETING**

The Company's notice of meeting is entirely in the English language and includes a detailed explanation for each item in the meeting agenda requiring shareholders' approval. There is no bundling of several items into the same resolution. Sample proxy documents are attached to the notice distributed to shareholders prior to the meeting. The Definitive Information Statement, which is distributed together with the notice of meeting, contains the profiles of directors for election/re-election and auditors seeking appointment/re-appointment.

### **INSIDER TRADING**

All directors, officers and employees of the Company are mandated to strictly observe and maintain the confidentiality of all material





non-public information that they may acquire or learn by reason of their position. Directors, officers and employees are prohibited from: (i) trading the Company's securities based on this inside information or (ii) tipping or passing such inside information to someone who may use such information to the trade the securities of the Company during prescribed trading blackout periods.

The Company enforces a trading blackout period for covered individuals starting from at least five (5) trading days before and two (2) full trading days after disclosure of material information. Directors are required to report their dealings in the Company's securities within three (3) business days.

#### **RELATED PARTY TRANSACTIONS**

The Company recognizes that related party relationships are normal in commerce and business, and transactions between and among related parties create financial, commercial and economic benefits to parties and/or to the entire group where they belong. The Company has adopted a Material Related Party Transaction Policy which applies to all entities within the group, taking into account their respective size, structure, risk profile and complexity of operations.

The policy is intended to provide a mechanism for identification, review, approval and reporting of related party transactions as well as the determination, monitoring and management of material related party transactions.

Any related party transactions must be:

- at arm's length, which must be on terms no less favorable than any such terms offered by, nor more favorable than any such terms given to unrelated third parties under the same or similar transactions or circumstances;
- in compliance with applicable laws, rules and regulations and the requirements in the policy; and
- to the best interest of the Company and insure that no stakeholder is unduly advantaged.

Through this Policy, the Company endeavors to enhance transparency in its transactions and promote the best interest of its shareholders and other stakeholders.

The Related Party Transaction Committee, which is chaired by an independent director and composed of a majority of independent

directors, is responsible for reviewing material related party transactions to determine whether they are in the best interest of the Company and its shareholders. In the event of related party transactions, directors are required to abstain from participating in the Board discussion on a particular agenda when they are conflicted. All directors and employees are mandated to promptly disclose any related party transactions with the Company to determine potential areas of conflict of interest.

#### **PROTECTING MINORITY SHAREHOLDERS FROM ABUSIVE ACTIONS**

All related party transactions are required to be executed at fair value and arm's length basis. In case of related party transactions requiring shareholders' approval, minority shareholders have the right to participate and vote during the annual or special stockholders' meeting.





## ROLE OF STAKEHOLDERS

For over three decades, Axelum has forged longstanding and mutually-beneficial relationships with its various stakeholders, whose contributions are key to its success.

### CUSTOMER WELFARE

Axelum recognizes that customer health and safety is of utmost priority and, pursuant thereto, adopted the following:

- ▶ The Company's core manufacturing operations strictly adheres to the highest standards in food processing and is backed by multiple quality certifications issued by local and international certifying bodies.
- ▶ The Company is accredited by the British Retail Consortium, Global Standard for Food Safety Issue 7, Good Manufacturing Practices (TÜV SÜD), Laboratory Quality Management System PNS ISO/IEC 17025:2005, Kosher Certification, Halal Certification, Customs-Trade Partnership Against Terrorism, Organic and Sustainability Certifications, among others.
- ▶ The Company is subjected to around 25 to 30 yearly operational audits by its customers and independent parties to ensure conformity with best practices.
- ▶ Finished products undergo extensive quality assurance procedures to guarantee freshness and food safety.



### SUPPLIER/CONTRACTOR SELECTION

Axelum transacts with top reputable suppliers with a proven track record in terms of product quality and reliability.

The following is a summary of the Company's supplier accreditation process:

- ▶ Profiling is conducted to ensure that the supplier is legitimate and compliant with local government regulations.
- ▶ Supplier products are subjected to outlining which involves validation of all relevant technical documents and certifications.
- ▶ To promote fairness and integrity in supplier transactions, the Company observes the following:
  - ◆ No purchase can be made to a supplier who is related to any employee up to the third-degree of consanguinity.
  - ◆ Commercial transactions are exclusively conducted by Purchasers. Only End-Users are

permitted to discuss technical concerns to suppliers in the presence of Purchasers.

- ◆ Non-preferential treatment is strictly observed during product canvassing. Shortlisted suppliers are given equal opportunity to submit individual quotations within a prescribed period of time.
- ◆ Receiving cash or any gifts in kind are strictly prohibited. In cases of proven ethical breach, employee involved is subjected to outright termination.
- ◆ Solicitating personal favors from suppliers is strictly prohibited.

All suppliers are required to abide by the Company's Supplier Code of Conduct, and are expected to be transparent, responsible and ethical in the conduct of business. The Company implements yearly audits and physical inspections of supplier facilities including adherence to social and environmental practices.





### VALUE CHAIN

Axelum promotes environmentally-sound practices within its business value chain. The Company implements the following activities to safeguard its natural eco-systems:

- ▶ Coconut shells are utilized as feedstock to fuel industrial boilers that generate culinary-grade steam. This initiative results in zero-waste from raw materials and eliminates the risk of pollutant emissions that may harm the natural environment.
- ▶ The Company operates a modern wastewater treatment facility to ensure that effluents comply with regulatory standards prior to discharge.
- ▶ The Company operates a Tetra Pak recycling plant that converts used packaging materials into alternative goods such as chipboards and sleeping mats.

### COMMUNITY INTERACTION

Axelum actively engages host communities through its social programs that center on education, health, livelihood and spiritual formation. In addition, approximately 5,000 community residents render various professional services in its main production facility, the Medina Plant. Axelum provides financial assistance and donates in-kind to support various initiatives of the local government, including its COVID-19 response.

### ANTI-CORRUPTION

Axelum observes the principles of integrity and transparency in the conduct of its business. The Company does not engage in any form of corruption in all of its dealings with both the private and public sector. Employees undergo regular training in topics related to anti-corruption. Axelum implements its Code of Ethics and Conflict of Interest policies, which can be viewed in the Company's website.



### SAFEGUARDING CREDITOR'S RIGHTS

Axelum acknowledges the role of its creditors as key business partners. The Company honors all of its contractual obligations and discloses material information including financial statements, risk exposures, press releases and other relevant documents to major lenders. Axelum has remained in excellent credit standing with no history of default.

### ENVIRONMENTAL, ECONOMIC AND SOCIAL ISSUES

Axelum publishes a separate Sustainability Report which details its materiality assessment and performance in addressing various environmental, economic and social issues. The Company's Sustainability Report may be viewed in the corporate website.

### STAKEHOLDER CONTACT

The Company discloses the following contact information through its Corporate Website and Annual Report, which stakeholders

may refer to voice concerns or complaints regarding the violation of their rights:

**MR. PAUL C. CHEAH**  
 Vice-President and  
 Investor Relations Officer  
 Email: [paul.cheah@axelum.com.ph](mailto:paul.cheah@axelum.com.ph)  
 Tel: +63 (2) 88510730

### EMPLOYEE HEALTH, SAFETY AND WELFARE

Axelum maintains an on-site clinic equipped with the necessary equipment and ambulance service to render basic healthcare and first-aid response to medical emergencies. Employees are encouraged to undergo annual physical examination and regular vaccination. The Company ensures that occupational hazards are identified and immediately addressed to prevent major accidents. All personnel are required to wear personal protective clothing and observe proper sanitation in designated work areas.



EMPLOYEE TRAINING AND DEVELOPMENT

Employees are subjected to mandatory yearly trainings for the purposes of skills development and career advancement. The Company offers various learning courses conducted in-house or through third-party professionals including selected modules accredited by the Technical Education and Skills Development Authority (TESDA).

COMPENSATION POLICY BEYOND SHORT-TERM FINANCIAL MEASURES

Axelum has a compensation policy for employees that accounts for corporate performance beyond short-term financial measures, including long-term incentives, retirement and variable bonuses, among others.

WHISTLEBLOWING

Axelum has adopted a whistleblowing policy to encourage directors, officers, employees, suppliers, business partners, contractors, subcontractors and others to report suspected or actual occurrence(s)

of illegal, unethical or inappropriate events (behaviors or practices) without retribution. The policy provides the formal mechanism and an avenue to raise such concerns and an assurance that whistleblowers will be protected from and shall not receive any reprisals, harassment or disciplinary action as a result of any report made in good faith and that the whistleblower believes it to be true and is not made maliciously or for personal gain. The Company’s whistleblowing policy can be viewed on its corporate website.

Whistleblowers may file a report by sending it directly to:

OFFICE OF THE PRESIDENT  
Axelum Resources Corp.  
1052 EDSA Magallanes Village,  
Makati City 1232  
Email: whistleblowing@axelum.com.ph  
Tel: +63 (2) 88510730



DISCLOSURE AND TRANSPARENCY

TRANSPARENT OWNERSHIP STRUCTURE

The Company submits its public ownership report on a quarterly basis, which contains the direct and indirect shareholdings of directors, principal officers, principal/substantial shareholders, affiliates and others. The Company is likewise required to submit a report on any change in shareholdings of its directors, principal officers and principal/substantial shareholders for a specific

month. These reports can be viewed in the Company’s corporate website.

BOARD ATTENDANCE

The Company’s Board of Directors is composed of seven (7) members, majority of which are non-executive directors. For 2022, the Company held a total of 13 meetings with complete attendance of all the directors in all the meetings.

BOARD	NAME	NO. OF MEETINGS HELD DURING THE YEAR	NO. OF MEETINGS ATTENDED	%
Chairman	Romeo I. Chan	13	13	100%
President	Henry J. Raperoga	13	13	100%
Non-Executive	Jason M. Rosenblatt	13	13	100%
Non-Executive	Ricardo C. Lopa, Jr.	13	13	100%
Independent	Laurito E. Serrano	13	13	100%
Independent	Rosemarie P. Rafael	13	13	100%
Independent	Raymundo N. Suarez	13	13	100%

BOARD REMUNERATION

The Board has adopted a remuneration policy for its directors which covers fixed and variable components, including per diem for attendance in Board meetings. For 2022, total directors’ remuneration aggregated to ₱6.8 million.

RELATED PARTY TRANSACTIONS

The Company’s Related Party Transactions policy can be viewed in its corporate website. Details on related party transactions are disclosed in Note 21 of the Company’s Audited Financial Statements.



## DIRECTORS AND PRINCIPAL OFFICERS' TRANSACTIONS IN COMPANY SHARES

Below is a summary of the transactions of the directors and principal officers in company shares as of December 31, 2022:

TITLE OF CLASS	NAME	BALANCE AS OF JANUARY 31, 2022	ACQUIRED	DISPOSED	BALANCE AS OF DECEMBER 31, 2022
<b>DIRECTORS</b>					
Common	Romeo I. Chan	375,855,142	13	-	375,855,142
Common	Henry J. Raperoga	373,338,887	13	-	373,338,887
Common	Jason M. Rosenblatt	1	13	-	1
Common	Ricardo C. Lopa, Jr.	208,471	13	-	208,471
Common	Laurito E. Serrano	1	13	88,889	88,890
Common	Rosemarie P. Rafael	350,001	13	75,000	425,001
Common	Raymundo N. Suarez	4,001	13	107,000	111,001
<b>PRINCIPAL OFFICERS</b>					
Common	Preciosa D. Castillo	125,061,386	-	-	125,061,386
Common	Paul Rene Z. Tayag	111,211,035	-	-	111,211,035
Common	Karilagan Imelda Z. Gorospe	1,860,000	-	-	1,860,000
Common	Maria Theresa Z. Paguirigan	722,000	-	-	722,000
Common	Macario R. Pelaez	2,450,000	-	-	2,450,000
Common	Dominic V. Isberto	-	-	-	-
Common	Paul C. Cheah	100,000	-	-	100,000
<b>TOTAL</b>		<b>991,160,825</b>	<b>-</b>	<b>-</b>	<b>991,431,813</b>

## AUDIT AND AUDIT RELATED FEES

Axelum appointed R.G. Manabat & Co. (KPMG Philippines) as external auditor, with Mr. Wilfredo Z. Palad as partner-in-charge for audit year 2022. Details of fees paid to R.G. Manabat & Co. in the last two (2) years are as follows:

AUDIT AND AUDIT RELATED FEES	
2022	₱5,800,000.00
2021	₱5,100,000.00



## MEDIUM OF COMMUNICATION

Axelum is committed to the timely and accurate disclosure of material information to regulators and the investing community, including financial results, major corporate transactions, press releases and other disclosable information. The Company's Investor Relations Office actively engages shareholders and other stakeholders through pre-arranged meetings, small group discussions, email, virtual platforms, roadshows and conferences. The Company submits its annual and quarterly report to regulators, organizes separate briefings with various analysts and reaches out individually to business journalists. For more information, the general public may access the Company's website at <https://axelum.ph>.

## FINANCIAL REPORTING

The Company releases its Audited Financial Statements and Annual Report (SEC Form 17-A) within 120 days from the end of fiscal year. Axelum disclosed its 2022 Audited Financial Statements on April 17, 2023 or 107 days from the end of the fiscal period. The true and fair representation of the Audited

Financial Statements and Annual Report are affirmed and attested to by key officers of the Company and its external auditor.

## COMPANY WEBSITE

The following information are uploaded in Axelum's corporate website at <https://axelum.ph>

- ▶ Financial Statements
- ▶ Analysts' Presentation
- ▶ Downloadable Annual and Quarterly Report
- ▶ Notice of Annual Stockholders' Meeting
- ▶ Minutes of Annual Stockholders' Meeting
- ▶ Articles of Incorporation and By-Laws
- ▶ SEC Current Reports/PSE Disclosures
- ▶ Public Ownership Report and Statement of Changes in Beneficial Ownership

## INVESTOR RELATIONS

The Company has appointed Mr. Paul C. Cheah as Vice-President and Investor Relations Officer.

For inquiries, Mr. Cheah may be reached at the following:  
Email: [investor.relations@axelum.com.ph](mailto:investor.relations@axelum.com.ph)  
Telephone: +63 (2) 8851-0739



## RESPONSIBILITIES OF THE BOARD



### BOARD DUTIES

The Board shall be primarily responsible for the institution of, and compliance with, the principles of good corporate governance. It is the Board's responsibility to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities to ensure a high standard of best practice for the Company, its stockholders and other stakeholders.

### POLICIES RELATING TO THE BOARD:

#### Board Diversity Policy

- The Company shall promote and observe a policy on diversity in the composition of its Board of Directors.
- Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Company and by the Board to ensure a mix of competent directors and key officers.

#### Policy on Multiple Board Seats

- A director shall exercise due discretion in accepting and holding directorships outside of the Company. A director may hold directorships outside of the Company provided that these positions do not detract from his capacity to diligently perform his duties as a director of the Company.
- However, as a matter of policy, the non-executive members of the Board of Directors may concurrently serve as directors in a maximum of five (5) publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings, review Management's proposals/views, and oversee the long-term strategy of the Company.

#### Access to Information

- To enable the Board to properly fulfill their duties and responsibilities, Management provides directors with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to Management

and the Corporate Secretary as well as to independent professional advice should they need to do so in connection with their duties as directors.

### COMPANY MISSION AND VISION

Axelum Resources Corp. aims to be the definition of excellence in food and beverage manufacturing, distribution and product development consistent with its mission.

**WE ARE A LOCAL COMPANY WITH A GLOBAL MINDSET WHOSE MAIN PURPOSE IS TO NURTURE PEOPLE WITH OUR PRODUCTS."**

### AXELUM UNCEASINGLY STRIVES TO BE:

1. a foreign exchange earner;
2. a labor-intensive employer;
3. a developer of livelihood in socially depressed areas;
4. a leader in cutting-edge technology;
5. a protector of the environment;
6. a promoter of spiritual and honorable Filipino values.

The Company's vision is to become the premier food manufacturer known for its dedication to excellence, client satisfaction and product innovation through our greatest assets: Our People.

The Board reviews the mission and vision annually and the last review was conducted in 2022. In addition, the Board plays a leading role in the process of developing, implementing, monitoring and reviewing the Company's strategies.

### BOARD STRUCTURE AND COMPOSITION

The Board shall be composed of such number of directors as provided in the Articles of Incorporation, who shall be duly elected by the stockholders that are entitled to vote in accordance with the By-Laws, the Revised Corporation Code and the Securities Regulation Code.

The Board of Directors should, as far as practicable, be composed of qualified individuals with diverse backgrounds (gender, age, ethnicity, culture, skills, competence and knowledge) to effectively enable the Board





to decide on corporate matters with the benefit of the varied experiences of the board members. A majority of the Board should be non-executive directors.

The Board shall be composed of seven (7) directors who shall be elected at each annual meeting of the stockholders, to serve for a term of one (1) year. Each director shall be eligible for re-election in accordance with the Articles of Incorporation of the Company.

The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision in respect to their election.

As a publicly listed company, and unless another number is required by law, the Company shall have at least two (2) independent directors or such number as to constitute at least twenty percent (20%) of the members of the Board, whichever is higher. The Independent Directors must possess qualifications as required by law and the Corporate Governance Manual of the Company.

Independent directors may serve for a maximum cumulative term of nine (9) years, after which, the independent director shall be perpetually barred from re-election as independent director in the Company. Such independent director, however, may continue to qualify for nomination and election as a non-independent director. In exceptional cases, however, the Company may retain an independent director who has already served for nine (9) years; provided, that the Company should provide meritorious justifications therefor and seek stockholders' approval during the annual stockholders' meeting. The nine-year maximum term for independent directors shall be reckoned from 2012, as per SEC Memorandum Circular No. 9 series of 2011 and SEC Memorandum Circular No. 4 series of 2017.

The Board shall designate a Lead Independent Director among the Independent Directors.

**CODE OF ETHICS**

The Company's Code of Ethics, including the process to implement and monitor compliance, can be viewed in its corporate website. Directors, senior management and employees are required to comply with the Code.

BOARD COMMITTEES

Corporate Governance and  
Nomination Committee

The Corporate Governance and Nomination Committee shall consist of a minimum of three (3) members appointed by the Board of Directors, all of whom should be independent directors, including the Chairman. It shall have the powers and duties defined in the Manual on Corporate Governance and in the By-laws of the Company, as may be applicable. The Chairman and members of the Committee shall be appointed annually by the Board. Vacancies shall be filled by election by the Board, and any member of the Committee may be removed by the Board. The Committee shall have the power and authority to delegate any of its duties or responsibilities herein to a subcommittee comprised of one or more members of the Committee.

The Charter of the Corporate Governance and Nomination Committee including its duties and responsibilities can be viewed in the Company's corporate website. The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination



and Remuneration Committee such as establishment of a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.

Summary of Committee Meetings  
and Attendance for 2022

DIRECTOR	NO. OF MEETINGS HELD	ATTENDANCE
Mr. Laurito E. Serrano (Chairman, Independent Director)	2/2	100%
Ms. Rosemarie P. Rafael (Independent Director)	2/2	100%
Mr. Raymundo N. Suarez (Independent Director)	2/2	100%

Audit Committee

The Audit Committee shall consist of a minimum of three (3) non-executive directors appointed by the Board of Directors, the majority of whom, including the Chairman,





shall be independent. All members must have relevant knowledge and/or experience in areas of accounting, auditing and finance. All Committee members should be financially literate, have adequate understanding of the Company’s financial management systems and environment and at least one member of the Committee should have accounting or related financial management expertise or relevant business experience as determined by the Board.

The Chairman of the Audit Committee is a Certified Public Accountant and an experienced financial advisor to several companies while its members have experience in financial and credit management and are currently holding, or have held, top executive positions in other companies.

The Audit Committee is primarily responsible for recommending the appointment and removal of the Company’s external auditor to the Board. The Charter of the Audit Committee, including its other duties and responsibilities, can be viewed in the corporate website.

Summary of Committee Meetings and Attendance for 2022

DIRECTOR	NO. OF MEETINGS HELD	ATTENDANCE
Mr. Laurito E. Serrano (Chairman, Independent Director)	4/4	100%
Ms. Rosemarie P. Rafael (Independent Director)	4/4	100%
Mr. Raymundo N. Suarez (Independent Director)	4/4	100%

BOARD PROCESSES

Board Meetings and Attendance

The schedule of Board meetings is finalized prior to the start of the year and the Board meets a minimum of six (6) times during the year. Board materials are circulated to directors at least five (5) business days in advance of the meeting. A majority of the members of the Board shall constitute a quorum for its meetings, while a majority of the directors present is required for the approval of any resolution. The Corporate Secretary plays a significant role in supporting the Board in the discharge of its responsibilities.



For 2022, non-executive directors met during the year without the presence of executive directors to discuss the results for the previous year, the objectives for the current year and business strategy to be implemented by Management.

Board Appointment and Re-Election

The criteria and procedure for the nomination and election of directors, including the independent directors, are disclosed by the Company in its Definitive Information Statement that is distributed to stockholders before the annual stockholders meeting. The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision regarding their election.

The Board shall be composed of seven (7) directors who shall be elected at each annual meeting of the stockholders to serve for a term of one (1) year. Each director shall be eligible for re-election in accordance with the Articles of Incorporation of the Company. However, Independent Directors may only serve for a maximum cumulative term of nine (9) years, after which, the independent director shall be perpetually barred from re-election as an independent director in the Company but may continue to qualify for nomination and election



as a non-independent director. In exceptional cases, however, the Company may retain an independent director who has already served for nine (9) years; provided, that the Company should provide meritorious justifications therefor and seek stockholders’ approval during the annual stockholders’ meeting. The 9-year maximum term for independent directors shall be reckoned from 2012, as per SEC Memorandum Circular No. 9 series of 2011 and SEC Memorandum Circular No. 4 series of 2017.

Board Remuneration

The Board approved the following compensation policy for the directors of the Company:

- ▶ A fixed monthly allowance in the initial amount of P120,000 plus an additional month in December for a total of 13 months; this monthly allowance may be increased at the discretion of the Chairman of the Board depending on the performance of the Company in the succeeding years
- ▶ The amount of P50,000 as per diem for attendance at Board meetings, with a maximum total amount of P300,000 to be given as per diem for each director





- Additional compensation of up to 2% of the net income before tax of the Company, which shall be apportioned and distributed to the directors in such manner as determined at the discretion of the Chairman of the Board

Internal Audit

The Company has a separate internal audit function through the Internal Audit Department, which reports to the Audit Committee, and is headed by Mr. Jazz A. Villanueva. The Internal Audit Department is tasked to monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security, and ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all shareholders and stakeholders.

Risk Oversight

The Company established a Board Risk Oversight Committee for the purpose of assisting the Board of Directors in overseeing the Company’s practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture and reporting of financial and business risks and associated internal controls. The

Board Risk Oversight Committee will assist the Board in providing framework to identify, assess, monitor and manage the risks associated with the Company’s business.

It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with the Company’s risk profile.

Every year, the Board of Directors, through the Risk Oversight Committee and Audit Committee, reviews the Company’s material controls and risk management system to ensure adequacy and effectivity.

Enterprise Risk Management

The Company’s risk management focuses on safeguarding shareholder value to manage the unpredictability of risks and minimize potential adverse impacts on its operating performance and financial condition.

The Board Risk Oversight Committee annually reviews the Company’s approaches to risk management and recommends to the Board the changes or improvements to key elements of its processes and procedures. After submission of the Board Risk Oversight Committee’s recommendation, the Board then evaluates the risk management system.



RISK EXPOSURE	RISK MANAGEMENT POLICY	OBJECTIVE ATTENDANCE
Financial Risks	<p>The Company’s policy is to ensure that the scheduled principal and interest payments are well within its ability to generate cash from its business operations.</p> <p>It is likewise committed to maintain adequate capital at all times to meet shareholders’ expectations, withstand adverse business conditions and take advantage of business opportunities.</p>	<p>The Company’s objective is to protect investment in the event that there would be significant fluctuations in the exchange rate. On the other hand, the Company’s objectives to manage its liquidity are: to ensure that adequate funding is available at all times;</p> <ul style="list-style-type: none"><li>to meet commitments as they arise without incurring unnecessary costs; and</li><li>to be able to access funding when needed at the least possible cost.</li><li>The long-term strategy is to sustain a healthy debt-to-equity ratio.</li></ul>
Operational Risks	<p>It is the policy of the Company to be prepared for any event which triggers a material business impact or modifies the existing risk profile.</p>	<p>The Company’s objective is to protect investments in the event that there would be significant developments that would result in material impact to the Company’s operations.</p>

The Board, through the Board Risk Oversight Committee and Audit Committee, reviews the effectiveness of the Company’s, including its subsidiaries and affiliates, risk management system with emphasis on monitoring existing and emerging risks as well as risk mitigation measures and on identifying risks before these cause significant

trouble for the business. Based on the set guidelines, directors are assigned specific areas of business where they monitor the compliance of the risk management system. Criteria used for review are compliant with established guidelines and controls and the appropriateness of risk management and risk mitigation measures performed.



RISK EXPOSURE	RISK MANAGEMENT POLICY	OBJECTIVE
Hazards and natural or other catastrophes	Have an emergency response and contingency action plan	Allow the business to continue operations even during natural disaster or calamity
Regulatory developments	Review of new laws and regulations	Ensure the business is compliant with all laws and regulations
Supply of raw materials and packaging materials	Maintain a diverse group of suppliers, get at least three quotations from suppliers	Prevent overdependence on a single supplier, ensure the best price possible
Consumer taste, trends and preferences	Market study and analysis	Be aware of trends and preferences to develop new products or adapt the existing strategy
Competition	Maintain close relationships with customer's marketing and research and development team to stay up-to-date with evolving market behavior	Be aware of trends and preferences to develop new products or adapt the existing strategy
Philippine economic and political conditions	Industry scanning	Ensure that the business can immediately adapt to changes in economic and political conditions and can devise strategies to meet these changes

RISKS TO MINORITY SHAREHOLDERS

The majority shareholder's voting power in the Company may affect their ability to influence and determine corporate strategy.

PEOPLE ON THE BOARD

The positions of Chairman and Chief Executive Officer are concurrently held by Mr. Romeo I. Chan. The Company has elected Mr. Laurito E. Serrano as Lead Independent Director. The duties and responsibilities of the Chairman and Lead Independent Director are disclosed in the Company's Manual on Corporate Governance. All of the Company's non-executive directors have diverse backgrounds in various industries and possess the skills and competencies required to effectively discharge their functions.

BOARD PERFORMANCE

As part of the Company's commitment to good corporate governance, all directors and key officers of the Company, including but not limited to the Corporate Secretary, Internal Auditor, and Compliance Officer, shall undergo annual training on corporate governance, which should have the minimum duration of at least three (3) hours.

All newly-elected directors and key officers shall be required to attend a seminar on

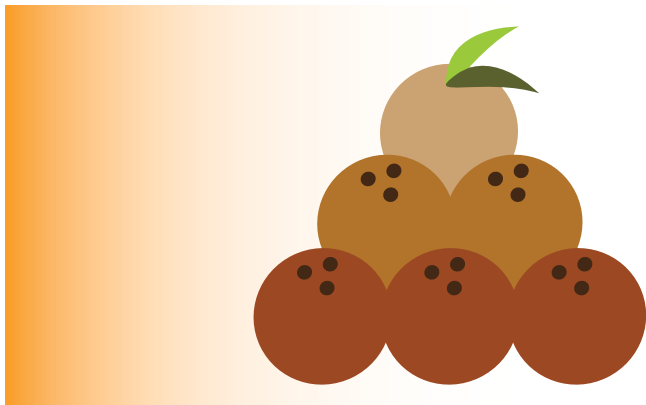
corporate governance, which should have a duration of at least eight (8) hours and have the following topics sufficiently covered therein: Revised Code of Corporate Governance; ASEAN Corporate Governance Scorecard; SEC Annual Corporate Governance Report and board responsibilities such as guidelines regarding the illegal activities of corporations/directors/officers, insider trading, protection of minority shareholders, short swing transactions, liabilities of directors, confidentiality, conflict of interest, related party transactions, case studies and financial reporting and audit.

The Company's Board, key officers and selected employees participated in a corporate governance seminar conducted by the Center for Global Best Practices on April 07, 2022.

For 2023, the Company is planning to establish a self-assessment methodology that would objectively assess the performance of the Board, Board committees and directors relative to the discharge of their duties and responsibilities.







# Investor Relations



The Investor Relations Department is responsible for stakeholder engagement particularly with shareholders and media practitioners. It coordinates the timely and structured disclosure of material information to regulators and the general public.

The Investor Relations Department organizes small group meetings, one-on-one sessions, non-deal roadshows and participates in conferences with senior management to speak with institutional and retail investors. In lieu of briefings, the Investor Relations Department meets buy and sell-side analysts on a quarterly or as needed basis. Aside from face-to-face meetings, the Investor Relations Department interacts with investors via videoconferencing, mobile phone and email.

In addition, the Investor Relations Department updates the corporate website where the latest company presentations are readily accessible. Further, it is in-charge of the publication of Axelum’s glossy annual and sustainability reports.

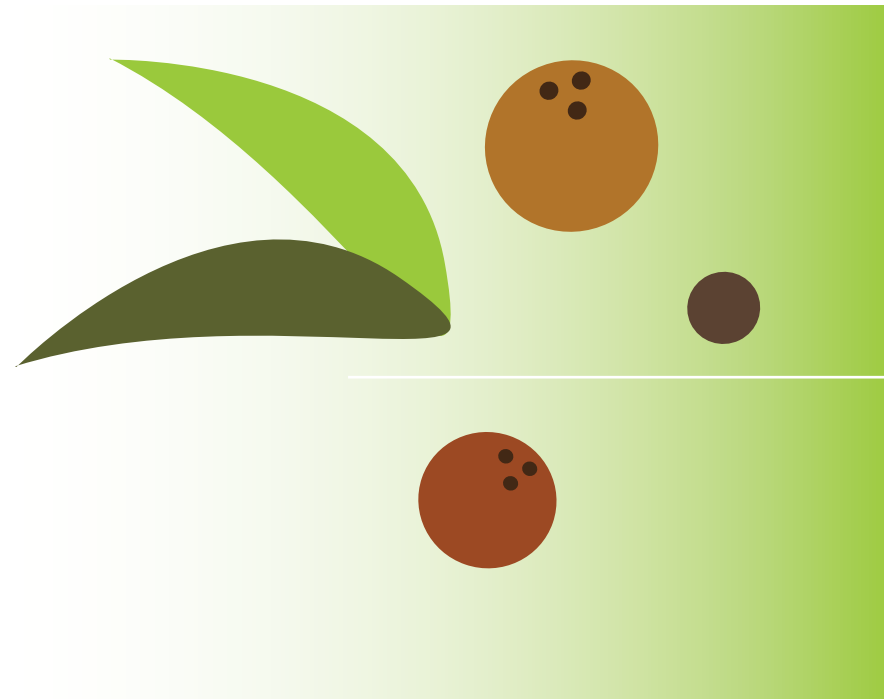
Axelum has appointed Mr. Paul C. Cheah as Vice-President and Investor Relations Officer. For investor queries and feedback, Mr. Cheah may reached via email at [paul.cheah@axelum.com.ph](mailto:paul.cheah@axelum.com.ph).

For 2022, Axelum held over 25 virtual and face-to-face meetings with various institutional and retail investors. To date, Axelum maintains active research coverage from four local brokers while constantly engaging in discussions with other equity houses for potential new initiations.

## EQUITY RESEARCH COVERAGE

INITIATION DATE	INSTITUTION	RECOMMENDATION
November 20, 2019	First Metro Securities	BUY
July 13, 2020	Regina Capital	BUY
September 04, 2020	AB Capital	BUY
September 29, 2021	Chinabank Securities	BUY





# Sustainability at a Glance

Axelum is committed to uplifting lives by enabling access to basic economic services and contributing to rural progress in Mindanao, aligned with the United Nations Sustainable Development Goals. This includes providing steady livelihood, formal education, healthcare and other necessities that promote decent living.

In addition, as part of our progressive sustainability agenda, we are determined to contribute in combatting the impact of climate change and promote social inclusion in areas where we are present. For 2022, we managed to reduce our direct carbon emissions by 5%, mainly due to the modernization of boiler equipment to improve steam out without requiring additional coconut shells as feedstock. Moreover, we recycled up to 25% of wastewater for alternative uses and produced 2,335 regularly-sized chipboards out of Tetra paper waste, that were repurposed as table dividers and cabinet partitions.

Since 2017, we have initiated carbon sequestration efforts by planting more than 4,400 coconut, bamboo and mahogany seedlings in surrounding areas to help in repopulation, flood prevention and land

erosion. To date, we are finalizing plans to install a state-of-the-art solar panel facility in the Medina Plant, to shift towards clean energy and limit dependence on traditional energy sources.

Lastly, Axelum is exploring opportunities to further strengthen its climate action program by considering the possibility of integrating structured climate risk assessments in its sustainability reporting. This initiative will help in identifying climate vulnerabilities, potential financial impacts and guide it towards establishing a long-term carbon neutral target.

For 2023, Axelum is set to open its most significant infrastructure and service project to date, the San Isidro Polymedic General Hospital. Located in Ginggog City, this secondary-level hospital is envisioned to provide affordable and professional healthcare services to over 350,000 residents from surrounding communities particularly patients in far-flung areas.

For an in-depth view of our overall sustainability framework, please refer to our separate 2022 Sustainability Report.



# Awards and Recognition



## A. PLAQUE OF APPRECIATION

Kahayag Festival 2022  
Municipality of Medina  
December 15, 2022

## B. PLAQUE OF APPRECIATION

Adopt-A-Continuous Ambient Air Quality Monitoring Station Program  
Department of Environment and Natural Resources  
December 12, 2022

## C. CERTIFICATE OF APPRECIATION

Outreach Program Activity  
Philippine Coast Guard  
July 30, 2022



## D. 1 GOLDEN ARROW AWARD

ACGS Golden Arrow Awards Night  
Institute of Corporate Directors  
January 20, 2023

## E. PLAQUE OF RECOGNITION

Top 5 Exporter  
Bureau of Customs  
March 15, 2023



# Management Discussion and Analysis

The following discussion of the Group’s recent financial condition and results of operations should be read in conjunction with the Group’s Audited Consolidated Financial Statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and notes thereto, which form part of the SEC Form 17-A as Annex B.

## FINANCIAL CONDITION

**2022 VS 2021** The Group had consolidated total assets of P11,446 million and P10,082 million as of December 31, 2022 and 2021, respectively.

## ASSETS

### CURRENT ASSETS

- ▶ Total consolidated current assets amounted to P5,139 million representing 45% of total consolidated assets and P4,559 million representing 45% of total consolidated assets as of December 31, 2022 and 2021, respectively.
- ▶ Cash and cash equivalents amounted to P1,292 million and P1,155 million as of December 31, 2022 and 2021, respectively. AXLM invests the proceeds from its IPO in interest-bearing time deposits with banks, with original maturities not exceeding three months and with interest rates ranging from 0.88% to 5.25% in 2022 and 0.09% to 1.25% in 2021 and are carried at cost which approximates fair value. The increase by P137 million or 12% in the consolidated cash and cash equivalents will be explained further in Item 6 (D) or Cash Flows section of this Report.
- ▶ Trade and other receivables closed down to almost P800 million which are mainly from customers and other non-trade receivables and represents about 16% of the total consolidated current assets. The increase by P44 million or 6% was mainly due to increase in advances and forex revaluation. In

2021, the Parent Company was subjected to excise tax payments due on every removal of products from the place of production. After the payment of the excise tax, the Parent Company at its option may file a claim for excise tax credit/refund or may avail of a claim for product replenishment in accordance with the relevant sections of the National Internal Revenue Code and other relevant implementing rules and regulations. As of December 31, 2022, the Company has receivables from government arising from excess payments of excise tax, that are included under other receivables, amounting to P59 million from only P43 million as of December 31, 2021. 84% of the total trade and other receivables are current and only 5% are over 90 days due. These receivables that are over 90 days due are mostly relating to aforementioned advances. Trade receivables are generally on a 30-60-day term.

- ▶ Inventories are stated at cost which approximates its net realizable value as of the reporting dates. Given the uncertainty in the supply chain globally and possible increase in the cost of materials, most particularly packaging materials, the Group increased its minimum stocking level from 2 months to 5 months. The Group’s finished goods inventories increased by P399 million or 25% from December 31, 2021 inventory balance mainly due to impact of the peso

depreciation and inventory build-up. Finished goods in 2022 and 2021 represent 76% and 74% of the total inventories, respectively.

- ▶ Prepaid expenses and other current assets comprise 9% of total consolidated current assets and represent the Group’s net input VAT, advances to suppliers and other prepayments.
- ▶ Input VAT which pertains to taxes paid on purchases of goods and services amounted to P520 million as of December 31, 2022, of which P145 million is expected to be realized after more than 1 year and is classified under “Other Noncurrent Assets” in the 2022 statement of financial position. In 2022, the Parent Company recognized provision for impairment of VAT amounting to P12,000 while in 2021, the Parent Company directly written off input VAT amounting to P28 million, and are included as part of “Other income - net” in the consolidated statements of comprehensive income. Net input VAT - current represents 78% and 89% of the prepaid expenses and other current assets account, as of December 31, 2022 and 2021, respectively, while input vat - noncurrent represents 34% of other noncurrent assets account as of December 31, 2022.



## NON-CURRENT ASSETS

- ▶ Of the Group's total consolidated assets, noncurrent assets comprise 55% (P6,035 million) and 55% (P5,522 million) as of December 31, 2022 and 2021, respectively.
- ▶ Property, plant and equipment include buildings and site improvements, plant machinery and equipment, as among others. It accounts for 66% of the total consolidated noncurrent assets. Capital expenditures aggregated almost P680 million and P199 million in 2022 and 2021, respectively, composed of various projects such as plant's rehabilitation of various equipment.
- ▶ Goodwill and other intangible assets represent the difference between the total fair value of identifiable assets purchased and the total consideration paid by AXLM in 2016.
- ▶ In 2022, as part of the Company's corporate social responsibility initiatives, the Parent Company has ongoing project amounting to P138,551 for the construction of a hospital a few kilometers away from where its manufacturing plant is located and are included as part of "Construction in progress" under other noncurrent assets.

## LIABILITIES

- ▶ Total consolidated liabilities amounted to P1,154 million and P888 million as of December 31, 2022 and 2021, respectively.
- ▶ Loans payable representing 49% (P560 million) and 29% (P253 million) of the total consolidated liabilities as of December 31, 2022 and 2021, respectively, pertain to short-term borrowings, particularly packing credit loans, availed by the Group from various banks. As of December 31, 2021, all packing credit loans were fully paid and the loans payable represents only the revolving credit line of RVF.
- ▶ Accounts payable and accrued expenses represent 38% (P443 million) and 57% (P509 million) as of December 31, 2022 and 2021, respectively.
- ▶ Other liabilities include lease liabilities, retirement benefit obligation and other liabilities.



## EQUITY

- ▶ Total consolidated equity amounted to P10,291 million and P9,194 million as of December 31, 2022 and 2021, respectively.
- ▶ AXLM is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares of stock were officially listed for trading in the PSE on October 7, 2019. AXLM's IPO consisted of 800 million common shares comprising of 700 million primary shares (300 million shares out of unissued capital stock and 400 million shares out of treasury stock) and 100 million secondary shares, both at an offer price of P5.00 per share.
- ▶ Treasury Shares
  - ◆ On December 23, 2021, the Parent Company's BOD approved another extension of the Parent Company's share buy-back program until June 30, 2022 and increased the amount of buy-back of up to P800 million worth of common shares. Such amount may be increased from time to time by the BOD as the circumstances may warrant and subject to the availability of unrestricted retained earnings. On June 29, 2022, the Parent Company's BOD approved the extension of share buy-back program until December 31, 2022. As at December 31, 2022, AXLM acquired 201,594,500 of its own common shares or a total cost of P584 million which is included as part of "Treasury Shares" in the 2022 Statement of Financial Position.
- ▶ Considering only interest-bearing liabilities, the Group's net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.05x and 0.37x, respectively, as of December 31, 2022 and 0.03x and 0.22x, respectively, as of December 31, 2021.



## 2021 VS 2020

The Group had consolidated total assets of ₱10,082 million and ₱10,226 million as of December 31, 2021 and 2020, respectively.

## ASSETS

### CURRENT ASSETS

- ▶ Total consolidated current assets amounted to ₱4,559 million representing 45% of total consolidated assets and ₱4,815 million representing 47% of total consolidated assets as of December 31, 2021 and 2020, respectively.
- ▶ Cash and cash equivalents amounted to ₱1,155 million and ₱2,290 million as of December 31, 2021 and 2020, respectively. AXLM invests the proceeds from its IPO in interest-bearing time deposits with banks, with original maturities not exceeding three months and with interest rates ranging from 0.09% to 1.25% in 2021 and 0.06% to 1.25% in 2020 and are carried at cost which approximates fair value. The decrease by ₱1,135 million or 50% was mainly because of the settlement of debts and purchase of own shares. Refer to section on Cash Flows for the detailed movement in cash and cash equivalents account.
- ▶ Trade and other receivables closed down to ₱756 million which are mainly from customers and other non-trade receivables and represents about 17% of the total consolidated current assets. The increase by ₱181 million or 32% was mainly because of higher sales than in 2020. Moreover, in 2021, the Parent Company was subjected to the payment of the excise tax due on every removal thereof from the place of production. After the payment of the tax, the Parent Company at its option may file a claim for excise tax credit/refund pursuant to relevant sections of the National Internal Revenue Code or may avail of a claim for product replenishment in accordance to the relevant revenue regulation. As of December 31, 2021, the Company has a receivable from government related to its excise tax payment, included under other receivables, amounting to ₱43 million. Foreign exchange rate impact, primarily from the translation from U.S. dollars into Philippine pesos, also increased receivables. 70% of the total trade and other receivables are current and only 6% are over 90 days due. Trade receivables are generally on a 30-60 day term.
- ▶ Inventories are stated at cost which approximates its net realizable value as of the reporting dates. Given the global shipping concern brought about by COVID-19 pandemic, the Group's finished goods inventories increased by ₱723 million or 85% from December 31, 2020 inventory balance. Finished goods in 2021

and 2020 represent 74% and 63% of the total inventories, respectively.

- ▶ Input VAT, advances to suppliers and other prepayments. Input VAT which pertains to taxes paid on purchases of goods and services mainly represents 89% and 77% of the prepaid expenses and other current assets account as of December 31, 2021 and 2020, respectively. In 2021, the Group directly written off input VAT amounting to ₱28 million.

### NON-CURRENT ASSETS

- ▶ Of the Group's total consolidated assets, noncurrent assets comprise 55% (₱5,522 million) and 53% (₱5,411 million) as of December 31, 2021 and 2020, respectively.

## LIABILITIES

- ▶ Total consolidated liabilities amounted to ₱888 million and ₱1,493 million as of December 31, 2021 and 2020, respectively.
- ▶ Loans payable representing 29% (₱253 million) and 60% (₱901 million) of the total consolidated liabilities as of December 31, 2021 and 2020, respectively, pertain to short-term borrowings, particularly packing credit loans, availed by the Group from various banks. As of December 31, 2021, all packing credit loans were fully paid and the loans payable represents only the revolving credit line of RVF.
- ▶ Accounts payable and accrued expenses represent 57% (₱509 million) and 31% (₱458 million) as of December 31, 2021 and 2020, respectively.
- ▶ Other liabilities include lease liabilities, retirement benefit obligation and other liabilities.



# EQUITY

- ▶ Total consolidated equity amounted to ₱9,194 million and ₱8,733 million as of December 31, 2021 and 2020, respectively.
- ▶ In May 2019, AXLM was authorized by its BOD and Stockholders to undertake an IPO of its shares with the PSE. Subsequently in August 2019 and September 2019, the PSE and SEC, respectively, approved AXLM’s application for IPO.
- ▶ AXLM is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares of stock were officially listed for trading in the PSE on October 7, 2019. AXLM’s IPO consisted of 800 million common shares comprising of 700 million primary shares (300 million shares out of unissued capital stock and 400 million shares out of treasury stock) and 100 million secondary shares, both at an offer price of ₱5.00 per share.
- ▶ Treasury Shares
  - ◆ On March 11, 2020, AXLM’s BOD approved the authorization of the buy-back program of AXLM’s common shares to enhance shareholder value. The said program shall be for a term of six (6) months commencing on March 16, 2020 and ending on September 16, 2020. AXLM’s BOD may, at its discretion and upon management’s recommendation, extend the

period by another six (6) months to end on March 16, 2021. AXLM shall be authorized to buy back up to ₱500 million worth of common shares. Such amount may be increased from time to time by AXLM’s BOD as the circumstances may warrant and subject to the availability of unrestricted retained earnings. On September 23, 2020, AXLM’s BOD approved the extension of its share buy-back program until December 31, 2020 which was further extended until June 30, 2021 on December 29, 2020. On June 24, 2021, AXLM’s BOD approved another extension of its share buy-back program until December 31. On December 23, 2021, the AXLM’s BOD approved the extension of AXLM’s share buy-back program until June 30, 2022. AXLM shall be authorized to buy back up to ₱800 million (increased from an original amount of ₱500 million) worth of common shares. Such amount may be increased from time to time by the BOD as the circumstances may warrant and subject to the availability of unrestricted retained earnings. As at December 31, 2021, AXLM acquired 185,488,500 of its own common shares or a total cost of ₱543 million which is included as part of “Treasury Shares” in the 2021 Statement of Financial Position.

- ▶ Dividends
  - ◆ On March 11, 2020, AXLM’s BOD approved the declaration of cash dividends in the amount of ₱0.03 per share or a total of ₱120 million out of the unrestricted retained earnings of AXLM as at December 31, 2018 and were paid to stockholders of record as of April 1, 2020 on April 24, 2020.
- ▶ Considering only interest-bearing liabilities, the Group’s net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.03x and 0.22x, respectively, as of December 31, 2021 and 0.11x and 1.11x, respectively, as of December 31, 2020.



## KEY PERFORMANCE INDICATORS

	DECEMBER 31, 2022	DECEMBER 31, 2022
Current ratio	4.69	5.88
Debt-to-equity ratio	0.11	0.10
Asset-to-equity ratio	1.11	1.10

### NOTES:

Current Ratio	=	Current Assets / Current Liabilities
Debt-to-Equity Ratio	=	Total Liabilities / Total Equity
Asset-to-Equity Ratio	=	Total Assets / Total Equity



RESULTS OF OPERATIONS								
FOR THE YEARS ENDED DECEMBER 31 ALL AMOUNTS IN PHP THOUSANDS, EXCEPT PERCENTAGES								
	2022	% OF SALES	2021	% OF SALES	% CHANGE 2022 VS 2021	2020	% OF SALES	% CHANGE 2021 VS 2020
Sales	7,042,589	100	6,359,548	100	11	5,167,662	100	23
Cost of Sales	4,936,237	70	4,623,095	73	7	3,869,610	75	19
Gross Profit	2,106,352	30	1,736,453	27	21	1,298,052	25	34
Selling Expenses	635,097	9	521,306	8	22	420,488	8	24
General and Administrative Expenses	398,537	6	398,524	6	-	347,920	7	15
Income from Operations	1,072,718	15	816,623	13	31	529,644	10	54
Interest Income	9,590	0	5,649	0	70	55,469	1	(90)
Interest and Other Finance Charges	(37,100)	(1)	(34,076)	(1)	9	(73,981)	(1)	(54)
Other Income	189,966	3	107,841	2	76	62,513	1	73
Income before Income Taxes	1,235,174	18	896,037	14	38	573,645	11	56
Income Tax Expense	(251,647)	(4)	(180,704)	(3)	39	(47,231)	(1)	283
<b>NET INCOME</b>	<b>983,517</b>	<b>14</b>	<b>715,333</b>	<b>11</b>	<b>37</b>	<b>526,414</b>	<b>10</b>	<b>36</b>
EBITDA, before one-offs	1,502,266	21	1,150,993	18	31%	837,408	16	37%
EBITDA, after one-offs	1,514,266	22	1,179,120	19	28%	837,408	16	41%
Net income, after one-offs	992,517	14	743,460	12	34%	526,414	10	41%
OTHER KEY FINANCIAL RATIOS								
Return on equity	10%			8%			6%	
Return on total assets	9%			7%			5%	

NOTES:

Return on Equity = Net Income / Total Equity  
Return on Total Assets = Net Income / Total Assets

2022 VS 2021

SALES

- ▶ The Group generated sales of ₱7,043 million and ₱6,359 million for the years ended December 21, 2022 and 2021, respectively.
- ▶ While the Group is partially affected by global shipping concern, particularly irregular port calls and limited cargo space, the Group was able to generate higher sales in 2022 as compared in 2021 with an 11% increase from previous year. This is mainly driven by the increase in selling prices in almost all products and steady volumes. Forex impact from the translation of revenues of its foreign operations also contributed to the increase.
- ▶ Average selling prices per pound of desiccated coconut also went up by 9% as compared to previous year.
- ▶ There was a notable increase in the sales of sweetened coconut by 30% (₱251 million), coconut milk powder by 15% (₱135 million), coconut water sales by 12% (₱195 million) and desiccated coconut sales by 5% (₱109 million) from 2021 to 2022. Collectively, these core product segments accounted for 87% of consolidated topline.
- ▶ The related party transactions that were eliminated in the consolidated financial statements for the years ended December 31, 2022 and 2021 pertain to

sales made to RVF amounting to ₱923 million and ₱1,850 million, respectively, and FIA amounting to ₱72 million and ₱377 million, respectively.

COST OF SALES

- ▶ Cost of sales for the year ended December 31, 2022 closed at ₱4,936 million, resulting in a gross profit of ₱2,106million, primarily due to higher freight, raw material prices and changes in foreign exchange rates, as compared to previous year.
- ▶ Coconut prices range from ₱9,500 to ₱10,500 per Metric Ton (MT) in 2021 but increased to a range from almost ₱10,000 to as high as ₱13,000 per MT of coconut but ended 2022 to its lowest average nut price of ₱7,500 per MT of coconut, resulting to a steady annual average nut price from 2021 to 2022. As a percentage of sales, cost of inventories translates to 59% in 2022 and 62% in 2021 which showed effective cost management in supply chain despite price increases and supply chain challenges.
- ▶ The pandemic continues to affect supply chains worldwide with shipping lines scaling back their capacities. Freight costs increased to ₱283 million in 2022 from ₱238 million in 2021, 19% increase from previous year.



GROSS PROFIT

- As a result of the foregoing, the Group’s gross profit increased by 21% as compared in 2021 and translate to 30% gross margin in 2022 as compared to 27% in 2021.

SELLING EXPENSES

- With the higher sales in 2022, selling expenses also increased by 22% from 2021, but as a percentage of sales remained stable at 9% of sales in 2022 from 8% of sales in 2021.
- Freight which represented 43% of the selling expenses increased by 18% as compared to 2021

GENERAL AND ADMINISTRATIVE EXPENSES

- General and administrative expenses aggregated P398 million which translates to 6% of sales year-on-year.

INTEREST INCOME

- Interest income in 2022 represents mainly interest earned from the Parent Company’s investments in Republic of the Philippines (ROP) bonds. Interest income earned from ROP bonds amounted to P5 million and P4 million for the years ended December 31, 2022 and 2021, respectively.
- Proceeds from IPO were also invested in short-term time deposits. Interest income earned for the year ended December, 2022 and 2021 amounted to P2 million and P1 million, respectively.

INTEREST AND OTHER FINANCE CHARGES

- Interest expense and other financing charges mainly represent interest incurred from short term borrowings of the Parent Company (packing credit loans) and of its subsidiary, RVF, for some tangible assets used in operations in Atlanta, Georgia.
- Interest expense increased by P3 million or 9% due to higher loan availments in 2022 than in 2021. The Parent Company fully paid its packing credit loans as of December 31, 2021.

OTHER INCOME - NET

- Other income represents net foreign exchange gain, commission income earned from a third party at a fixed percentage, rent income, and other items recovered and saved by the Group in the course of its operations.
- Average forex rate in 2021 is P49.28 then went up to P54.48 in 2022 that resulted to a net foreign exchange gain of P188 million for 2022 as compared to a net foreign exchange gain of almost P100 million in 2021.

NCOME TAX EXPENSE

- Income tax expense for the year 2022 totaled P252 million. This consisted of current income tax totaling P276 million representing regular corporate income tax, net of P24 million benefit from deferred tax.
- Income tax expense for the year 2022 increased by P71 million due to higher earnings as compared to 2021.

- The group’s effective tax rate is 20% in 2022 and 2021.

NET INCOME

- As a result of the foregoing, net income for the year ended December 31, 2022

reached P984 million for a net income margin of 14%, a 37% increase from last year’s net income of P715 million for a net income margin of 11%.

2021 VS 2020

SALES

- The Group generated sales of P6,359 million and P5,168 million for the year ended December 21, 2021 and 2020, respectively.
- The Group delivered strong growth with sales up 23% year on year primarily driven by strong performance in almost all products most particularly desiccated coconut, coconut water and sweetened coconut. Average selling prices also went up in 2021 by 27% as against 2020.
- Market volume for desiccated coconut increased by 15% while sweetened coconut and coconut milk powder volumes both grew by 7%. Coconut water production remained at full-swing with delivered volume growth at 14%. Collectively, these core product segments accounted for 86% of consolidated topline.
- The related party transactions that were eliminated in the consolidated financial statements for the years ended December 31, 2021 and 2020 pertain to sales made to RVF amounting to

P1,850 million and P1,005 million, respectively, and FIA amounting to P377 million and P386 million, respectively.

COST OF SALES

- Cost of sales for the year ended December 31, 2021 closed at P4,623 million, resulting in a gross profit of P1,736 million, primarily due to higher raw material prices as compared to same period in 2020 as well as rising shipping costs brought about by the global shipping issues during COVID-19 pandemic.
- Average coconut prices went up by 28% year on year. Price ranges from P7,200 to P7,700 per Metric Ton (MT) in 2020 but increased to levels of P9,000 to P10,600 per MT of coconut in 2021.
- To meet its rapidly-growing demand for its products, the Company's nut opening plant has been processing on average 18% more coconuts daily for 2021 as compared to 2020. The Company's manufacturing plants are



also producing at maximum output for its main product segments resulting to higher production volume.

- ▶ The pandemic continues to affect supply chains worldwide with shipping lines scaling back their capacities and the freight cost nearly tripled over the past year. Freight costs increased to ₱238 million in 2021 from ₱69 million in 2020.
- ▶ Cost of sales for 2021 translate to 73% of sales which was lower than 2020's cost of sales of 75% mainly due to higher production volume in main product segments despite higher raw material prices and rising shipping costs.

#### GROSS PROFIT

- ▶ Due to volume growth and despite higher raw material and shipping costs, the Group's gross profit increased by 34% as compared in 2020 and translate to 27% gross margin in 2021 as compared to 25% in 2020.

#### SELLING EXPENSES

- ▶ With the higher sales in 2021, selling expenses also increased by 24% from 2020, but still translate to 8% of sales for both years.
- ▶ Freight which represented 44% of the selling expenses increased by 42% as compared to 2020.

#### GENERAL AND ADMINISTRATIVE EXPENSES

- ▶ General and administrative expenses aggregated ₱398 million and ₱348 million which translates to a 6% and 7% of sales for the years ended December

31, 2021 and 2020, respectively.

- ▶ In December 2020, AXLM's BOD approved a remuneration policy for its directors which covers fixed and variable components, including per diem during directors' attendance in the board meetings.

#### INTEREST INCOME

- ▶ Interest income in 2021 represents mainly interest earned from the Parent Company's in bonds. The Parent Company has invested its unutilized or temporary excess funds in ROP bonds starting about Q1 2018. Interest income earned from ROP bonds amounted to ₱3.9 million and ₱4 million for the year ended December 31, 2021 and 2020, respectively. In 2020, the Parent Company sold all its ROP bonds at a premium.
- ▶ Proceeds from IPO were also invested in short-term time deposits. Interest income earned for the year ended December, 2021 and 2020 amounted to ₱1.5 million and ₱51 million, respectively.

#### INTEREST AND OTHER FINANCE CHARGES

- ▶ Interest expense and other financing charges mainly represent interest incurred from AXLM's short term borrowings (packing credit loans) and long-term bank loans of AXLM (5-year term loan converted in January 2020) and its subsidiary, RVF, for some tangible assets used in operations in Atlanta, Georgia.
- ▶ Interest expense significantly reduced by almost ₱40 million or 54% due to

prepayment of loans.

- ▶ The long-term bank loans of AXLM and RVF were fully paid in the third quarter of 2020. Moreover, the Parent Company fully paid its packing credit loans as of December 31, 2021. Remaining bank loan pertain only to RVF's revolving credit line.

#### OTHER INCOME

- ▶ Other income represents commission income earned from a third party at a fixed percentage, gain on sale of investment in bonds, rent income, net foreign exchange gain (loss) and other items recovered and saved by the Group in the course of its operations.
- ▶ Foreign exchange rate impact from the translation from U.S. dollars into Philippine pesos resulted to a net foreign exchange gain of almost ₱100 million in 2021 as compared to a net foreign exchange loss of ₱13 million in 2020.

#### INCOME TAX EXPENSE

- ▶ Income tax expense for the year 2021 totaled ₱181 million. This consisted of current income tax totaling ₱157 million representing regular corporate income tax and a ₱24 million deferred tax.
- ▶ Income tax expense for the year 2021 increased by ₱133 million due to higher earnings as compared to 2020.
- ▶ The group's effective tax rate significantly increased to 20% as compared to 8% the previous year. The Parent Company's income tax holiday as BOI incentive for its coconut water operations expired in

January 2021 which made its income from its coconut water operations taxable starting February 2021.

- ▶ On March 26, 2021, BOI granted the Parent Company an ITH for its agglomerated coconut milk powder product and other plant-based infused coconut milk powder products line. The Parent Company will have an ITH of four years from May 2021 or actual start of commercial operation whichever is earlier but in no case earlier than the date of registration. Actual commercial operation started in April 2021.
- ▶ On July 9, 2021, BOI granted the Parent Company an ITH for its organic/non-organic plant-based infused coconut drinks and juices products. The Parent Company will have an ITH of six years from July 2021.
- ▶ Although the Philippine corporate tax rate now is at 25% as compared to 30% last year, coconut water operations account for 25% of the Parent Company's operations alone while the new projects were only approved later this period.

#### NET INCOME

- ▶ As a result of the foregoing, net income for the year ended December 31, 2021 reached ₱715 million for a net income margin of 11%, a 36% increase from last year's net income of ₱526 million for a net income margin of 10%.



## 2020 VS 2019

### SALES

- ▶ The Group generated sales of ₱5,168 million for the year ended December 21, 2020, down by 3% as compared to ₱5,303 for the year ended December 31, 2019.
- ▶ Market volume demand for the Group's products remained strong in 2020, however stricter COVID-19 related government restrictions during first half of 2020, such as road checkpoints, reduced the Parent Company's access to coconut supply and weighed down both the export and domestic businesses and affected the Group's volumes. As the production capabilities of the Parent Company was initially hampered, the Group decided to slow down forward-selling activities to both in the local and export markets as it might cause default on its contracts for failure to deliver on time, due to the uncertainties brought about by the COVID-19 pandemic. As the restrictions are becoming lenient, the Group was able to regain its growth trajectory starting third quarter of 2020.
- ▶ For coconut water alone, the Group was able to sell about 27.1 million liters in 2020 as compared to about 22.5 million liters in 2019 (20% increase). Coconut water represents about 27% of the Group's consolidated sales.

- ▶ Market volume for desiccated coconut (major product of the Group representing 28% of total sales) dropped by 24% but average selling prices per pound of desiccated coconut is higher by 10% with average selling price of \$1.12 in 2020 than \$0.97 in 2019.
- ▶ Sales volume, however, increased in all other products such as reduced fat coconut (81% increase), coconut milk in cans (27% increase), and toasted coconut (17% increase) as compared to 2019.
- ▶ The related party transactions that were eliminated in the consolidated financial statements for the years ended December 31, 2020 and 2019 pertain to sales made to RVF amounting to ₱1,005 million and ₱1,203 million, respec

### COST OF SALES

- ▶ Cost of sales in 2020 closed at ₱3,870 million, resulting in a gross profit of ₱1,298 million, primarily due to higher raw material prices, as compared to 2019 and lower production volume of white products due to operational challenges and extraordinary measures that need to be implemented in response to the threat of COVID-19 health pandemic, affecting the plant's operational efficiency thus increasing our cost of production.
- ▶ Coconut prices range from ₱5,800 to ₱6,000 per Metric Ton (MT) in 2019 but increased to levels of ₱7,200 to ₱7,700 per MT of coconut in 2020.

- ▶ Cost of sales in 2020 was closed at 75% of gross sales as compared to 71% in 2019 or a cost of sales increase by 3%.

### GROSS PROFIT

- ▶ Due to the lower volume and higher raw material costs in 2020, the Group's gross profit was down by 16% as compared in 2019 but still able to sustain at 25% of sales.

### SELLING EXPENSES

- ▶ Selling expenses already increased by 31% from 2019 as the volume of sales started to pick-up starting third quarter of 2020.
- ▶ The pandemic also affected supply chains worldwide, as a result of this, shipping lines started to scale back their capacities and the freight cost nearly tripled from 2019. Freight which represented 39% of the selling expenses increased by 18% from 2019.
- ▶ Moreover, with the 17% increase in CWT sales, higher marketing promotion support was registered during 2020 as compared to 2019. As of December 31, 2020, accrued marketing and promotion recorded in the books amounted to ₱52 million.
- ▶ Selling expenses translate to an 8% and 6% of sales in 2020 and 2019, respectively.

### GENERAL AND ADMINISTRATIVE EXPENSES

- ▶ General and administrative expenses aggregated ₱348 million and ₱297 million in 2020 and 2019, respectively, which translates to a 6% of sales year on year.
- ▶ In October 2020, AXLM's BOD approved a remuneration policy for certain key executive positions covering fixed

and variable components, including participation to the Annual Incentive Bonus which is equivalent to a maximum of five percent (5%) of the consolidated EBITDA subject to the approval by the Chairman of the Board. As of December 31, 2020, AXLM accrued about ₱22 million representing two and a half percent (2.5%) of the consolidated EBITDA.

▶ In December 2020, AXLM's BOD also approved a remuneration policy for its directors which covers fixed and variable components, including per diem during directors' attendance in the board meetings. Directors' remuneration in 2020 aggregated to approximately ₱14 million, of which about ₱12 million was accrued in the books of accounts as of December 31, 2020.

### INTEREST INCOME

- ▶ Interest income in 2020 represents interest earned from AXLM's investment in bonds. AXLM has invested its unutilized or temporary excess funds in ROP bonds starting about Q1 2018. Interest income earned from ROP bonds amounted to ₱4 million and ₱13 million in 2020 and 2019, respectively. In 2020, the Parent Company sold all its ROP bonds at a premium.
- ▶ Proceeds from IPO were also invested in short-term time deposits resulting to higher interest income in 2020 as compared to 2019. Interest income earned amounted to ₱51 million and ₱5 million in 2020 and 2019, respectively.



## INTEREST AND OTHER FINANCE CHARGES

- ▶ Interest expense and other financing charges mainly represent interest incurred from AXLM's short term borrowings (packing credit loans) and long-term bank loans of AXLM (5-year term loan converted in January 2020) and its subsidiary, RVF, for some tangible assets used in operations in Atlanta, Georgia. The long-term bank loans of AXLM and RVF were fully paid in the third quarter of 2020.

## OTHER INCOME

- ▶ Other income represents commission income earned from a third party at a fixed percentage, gain on sale of investment in bonds, rent income, net foreign exchange gain (loss) and other items recovered and saved by the Group in the course of its operations.
- ▶ RVF and FIA also received non-taxable grants amounting to ₱17,860 and ₱2,272, respectively, from the government to support businesses during the economic

downturn associated with COVID-19 pandemic in 2020. Refer to Note 20 to the 2020 Consolidated Financial Statements as per attached Annex B for details.

- ▶ In April 2020, AXLM sold all its ROP bonds at a premium resulting to a gain amounting to ₱16,594.

## INCOME TAX EXPENSE

- ▶ Income tax expense for the year totaled ₱47 million. This consisted of current income tax totaling ₱54 million representing regular corporate income tax and a (₱7) million deferred tax.

## NET INCOME

- ▶ Net income for the year ended December 31, 2020 reached ₱526 million for a net income margin of 10%, a 32% decrease from last year's net income of ₱775 million for a net income margin of 15%.
- ▶ The Group's net income for 2020 came in lower than the prior year and weighed down by the overall impact of COVID-19.



## CASH FLOWS

Cash flows generated from operating activities in 2022 amounted to ₱827 million which is 401% higher than ₱165 million generated in 2021. The increase is attributable to higher income before income tax of ₱1,235 million from ₱896 million in 2021.

Net cash used in investing activities totaled ₱933 million, higher than ₱314 million in 2021. The cash outflow for the Group's acquisition of various equipment and improvement of manufacturing facilities aggregated almost ₱680 million and ₱199 million in 2022 and 2021, respectively. In 2021, the Group purchased ROP bonds amounting to ₱96 million.

Net cash provided by financing activities amounted to ₱264 million in 2022 primarily from the proceeds from availment of loans, net of payment of loans and interest expense as well as purchase of own shares. In 2021, net cash used in financing activities amounted to ₱1,030 million which is primarily attributable to the payment of loans and long-term debt as well as purchase of own shares.

Overall, net cash provided in 2022 totaled ₱137 million resulting to a balance of cash and cash equivalents of ₱1,292 million as of December 31, 2022.



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