



DRIVING IMPACT

ENABLING STAKEHOLDERS
AND CHANGEMAKERS

2018
SUSTAINABILITY
REPORT

Over 30 years, ADEC Innovations has been driving a significant impact through its wide array of Sustainable Business Solutions to meet the Environment, Social and Governance (ESG) thrusts of the world's leading organizations. ADEC Innovations has taken the strategic role and contribution towards sustainable development. By providing technological and professional solutions, the Company continuously enables stakeholders and changemakers make informed decisions.

CONTENTS

DRIVING IMPACT	1	Business Operation & Controls	26
MESSAGE FROM THE CEO	2	Risk Management	28
RATIONALE	3	Compliance	32
2018 MILESTONE	4	Internal Audit	34
2030 STRATEGY	5	Standards and Compliance	34
GRI REPORTING GUIDELINES	6	Improvement Management	35
RESPONSIBLE BUSINESS	8	ECONOMIC DRIVE	36
ABOUT ADEC	10	ENVIRONMENTAL ACTION	40
Business Core	12	SOCIAL GROWTH	46
Ownership	16	OUR VALUE	52
Advocacy, Certifications and Recognitions	17	ADEC OUTLOOK	57
ESG Solutions Supply Chain	20	Annex A: UNGC Ten Principles Content Index	58
Products and Services	21	Annex B: GRI 2016 Standards Content Index	60
Clients	22	Annex C: Financial Statements	65
Governance Structure & Directors	23	Annex D: ADEC Portfolio Impact	90
Management System & Operation	26		



This is our **Communications on Progress** in implementing the principles of the **United Nations Global Compact** and supporting the **Sustainable Development Goals**.

DRIVING IMPACT

The United Nations' 2030 Agenda demands action that is agile, cohesive, and responsive to the needs of society and the planet. It calls for a broad range stakeholder cooperation to bring positive change and create a long-term impact within a new environment and economic construct.

At ADEC Innovations, DRIVING IMPACT is our cornerstone—defines how our solutions were developed and characterize our evolutionary path. We will continue to develop practical and scalable solutions to the world's global issues and work with our partners to equip governments, enterprises and coalitions with a way forward, a path to moving from insight to action and implementation. One that can effectively advance the SDGs and make it happen.

This fifth Sustainability Report covers the fiscal year of 2018, from January to December. The report serves as the Communication on Progress (COP) of ADEC Innovations Corporation to the United Nations Global Compact (UNGC). The content of this COP accounts the progress made by the Company over the past year in our effort to advance the Ten Principles of UNGC, revolving on the spheres of human rights, labor, environment, and anti-corruption. The management approach, strategies, system and practices of the Company in upholding the UNGC principles are presented in the report, with the framework referenced from the Global Reporting Initiative (GRI) 2016 guidelines. ADEC Innovations aligns its operation with the UN Agenda 2030 and initiates in driving an impact for stakeholders and changemakers.

For the fiscal year 2018, ADEC Innovations has strengthened its affiliations with coalitions and partnerships with multilateral groups. The ADEC Innovations' integrated system on information security, environmental, and quality management continues to conform to international guidelines. ADEC Innovations has been persistent in implementing the labor code including the anti-corruption acts, risk management, improvement of transparency and accountability, promotion of social and environmental programs, and greening of operation. Increased corporate social events were conducted in 2018, which include the *Brigada Eskwela* where school supplies were provided to the Las Piñas National High School in Metro Manila, and the annual blood-letting activity facilitated by the Red Cross Philippines. No cases of non-compliance, grave misconduct, nor violations against the corporate and national laws were recorded in 2018.

MESSAGE FROM THE CEO

Dear Fellow Stakeholders:

We are honored to present this fifth annual Sustainability Report for the fiscal year 2018. In our continued pursuit of sustainability, ADEC Innovations has remained steadfast in advancing the development of sustainable solutions that cater to different stakeholders – government, enterprise, and coalitions. This report presents the Company's performance over the past year in light of the United Nations Global Compact's (UNGC) Ten Principles, focusing on human rights, labor, environment, and anti-corruption. In 2018, the Company has been developing sustainable business solutions through programs and services whilst building relationships with different United Nations agencies and global development network. With our core expertise, we take into account the need to provide solutions to existing and emerging complex challenges of the SDGs.

ADEC Innovations continues to support the SDG thrusts on sustainable cities (SDG 11), climate action (SDG 13), and partnerships (SDG 17). We have scaled our solutions to meet the requirements of clients to be able to respond to the SDGs, defining what is material to the business. We believe that demonstrating a higher level of commitment not only requires understanding the global issues at hand, but also together building innovative solutions and leaning to the intrinsic power of synergies. The goal of the Company, is to mobilize the immediate communities and network towards a more optimized, efficient, and sustainable operation. By sharing our core expertise on technological and professional solutions, we establish an enabling environment for the stakeholders and changemakers to have informed decisions.

We drive global impact by helping our clients realize their vision, converting them into real action. Through disruptive innovation, we aim to collaborate with our stakeholders in closing the \$2.5 trillion SDG Gap and accelerate sustainable development initiatives. ADEC Innovations serves as the medium channel and integrator of sustainability, developing solutions that drive long-term environmental and social impacts.

We believe that the collective effort of everyone can drive impact towards a more sustainable world.



James M. Donovan
Chief Executive Officer
ADEC Innovations Corporation

RATIONALE

ADEC Innovations Corporation (ADEC Innovations) drives sustainability by translating the vision, ideas, and goals of organizations into real action and value. ADEC Innovations provides technological and professional solutions to governments, coalitions, and enterprises, allowing them to harness sustainability in operation and meet compliance challenges. For the past years, the Company has been pursuing Sustainable Development Goals (SDGs) through a multi-sectoral approach to innovation, helping organizations grow and operate responsibly. Since July 2014, we have been an active member of the United Nations Global Compact (UNGC) in advancing the four principles of global business – human rights, labor, environment, and anti-corruption.

This Sustainability Report covers the January to December 2018 fiscal year, which also serves as the fifth annual Communication on Progress (COP) of the company to the UNGC. Continuing the advanced level of reporting from last year's, ADEC Innovations remains consistent with its sustainability vision, values and business core, aligning with the UN SDGs. This year's sustainability reporting aims to:

- ▲ Evaluate the progress of the business operation and management in responding to the global business principles of UNGC in 2018;
- ▲ Assess the impacts of its operation to the economy, society, and environment, and the corresponding management approach in each materiality topics;
- ▲ Present the new programs, actions, and enhanced policies and management that advance human rights, labor, environment, and anti-corruption;
- ▲ Determine our contributions to the UN SDGs; and
- ▲ Maximize the potential of driving global impact across the three pillars of sustainability – economy, environment, and society.

2018 MILESTONES

ADEC Innovations continues to drive impact globally by enhancing its portfolio of services and products that provide sustainable business solutions to various sectors – governments, private sector, multilateral stakeholder organizations, and institutions.

Our management and controls were assessed and improved in 2018 to better encapsulate the objectives of international standards on quality, environmental, and information systems management. ADEC Innovations expanded its reach by providing disruptive innovations and technology to address the sustainability needs of clients, developing engagement frameworks, impact investment platforms, and monitoring and evaluation mechanisms.

In addition, the leadership of ADEC Innovations has also been recognized by its partners. Mr. James Donovan, the CEO of ADEC Innovations, was appointed as one of the Business and Industry Major Group Representatives to the United Nations Environmental Assembly (UNEA).

By being a fortress of sustainability in the business field, our company continues to enhance its services, improves its risk controls, and partner with like-minded organizations to strengthen its positive impact.





2020 STRATEGY

Cognizant of the United Nations' Agenda 2020, ADEC Innovations continues to tap the potential of big data analytics and technology in creating platforms that foster collaboration amongst industry coalitions, increase transparency, optimize organizational operation, and realize the vision of our clients. While we have deployed our solutions in more than fifty countries worldwide, we acknowledge that there's still more to be done to win the battle against climate change and meet societal demands.

We will continue to invest in research to find solutions to some of the greatest challenges facing our planet today, hence, make a difference. We are optimistic that through our diversified portfolio, we will be able to bring solutions that enable, society make better choices for themselves and for future generations to come.

Technological optimism, however, does not escape the need of actual investments for sustainable development. ADEC Innovations will continue to reframe our organization's operating model to align our purpose with the SDGs in a financially sustainable way. We will strengthen our Impact Capital arm to provide new approaches for investments that generate broad socioeconomic benefits – investing in niche markets not only to facilitate private capital returns, but also achieve significant development results.

GRI REPORTING GUIDELINES

The 2018 Sustainability Report references the 2016 GRI Standards for reporting of operation, management disclosures and impacts related to the economy, environment, and society. It is structured to reflect these three pillars of sustainability in support of the Ten Principles of UNGC on human rights, labor, environment, and anti-corruption.

This report observes the Reporting Principles of the 2016 GRI Standards.

- ▲ **Accuracy.** Data and other relevant documents provided by each department were validated and scrutinized prior to reporting, ensuring the integrity of information and reliability of measurements and methods applied.
- ▲ **Balance.** Disclosures accounted for both the positive aspects of the business as well as areas that need further improvement, eliminating any possible biases in the presentation.
- ▲ **Clarity.** Operation, management risks and controls, and materiality topics – economic, environmental, and social – are presented in a concise and understandable format, incorporating more figures and infographics for easier understanding of the readers.
- ▲ **Comparability.** The 2018 performance of the company is compared with the outcome of the previous years to determine any trend and progress with respect to employment, utility consumption, and other indicators.
- ▲ **Reliability.** The report had been circulated to the management and concerned departments for their review prior to publishing.
- ▲ **Timeliness.** ADEC Innovations has been consistent in submitting the COP to UNGC annually, ensuring the timeliness of the content.

Impacts and management disclosures of ADEC Innovations per materiality topics are attached as Annex B, with reference to the sections of this report from which they could be found.

SCOPE AND LIMITATIONS

This Sustainability Report covers the Company's progress and impacts on the economic, environmental and social dimensions over the 2018 fiscal year, with the scope covering the Philippine office – ADEC Innovations Corporation. Operation and activities of the global network offices of ADEC Innovations are excluded from this report.

METHODOLOGY

This Sustainability Report adopted the materiality topics of the 2017 report to maintain continuity and surface any trends relevant for assessing the overall sustainability performance of the company. Impacts and management disclosures of ADEC Innovations are clustered based on the materiality topics under the economic, environmental, and social aspects. Improvements in the performance based on its comparison with the previous year are highlighted in this report, including the company's compliance with international guidelines and standards.

ADEC Innovations Corporation conducted consultations and group discussions with the major stakeholders including the organizational entity management – finance, purchasing, human resource, legal, internal audit, research and development, compliance office, facilities group and operation team. Findings of the data gathering covering the 2018 fiscal year are presented in this report, with the discussion defined along the principles of human rights, labor, environment and anti-corruption, and aligned with the SDGs pursued by the Company. Rounds of reviews involving the senior management were conducted to verify the information and ensure the quality of the assessment.

The audited financial statement, which reflects the company's stability, profitability, encountered risks, and financial resources, is attached as Annex C.

RESPONSIBLE BUSINESS

UNGC TEN PRINCIPLES

ADEC Innovations Corporation is an active member of the UNGC since 2014. The company has been reporting its performance and commitment to the UNGC Ten Principles revolving on the spheres of human rights, labor, environment, and anti-corruption. In pursuit of our commitment towards sustainability, we continuously enhance our sustainable business solutions including Data-as-a-Service, Software-as-a-Service, Professional Services, and Workforce

THE TEN PRINCIPLES OF THE GLOBAL COMPACT

HUMAN RIGHTS

- Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights.
- Principle 2** Businesses should make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4** Businesses should uphold the elimination of all forms of forced and compulsory labor.
- Principle 5** Businesses should uphold the effective abolition of child labor.
- Principle 6** Businesses should uphold the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7** Businesses are asked to support a precautionary approach to environmental challenges.
- Principle 8** Businesses should undertake initiatives to promote greater responsibility.
- Principle 9** Businesses should encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10** Businesses should work against corruption in all its forms, including extortion and bribery.

Solutions to address environmental challenges and drive impact in the areas of economy, environment, and society. We continue to invest in research services and products to meet the requirements of clients in optimizing their operation and creating innovative programs to further contribute to the SDGs.

For a transparent, adept, and comprehensive COP, this 2018 sustainability report provides a GC Advanced Level assessment of our progress over the past year, including the company's significant contributions made to SDGs. The advanced level of reporting is based on the combined minimum requirements and self-assessment on additional advanced criteria, as reflected in the UNGC COP Policy.

COP MINIMUM REQUIREMENTS

- Statement of support and expression of interest from the Chief Executive of ADEC Innovations Corporation.
- Description of the practical applications and disclosure of the management approach, actions, programs and systems applied to implement the UNGC principles covering the four areas – human rights, labor, and environment.
- Evaluation of the measured outcomes, consisting of both qualitative and quantitative performance results.

ADDITIONAL ADVANCED CRITERIA

- Translation of the Ten Principles into Strategies and Operations.
- Actions taken in support of the United Nations Goals and Challenges.
- Corporate Sustainability Governance and Leadership.

GLOBAL SUSTAINABLE GOALS

The United Nations' Agenda 2030 for sustainable development is part of ADEC Innovations core operation. ADEC Innovations live up to the challenge of addressing the SDGs through a wide array of sustainable business solutions, from developing applications that green the supply chain of our clients, to creating partnership programs for initiatives on climate change action and impact investment.

Global ADEC promotes 14 of the 17 SDGs. ADEC Innovations Corporation localizes three of the SDGs:

- ▲ SDG 13 Climate Action through greenhouse gases (GHG) emissions reduction efforts.
- ▲ SDG 11 Sustainable Cities by developing efficient and environment-friendly applications, innovative products, and professional services
- ▲ SDG 17 Partnerships through collaboration with governments, coalition, and multi-stakeholder organizations.

PARIS AGREEMENT

The Paris Agreement is one of the transformative agenda of the United Nations that encouraged member states to contribute in reducing the increment of global temperature to 1.5°C. In support of this global pact, member states, including the Philippines, have refined their respective targets, policies, and programs for the nationally determined contributions (NDCs). As part of the efforts of the private sector, ADEC Innovations supports the requirements of organizations on energy, air,



carbon management and other sustainability management solutions including tracking of GHG emissions.

BUSINESS VALUES

The core business of ADEC Innovations Corporation is deeply rooted in creating an impact that advances the SDGs by helping governments, enterprises, and coalitions optimize their organizational performance and realize their vision through innovative sustainable business solutions. ADEC Innovations supports various UN agencies in responding to the call towards sustainable development.

ABOUT ADEC

WHO WE ARE

ADEC Innovations Corporation (ADEC Innovations) is a global group of companies that designs, develops, and delivers a comprehensive and cutting-edge portfolio of sustainable business solutions to meet the environmental, social, and governance (ESG) thrust of the world's leading organizations. At our core, ADEC Innovations harness the transformative capacity of data combined with professional services for the governments, coalitions and enterprises.

WHAT WE DO

ADEC Innovations provides solutions to the public, private, and non-profit sectors to help organizations quickly implement sustainability and data-driven innovations through its core expertise. ADEC Innovations integrates sustainability subject matter expertise, software, and data management services into a fully customized experience.

“We translate ideas and goals into real outcomes that deliver value.”

36 Years of industry experience

10 Years of environmental and social sustainability expertise



Industry Expertise Solutions. Pool of global development experts who provide advice on the design and delivery of solutions in the critical areas of sustainable development such as health, education, energy, and climate change.

From emissions and water analysts to project managers and data experts, ADEC Innovations pulls together multidisciplinary teams to provide organizations with the knowledge and tools they need to craft a comprehensive and impactful sustainability strategy.

Data Management Solutions. Standardizing, uploading, and managing data - providing expertise along the way to identify data gaps, and implement process efficiencies to streamline the entire data collection and management process.

Data management and processing solutions provide visibility and actionable insight across the supply chain, stakeholders, investors from various channels, and sources.





Workforce Solutions. Building a solid sustainability strategy requires sound data collection and management throughout the operations and value chain of an organization.

ADEC Innovations fully integrates world-class expertise in back-office data processing with consulting and software to deliver comprehensive solutions that meet the client's unique needs.

Software Solutions. Custom and Enterprise IT solutions that address the needs of clients, combined with industry knowledge, technology expertise, and unique architecture.

Our company develops seamless suite of solutions that help organizations achieve their goals and measure key sustainability metrics. From planning to system design and scale-up, ADEC Innovations understands and supports the unique and wide-range needs of impact organizations and multi-stakeholder groups.



1500

Clients



8000

Projects



3300+

Active ADEC
Software Users

ADEC Innovations deploys strategies and solutions to ensure the long-term viability of its clients. Our services and products worldwide deliver big data architectures and focused-sustainability analytics in the areas of data management, health solutions, sustainability, environmental data services, and knowledge management.

ABOUT ADEC

WHERE WE ARE

With over 30 years of experience in providing ESG solutions and presence in five (5) continents – Asia, Australia, Europe, Africa, and North America, ADEC Innovations advances sustainable practices around the world and helps clients achieve sustainability through digital transformation.

GLOBAL REACH



+20
Locations



5
Continents



13
Countries

CALIFORNIA | UTAH | CONNECTICUT | NEW YORK | CANADA
UNITED KINGDOM | GENEVA | PARIS | PORTUGAL | DUBAI | KENYA
CHINA | SINGAPORE | AUSTRALIA | PHILIPPINES

HOW WE STARTED

Established in 2009, ADEC Innovations Corporation (formerly F-I-R-S-T Carbon Solutions) provides carbon management services and environmental data management solutions for private sector, governments, and coalitions across the globe.

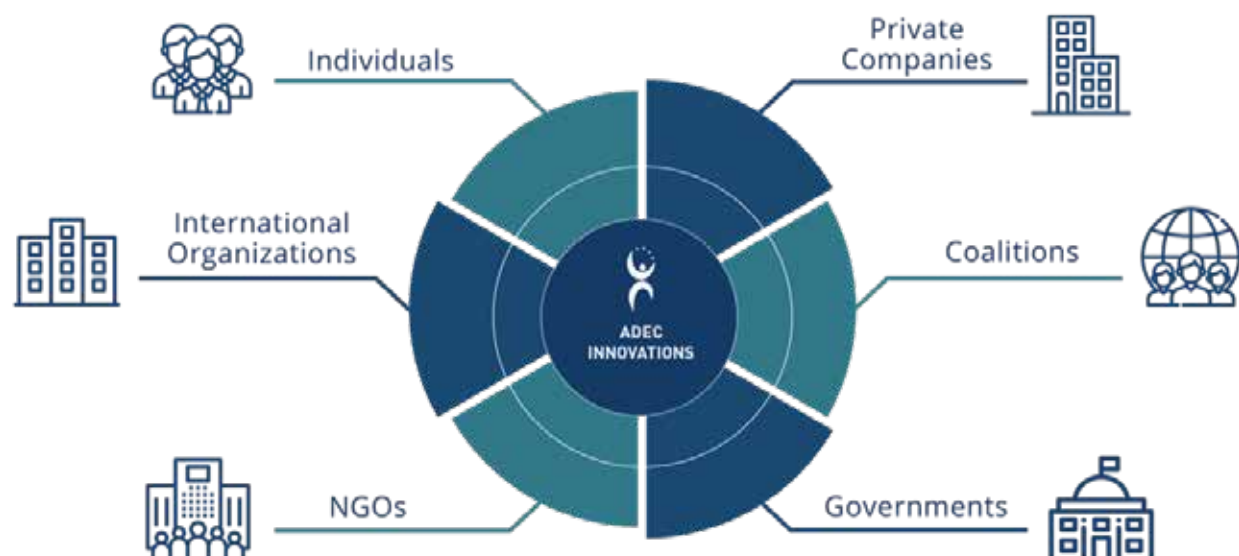
We are part of ADEC Innovations Group of Companies, that offer back-office support to improve the operations and scale up the business of Fortune 500 companies.

Today, the group has diversified into the sustainability space, expanding sustainable investment in the development of carbon emission enterprise software, energy efficiency solutions and supply chain solutions among others.



WHO DO WE SUPPORT

Our wide array of products and services enable various stakeholders and changemakers to grow and operate sustainably.



BUSINESS CORE

Over the years, ADEC Innovations has come a long way in the sphere of sustainability, earning International Organization for Standardization (ISO) certifications, receiving awards, building a pool of credible environmental experts, and creating partnerships with various companies and organizations across the globe. In 2010, the Company acquired a leading environment management company and expanded its operation in China. ADEC Innovations was selected as a CDP Supply Chain Scoring Partner in 2011, helping 1,300 companies understand the impacts of climate change across the supply chain. With the growing network of the Company, it has revolutionized the facets of sustainability, and engaged with organizations and global institutions, including United Nations, in extending the horizon of data and knowledge for the Agenda 2030.

We aim to empower organizations, governments, and the private sector through the co-creation of innovative solutions, supplemented by a holistic set of services that would help them reach optimum growth and performance. ADEC Innovations accomplishes its mission by offering fully integrated services that cater to various types of industries.

ADEC INNOVATIONS

ADEC Innovations advances sustainable practices around the world, and helps organizations grow and operate responsibly. Seamlessly delivering fully-integrated, cost-effective consulting, data management and software solutions, ADEC Innovations helps client save time, reduce costs, optimize resource use, and drive operational efficiencies in a world where sustainability matters.

VISION

A global leader in sustainable business solutions.

MISSION

Co-creating innovative solutions and quality services to optimize business performance.

The solutions include data management, software, and professional expertise geared towards delivering the following outcome:

- ▲ Greenhouse (GHG) gas emission reduction
- ▲ Air pollution reduction
- ▲ Business sustainability and mitigation of environment-related business risks
- ▲ Compliance with national and local standards
- ▲ Optimum business operation and organizational performance
- ▲ General wellbeing of stakeholders



Transforming organizations into sustainable operations

CORE VALUES

ADEC Innovations is anchored on its five CERTIC Principles, maintaining the highest level of operational standards and excellence, and adhering to human rights and labor laws. With a business founded on values and quality service, ADEC Innovations

has refined its focus over the years and developed a system of excellence. CERTIC values are inculcated within its employees and integrated in the culture and operational system of the company. Driven by the CERTIC core values, clients and stakeholders could be assured of a holistic approach to solving the challenges of business and the environment.

C

Customer Focus

Continuously understanding the unique needs of our clients, enabling us to deliver unparalleled customer solutions through our world-class services

E

Excellence

Being dynamic, innovative and passionate for learning, fueling our relentless pursuit to achieve the highest levels of standards in everything we do.

R

Respect

Treating stakeholders, clients, employees, suppliers and community with courtesy and compassion.

T

Teamwork

Proactively working together and being accountable to each other to achieve our goals

I

Integrity

Advocating honesty in our workplace by doing the right thing even when no one is looking.

C

Commitment

Making things happen by creatively maximizing our resources to ensure each other's success.

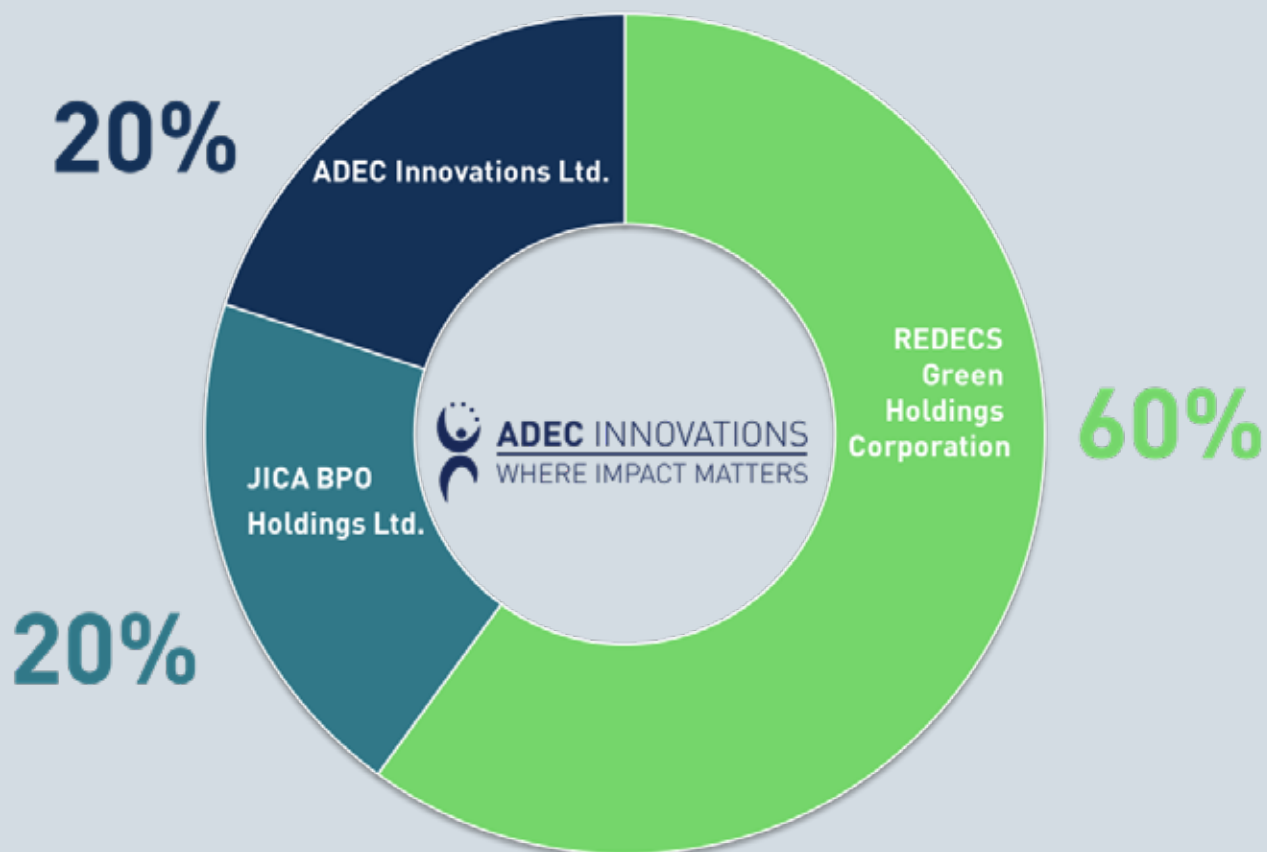
OWNERSHIP

ADEC Innovations Corporation is shared by three companies, with REDECS Green Holdings Corporation (REDECS) owning 60% of the shares. REDECS is a Philippine-registered business entity engaged in property disposal. The remaining 40% is equally shared between ADEC Innovations, Ltd. (formerly ADEC Solutions, Ltd.) and JICA BPO Holding Ltd.

ADEC receives trickle financial support from the private sector and organizations, and none from the government.

OWNERSHIP STRUCTURE

(as of December 2018)



ADVOCACY, CERTIFICATIONS AND RECOGNITIONS

ASSOCIATIONS

ADEC Innovations Corporation and its affiliate companies under the ADEC group have strengthened partnerships with various multilateral organizations, providing support and consultation on the role of big data as one of the emerging environmental assessment tools that would aid in bridging data and information gaps.

Since 2015, ADEC Innovations has been involved in various engagements with the United Nations in advancing sustainable development. As part of the Business Advisory Board of the United Nations Economic Commission for Europe (UNECE), James Donovan, the CEO of ADEC Innovations Group of Companies, progressively promotes Public-Private Partnerships (PPP) across the countries, fortifying the role of the private sector in addressing the SDG gaps. In 2017, Mr. Donovan was assigned by the United Nations Environment Programme (UNEP) as a Contributing Author for the Data and Knowledge Chapter for the sixth Global

Environment Outlook (GEO 6) which presents the current state and trends in the environment as well as the outlooks and pathways towards achieving a sustainable governance. Through the GEO 6 Report published by the Cambridge University Press in March 2019, UNEP aims to support governments in drawing decisions and drafting policies based on scientifically-sound evidences and environmental assessments. ADEC Innovations has been actively participating in the United Nations Environment Assembly (UNEA) since its First Assembly in 2014. In 2018, ADEC Innovations CEO, James Donovan, was appointed as one of the Business and Industry Major Group Representatives to United Nations' Environment Major Group Facilitating Committee (MGFC). Mr. Donovan represents the business sector in MGFC, a sector-focused group accredited with UNEA.

ADEC Innovations is associated with coalitions that have advocacies in the field of business, innovation, green building, healthcare, sustainability, and information technology.

ASSOCIATION OR AFFILIATION

STATUS

CDP (formerly Carbon Disclosure Project)	One of CDP's scoring partners and go-to solutions provider
British Chamber of Commerce Philippines (BCCP)	Active Member
Australian-New Zealand Chamber of Commerce (ANZ Chamber)	Active Member
American Chamber of Commerce (AMCHAM)	Active Member
Australia Philippines Business Council (APBC)	Active Member
Healthcare Information Management Outsourcing Association of the Philippines (HIMOAP)	Active Member
IT & Business Process Association Philippines (IBPAP)	Active Member
United Nations Environment Assembly (UNEA) Stakeholders Group	Active Member
Philippine Management Association of the Philippines (PMAP)	Active Member
World Association of Non-Governmental Organizations (WANGO)	Active Member
United Nations Environment Business and Industry Major Group	Major Representative

ABOUT ADEC

ADEC Innovations has also teamed up with consultancy firms, engineering software companies, and respectable agencies in developing supplemental solutions, adding more value to the services that we currently provide to clients. Partnering with organizations over the past years has equipped the company with the right blend of experience and technology to cater to the needs and requirements of the clients.

ACCREDITATION

ADEC Innovations fosters excellence and quality in delivering the best products and solutions to our clients. Over the years, ADEC Innovations has received numerous accreditations, recognitions, and certifications for pursuing the global standards on information, environmental, and quality management. Our Company has been accredited as a scoring partner and consultant for environmental services. List of certifications and licenses from industries and international organizations given to ADEC Innovations, including through its affiliate company, AMDATEX, are provided below:

- ▲ CDP Accredited Provider
- ▲ Information Security Management Systems (ISMS) (ISO/IEC 27001:2013)
- ▲ Environmental Management System (EMS) (ISO 14001:2015)
- ▲ Quality Management System (QMS) (ISO 9001:2015)
- ▲ Sedex Member Ethical Trade Audit (SMETA)
- ▲ GSA Contract for ADEC Innovations Corporation ghgTrack™
- ▲ GSA Contract for Consulting Services



RECOGNITIONS

ADEC Innovation, including ADEC Innovations Corporation and its affiliates, has been recognized by both local and international award-giving bodies over the years. Recently, the Company has been nominated for different awards, across categories involving leadership, sustainability, environmental advocacy, and innovation initiatives.

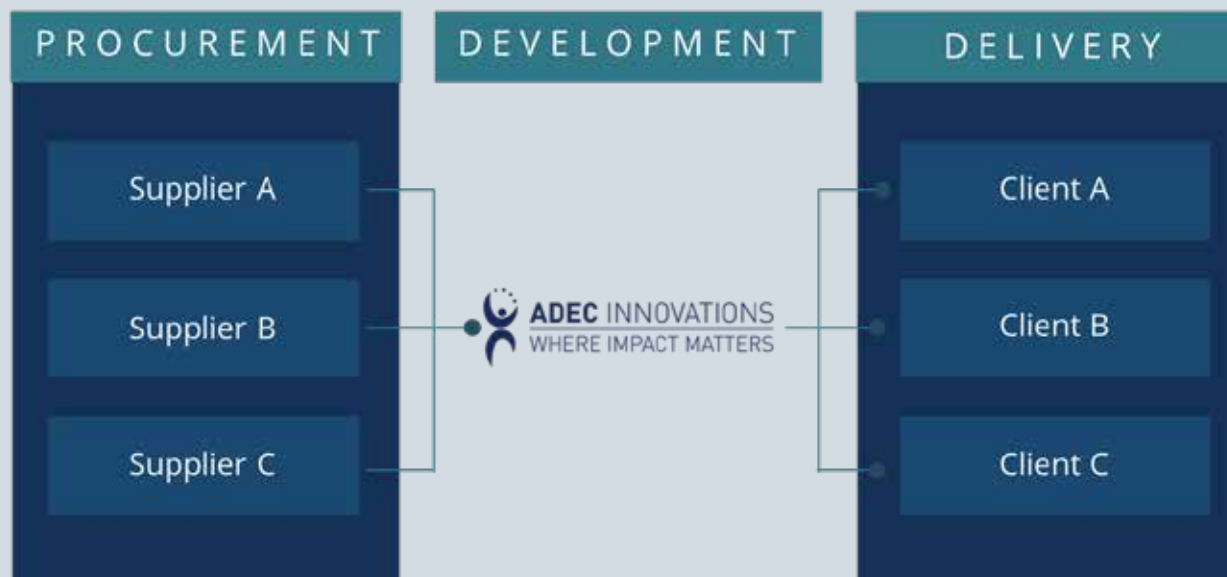
- | | |
|------|--|
| 2018 | <ul style="list-style-type: none"> ▲ CleanChain, a supply chain and chemical data system developed by ADEC Innovations was recognized by UNCTAD-ISAR for providing an innovative data visualization for industry's supply chain. ▲ ADEC Innovations was awarded with the Excellence Award for Service Export by the Philippine Department of Trade and Industry (DTI) in recognition to the company's significant contributions to the services outsourcing industry, namely in the field of knowledge process outsourcing (KPO). ▲ EnviroSite Corporation, an affiliated company of ADEC Innovations Corporation, honored with the Project Merit: Information Technology award for its groundbreaking Open Environmental Data (OED) Platform, as part of the 2018 Environmental Business Journal® (EBJ) Business Awards. |
| 2017 | <ul style="list-style-type: none"> ▲ CleanChain, named as Sustainability Product of the Year by the Business Intelligence Group, an organization that honors the best sustainability practices of the business sector, recognizing for-profit and not-for-profit organizations. ▲ CleanChain, awarded the 2017 Green Supply Chain Award from Supply & Demand Chain Executive for the product's positive impact to the environment and contribution to achieving the sustainability goals. |
| 2016 | <ul style="list-style-type: none"> ▲ ADEC Innovations' CEO, James M. Donovan, recognized as the JLL Expatriate Executive of the Year at the Asia CEO Awards |
| 2014 | <ul style="list-style-type: none"> ▲ ADEC Innovations won in the Business Responsibility & Ethics category and received a special citation in the "Energy Management" category at the 1st Sustainable Business Awards Philippines. ▲ EnviroSite Corporation, bagged the Oracle Technology Company of the Year Award at the Asia CEO Awards. ▲ Mr. Donovan received the South-South and Triangular Cooperation Visionary Award from the United Nations Office for South-South Cooperation at the Global South-South Development Expo held in Washington DC. |
| 2013 | <ul style="list-style-type: none"> ▲ Mr. Donovan, along with Carol S. Esguerra, received the Executive Leadership Team of the Year Award at the Asia CEO Awards. |
| 2011 | <ul style="list-style-type: none"> ▲ ADEC Innovations Corporation won the "Most Innovative Company of the Year" at the 5th ICT International Awards Philippines. |
| 2010 | <ul style="list-style-type: none"> ▲ ADEC Innovations Corporation won the Best Eco-Industrial Service at the 2010 Philippine International Eco-Show Awards |

ESG SOLUTIONS SUPPLY CHAIN

Sustainable business solutions catering to the ESG requirements of the businesses involve three phases of development, from inception to delivery. Each phase integrates process of quality assessment, consultation, and audit to ensure the quality of the products and services. During the procurement phase, a consultation with the client is conducted to determine the requirements and to propose the most feasible and sustainable solution. The software, platform or program is then created based on the set targets,

objectives, criteria, and specifications. After development, the sustainability business solution is subjected to pilot testing, and quality assurance and control procedures prior to deployment. ADEC Innovations monitors and evaluates the performance of the product with regard to the set key performance indicators. Any feedback is then forwarded to the ADEC Innovations Project Team for continuous improvement, as part of the learning process mechanism.

ADEC's Supply Chain Framework



PRODUCTS AND SERVICES



GLOBALLY ACCESSIBLE INFORMATION SYSTEM AND TECHNOLOGY PLATFORM

MetricsTRAC™ is a software-as-a-service (SaaS) technology platform containing a suite of ESG applications that measures carbon footprint, provides information on the impacts of business operation, and manages data. Its highly scalable and customizable feature maximizes resource use, reduces operational costs and improves sustainability performance.



INTEGRATED SOFTWARE AND DATA BUREAU

CleanChain™ is a data supply system that has consolidated operational and personnel information sourced from retail brands, suppliers and factory managers by the data bureaus. It is an ADEC innovation that automates and improves data collection of chemicals to help brands and apparel companies analyze their supply chain, measure chemical conformance against ZDHC's Manufacturing Restricted Substance List, and implement corrective action plans.



LARGE SCALE BUSINESS AND KNOWLEDGE PROCESSING

ADEC Innovations is regarded as one of the leading experts in the functional requirements of the CDP (formerly known as the Carbon Disclosure Project). As CDP's global scoring partner since 2010, ADEC Innovations designs, builds, and operates CDPI Insights™, a multilingual, web-based application to complement and streamline CDP's existing online response system. ADEC Innovations utilizes CDPI Insights™ to monitor CDP scores, assess with previous results, and obtain a copy of performance review report, helping clients to improve their climate change strategies and programs.

CLIENTS

ADEC Innovations has served the following clients over the past year:



HUMANITARIAN LEADERSHIP ACADEMY

ADEC provides digital learning support to Humanitarian Leadership Academy by creating online courses to help volunteers learn about efficient and effective disaster risk reduction and management.



CARBON DISCLOSURE PROJECT

CDPInsights is a consulting service package that helps companies develop and execute climate change, water, and forest-initiatives.



MAKATI CITY

ADEC's MetricsTrac helps monitor, manage and improve resource use and costs. Makati City in the Philippines uses MetricsTrac to monitor and reduce the city's greenhouse gas emissions.



UNDP-BIOFIN & DENR-BMB



ADEC Innovations, through its advocacy arm ADEC Foundation and together with UNDP-BIOFIN and DENR-BMB, developed the Biodiversity M&E and Investment Platform which aims to ensure public and private investments towards the conservation and promotion of Philippine biodiversity.



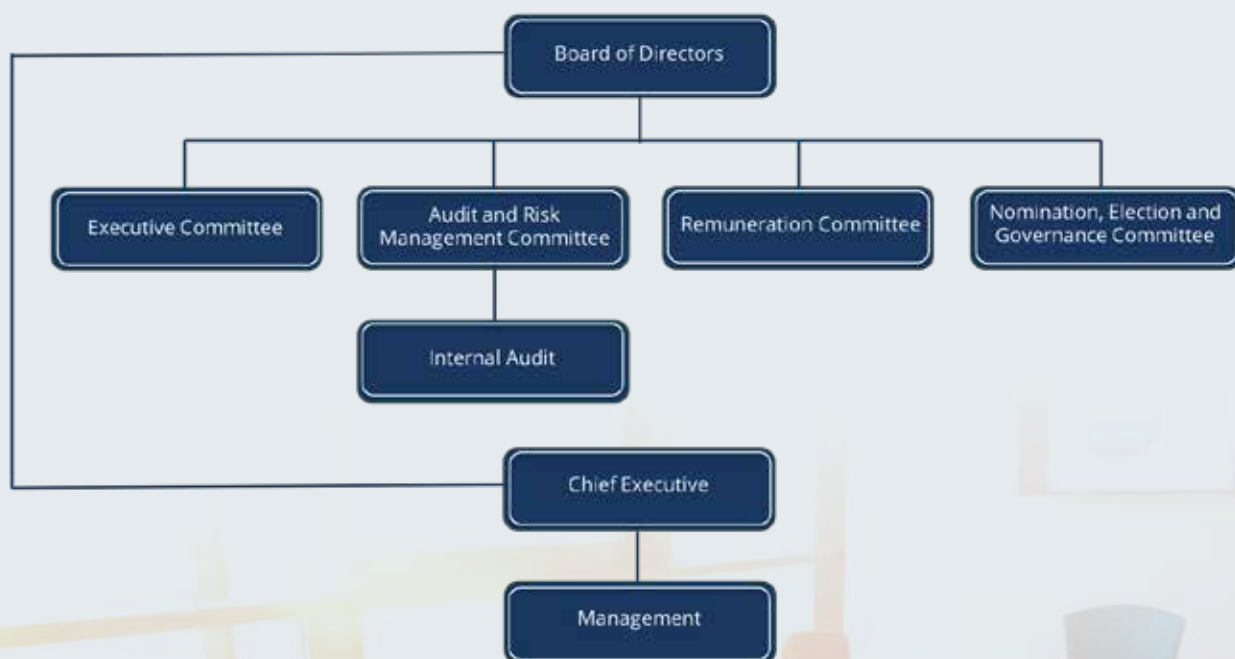
ZERO DISCHARGE OF HAZARDOUS CHEMICALS

ADEC's CleanChain, a monitoring, reporting and evaluation tool, is being used by a coalition of global fashion brands to gain visibility and insights into the chemical use in their supply chain.

GOVERNANCE STRUCTURE AND DIRECTORS

The Board of Directors oversee the operation of ADEC Innovations Corporation, with the core business managed by the four committees. With the assistance of the Senior Management, the Chief Executive Officer aligns the operations with the organization's vision, ensuring their harmonious cooperation towards the achievement of the company's overall goals.

ADEC Innovations' Board Structure



Board of Directors

The Board of Directors ensure the general welfare of the Company and its stakeholders, while maintaining sustainable growth and remaining competitive in the market. This independent body monitors the overall operation of ADEC Innovations, tracks the progress of the Management, and scrutinizes the judicious implementation of company rules and regulations. The Board has an internal control of the company and observes the selection process in choosing the most credible leadership through an inclusive participatory plan. In collaboration with the Management, the company conducts an annual business operation and strategic plan review.

JAMES DONOVAN

Chief Executive Officer

Mr. Donovan was elected as Chairman of the Board in 2013. He is concurrently the CEO of ADEC Innovations and likewise, the President and Co-founder of F-I-R-S-T Carbon Solutions in USA, Australia, and the United Kingdom. He also worked as Vice President of Lehman Brothers Investment Bank Ltd. from 1989-1991 and Vice President of Daiwa Securities from 1993 to 1996.

CAROL ESGUERRA

Chief Financial Officer

Ms. Esguerra is concurrently the Chief Financial Officer and Director of REDECS Green Holdings Corporation, JICA BPO Holdings Limited and ADEC Innovations. She is also a co-founder of F-I-R-S-T Carbon Solutions in the USA, Australia and the United Kingdom.

VICENTE P. REVENTAR III

Chairman of the Board

Mr. Reventar has been a Director of the Company since 2011, and concurrently, the Chairman of the Department of Quantitative Management and Information Technology at John Gokongwei School of Management, Ateneo de Manila University, where he has been a faculty member for almost 40 years. He was the President of SVI Technologies from 1997 to 2003 and served as Senior Vice President for the Home Development Mutual Fund from 1981 to 1996.

DONALD R. FELBAUM

Independent Director

Mr. Felbaum was elected as an Independent Director of the Company in 2012. He is also an Independent Director of Merlin Philippines, Blue Cross Philippines, SPi Global and Integra Business Processing Solutions Inc, and the Managing Director of OPTEL Ltd. He is also the Vice President of PAMURI and an Ex-Officio of AMCHAM.

JOSE RENATO T. BADELLES

Director

Mr. Badelles is a Director of the company and is the President and Director of AMDATEX Las Piñas Services, Inc., and AMDATEX Services Corp.

SHERWIN JOHN Y. LIM

Independent Director

Mr. Lim was elected as an Independent Director of the Company in 2012. He is concurrently the President of Asian Bonded Customs Warehouse Corporation. Previously, he was a Director of Taiga Building Products.

Board Committees

Executive Committee

The Executive Committee makes the high-level decisions in the Company, whenever the need arises. The Board of Director observes the procedures that have created the executive committee. By virtue of the Corporate By-Laws and in accordance with the Corporation Code of the Philippines, the Executive Committee may convene and act upon any decisions through majority voting.

Nomination, Election and Governance Committee

The nomination, election, and governance committee monitors the electoral and appointment process of the next leaders and management of the Company, making sure that no conflict of interest is involved in line with the appointment. Nominees are screened and evaluated based on their credentials, track records, performance, values and integrity, which may contribute to the growth of the Company. This committee establishes the performance evaluation scheme and hones the skills of succeeding leaders by providing leadership programs before they assume office.

Remuneration Committee

This committee screens the remuneration package policy for the directors and officers, ensuring transparency within the process and across departments. The Chairman of the Board and two directors of the committee ensures that the package offered is commensurate to the credentials and performance of the managers. A separate committee composed of two directors and headed by the Vice Chairman reviews the remuneration package given to the Chairman of the Board to avoid conflict of interest.

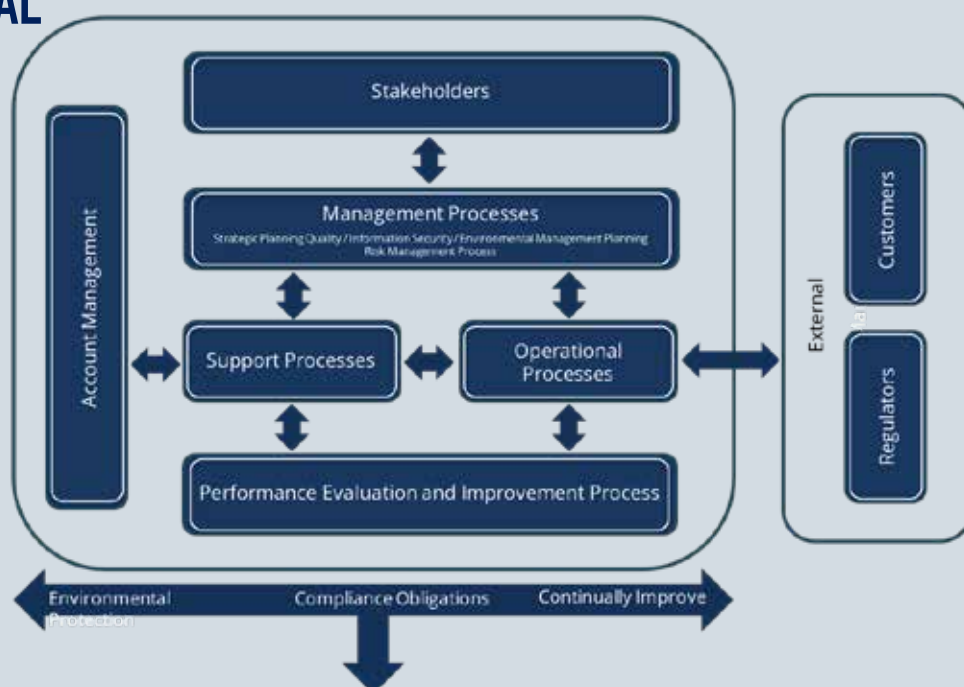
Audit and Risk Committee

The audit and risk committee scrutinizes the internal operation system, assessing any oversight on financial, internal control, audit, and monitoring of compliance with both local and international standards. The committee is composed of accounting, audit, finance and legal professionals who evaluates the engagements and operations of the Company in terms of conformance to environmental, information and management guidelines.

MANAGEMENT SYSTEM AND OPERATION

The Management guides each organizational entity in implementing the procedures on business operation including account management, management process, support processes, operational processes, and performance evaluation and improvement process. An external rating agency scrutinizes the financial statement and stability of ADEC Innovations as part of the due diligence process. Please see attached Annex C for the ADEC Innovations Corporation audited financial report for 2018.

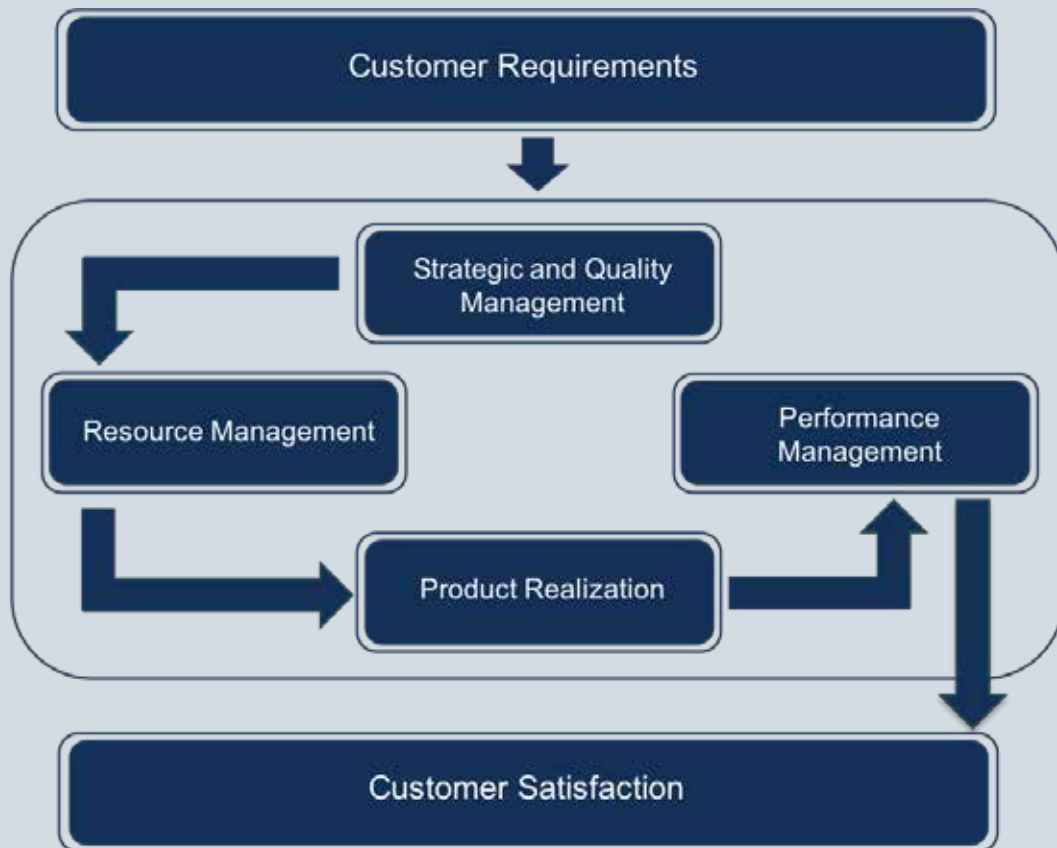
ORGANIZATIONAL SYSTEM



BUSINESS OPERATIONS AND CONTROLS

ADEC Innovations implements the highest quality control and participation amongst its clients in delivering quality services and products. The senior management monitors the operation of the organizational entities to ensure that procedures are observed and the culture of innovation is embedded in the business. The product and management flow involve the: (1) evaluation of the requirements of the client through consultation; (2) using the necessary manpower, trainings and resources to deliver the requirements; (3) translation of client's expectations into a tangible platform; and (4) performance tracking to determine the longevity of the client's operation. Strategic plans are deployed to maintain and regulate the quality of product and service flow.

PROCESS AND MANAGEMENT FLOW



ADEC Innovations follows a Lead to Order process framework to continuously develop and improve the products and services, with each process shaping the project according to the expectations and requirements of the clients. This framework utilizes a process that engages the project team and various departments and organizational entities, weaving the functional efforts of the management and integrity of the system. Adherence to this improvement cycle strengthens value to the delivery.

LEAD TO ORDER PROCESS FRAMEWORK



RISK MANAGEMENT

TRANSPARENCY THROUGH RELATIONS

Investor Relations

ADEC Innovations has been a provider of a comprehensive array of sustainable business solutions that respond to the ESG thrust of the world's leading organizations for more than 30 years.

Media Relations

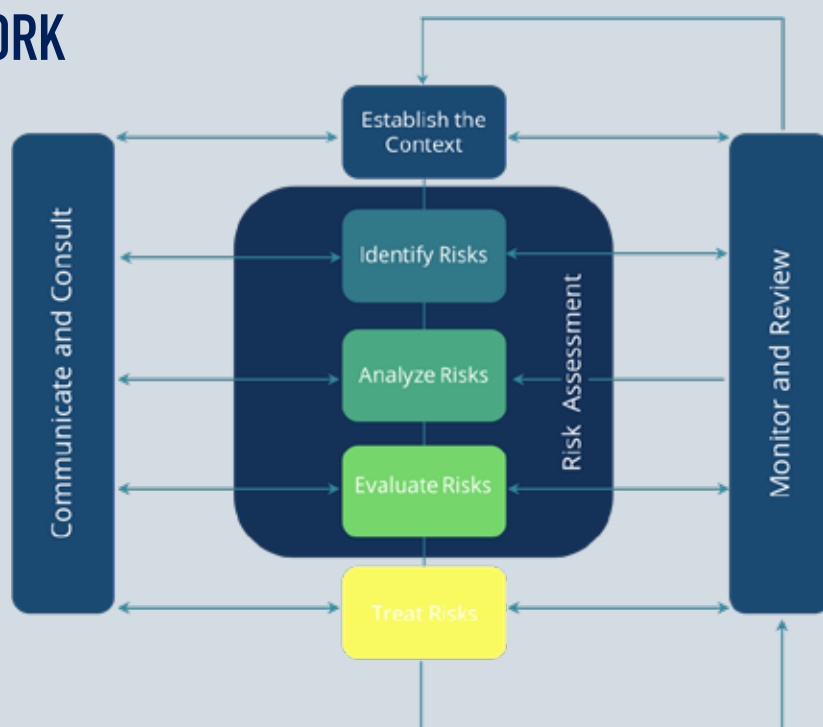
The Company has established a good reputation among its clients, customers, and stakeholders with the aid of media. The Company recognizes the significant role of media in promoting transparency

and accountability. The Management optimizes the potential of media as a conduit of information by sending out at least two exposures a month and conducting media rounds.

RISK ASSESSMENT

Risk assessment is conducted to identify any potential risks to the business and be able to address them early on. All offices of The ADEC Innovations Group of Companies, including ADEC Innovations Corporation, conform to the international guidelines, with stakeholder consultation and monitoring both forming significant facets of the ISO 31000:2018 Risk Management framework.

DEAL MANAGEMENT FRAMEWORK



BUSINESS RISKS

ADEC encounters a variety of risks as it progresses in the field of sustainability and grows its market. The main types of risks managed in 2018 include market and credit risk. Together with the Board of Directors - risk management measures are implemented and coordinated with the ADEC Innovations Group of Companies. The Company is not involved in speculative financial trading of assets. The risks to which ADEC Innovations is exposed to are described below.

Market Risk

Foreign currency risk

Although most of the ADEC Innovations' transactions are held in the Philippines, exposures of the Company to foreign currency risks arise from overseas sales in the United States, New Zealand, and Australia. Foreign exchange rates fluctuate which makes the Company vulnerable to risks in translating the foreign currency assets into Philippine Peso.

The 2018 audited financial statement of ADEC Innovations (Annex C) reveals that no outstanding financial liabilities denominated in foreign currency was noted in 2018.

Interest rate risk

The interest rate risk is not material for the Company. The financial instruments of the Company are not subjected to floating interest rate, except money in banks.

Credit Risk

Credit risk arises from the failure of a third party to discharge an obligation to the Company. Exposure to such kind of risk is related to the Company's financial instruments derived from the granting of advances to affiliated parties and

acknowledgement of receivables from the clients. Since ADEC Innovations has partnered with reputable banks that have high credit ratings, the vulnerability of the Company to credit risk is almost negligible.

ADEC Innovations is in good credit standing as none of the financial assets are secured by collateral or other credit enhancements. Part of the mitigation measures for the credit risks includes the regular monitoring of the Company's receivables and the timing of collections.



Liquidity Risk

The maximum liquidity risks determined for the fiscal year 2018 include trades and other payables, financial instruments due to a related party, other current liabilities, and security deposits.

To manage the liquidity risks, the cashflows are monitored regularly and the liquidity needs are identified on a day-to-day, week-to-week, and monthly basis.

Natural Disaster Risk

The Philippine headquarters is prone to natural disasters such as typhoon and earthquake, therefore posing risks to the business operation.

ADEC Innovations has a Business Continuity Management Plan that covers the measures and preparedness response should an emergency or disaster occur. The plan provides a guide on how to make the business become more resilient during periods of calamity or unforeseen natural events.

Technological Competition Risk

In the age of emerging data and technological revolution, market competition rises in terms of providing technological advantage, processing, and analysis.

With a growing competition, ADEC Innovations marks its edge by providing innovative and scalable sustainable business solutions that cater to the clients' needs, address the sustainability gaps, increase organizational function and efficiency, and ensure profitability.

Information Security Risk

ADEC Innovations' system is exposed to data security issues and breaches, which may possibly disrupt both the local and global operation. The Company is accountable for the data and knowledge exchange and

transmission of information from the client to the system. Unauthorized disclosures may lead to negative publicity, legal complaints, penalties, and other damages.

ADEC Innovations has a department that acts on any foreseen risks to data and information security, providing mitigating measures to address or prevent them.

INTERNAL CONTROL MECHANISM AGAINST RISKS

Leaders from each division, business units, and subsidiary implement the internal control mechanism to reduce, control or address the risks involved in the operational environment.

- ▲ Board oversees the management and supervision of the company.
- ▲ Management directly manages and operates the organizational entities.
- ▲ Management information and risk management reporting systems support the organizational and procedural mechanisms.
- ▲ Independent audit party monitors and evaluates the effectiveness and efficiency of the company's operations.

The management collaborates to orchestrate and harmonize the system of the Company and shield it against any forms of risks. The Executive Board of the Company oversees the implementation of the internal control mechanisms. Members of the Board convene to make decisions involving major issues, appointment of leaders, and review of policies and programs for the employees. The Internal Audit Head leads the internal audit committee in evaluating the organizational and operational controls based on the set of professional practices and Committee of Sponsoring Organization of the Treadway Commission (COSO) framework.

LINES OF DEFENSE

The internal control system of ADEC has three lines of defense against risks:

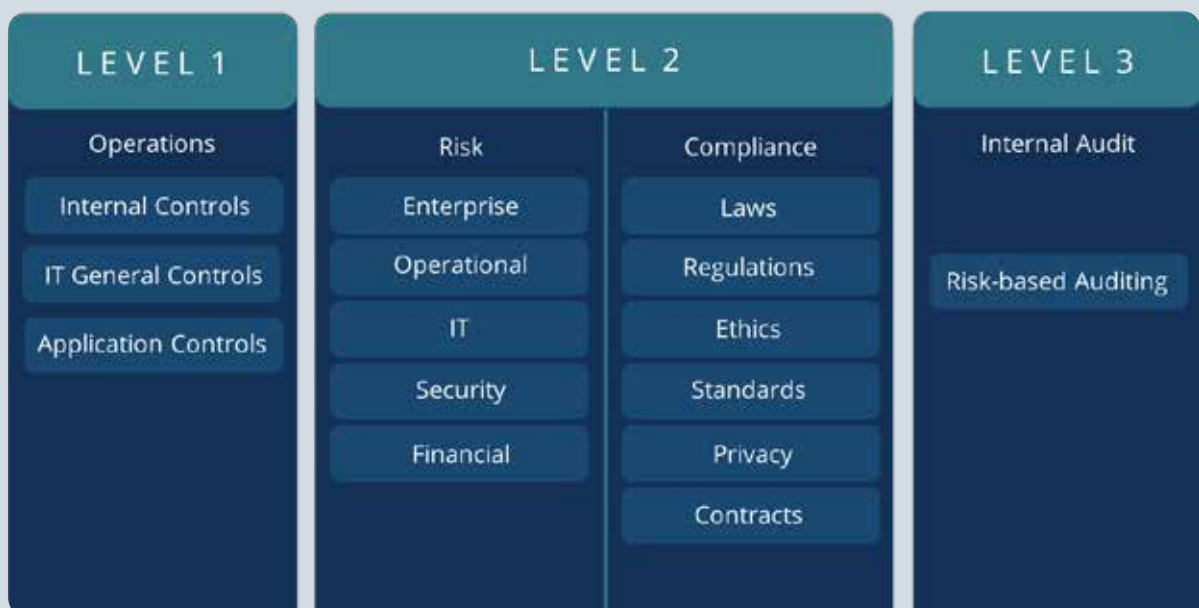
- ▲ Level 1 – Operations
- ▲ Level 2 – Risk and Compliance
- ▲ Level 3 – Internal Audit

COSO ENTERPRISE MANAGEMENT FRAMEWORK



The operations manager tracks the internal control, information technology, and application which form the first line of defense. A bottom-up approach is applied to risk management, starting from the operation of the business units and reaching the central processes such as production and legal actions. Risks are also controlled across the organizational hierarchy. In the second line of defense, any oversight from the first screening is evaluated. Vulnerability of the company to potential risks on legal, financial and compliance matters are scrutinized and controlled through the functions of the second line of defense, Risk and Compliance. The third line of defense provides independent assurance. Independent audit represents the third line of defense, and provides assurance on the effectiveness of governance, risk management, and internal controls. It assesses the effectiveness of the first and second lines of defense in achieving risk management objectives, and the effectiveness of the risk management and internal control framework.

THREE-LINE DEFENSE MECHANISM



COMPLIANCE

ADEC Innovations Corporation has access to the certifications and accreditations of its affiliate company, AMDATEX. ADEC Innovations Group of Companies, including ADEC Innovations Corporation, has established an integrated system on environmental management, information security, quality management, and ethical trade.

ISO 14001:2015, ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

ADEC Innovations is committed to protect the environment in its delivery of services and solutions, fulfill its compliance obligations and continually improve impact to the environment. This commitment originates from the organization's top management and is exemplified at all levels of responsibilities within the organization by:

- ▲ Integrating environmental concerns in business profitability and sustainability;
- ▲ Operating in compliance with all relevant environmental regulations and legislations;
- ▲ Establishing environmental objectives, targets and optimized programs to manage environmental risks through waste reduction and resource optimization from acquisition to product/service delivery;
- ▲ Raising environmental awareness and encouraging participative support among various levels of the organization and its stakeholders;
- ▲ Managing the use, storage and disposal of hazardous materials;
- ▲ Developing and maintaining appropriate environmental emergency preparedness and response protocols; and
- ▲ Continually improving environmental management through periodic review of key metrics to sustain environmental compliance performance.

ISO/IEC 27001:2013, INFORMATION SECURITY MANAGEMENT SYSTEMS (ISMS)

ADEC Innovations is committed to protect its information asset; adhere to applicable requirements; continually improve its information security supported by appropriate technology, and ensure business sustainability and continuity in the attainment of service delivery excellence. This commitment originates from the organization's top management and is exemplified in all levels of responsibilities within the organization achieved through:

- ▲ Preservation of confidentiality of all relevant information from internal and external unauthorized disclosure;
- ▲ Protection of the integrity of information to retain accuracy and completeness;
- ▲ Readily available information to authorized personnel;

- ▲ Compliance with applicable statutory and regulatory requirements, and consistent fulfillment of information security requirements of stakeholders;
- ▲ Institutionalized business continuity management, ensuring successful integration of improvement plans to maintain business resiliency;
- ▲ Measurement and analysis of information security management system performance;
- ▲ Effective identification, analysis, evaluation and treatment of information security risks;
- ▲ Provision of training to all employees and stakeholders; and engagement of all interested parties in achieving information security objectives; and
- ▲ Promotion of continual improvement of the information security management system, ensuring that it supports business strategy.
- ▲ Compliance with statutory and regulatory requirements, and conformance to international standards and best practices;
- ▲ Setting of quality objectives and measurement of its attainment, and conduct of regular review of quality management system performance;
- ▲ Integrating risk-based thinking, ensuring achievement of objectives;
- ▲ Involvement of employees at all levels of the organization and its stakeholders, through awareness and encouraging their participation and support; and
- ▲ Promotion of continual improvement on quality management system in support of business sustainability.

ISO 9001:2015, QUALITY MANAGEMENT SYSTEM (QMS)

ADEC Innovations is committed to provide service delivery excellence in sustainable business solutions, fulfilling applicable requirements and promoting continual improvement driven by its CERTIC values. This commitment originates from the organization's top management and is exemplified through all levels of responsibilities within the organization and can be further achieved by consistently fulfilling customer requirements based on agreed Service Level Agreement with delivery center;

- ▲ Meeting established and emerging trends in technology for providing global delivery excellence;

SEDEX MEMBER ETHICAL TRADE AUDIT (SMETA)

Sedex Member Ethical Trade Audit focuses on the good trading practices of a business. It is not considered as a certification, but an audit procedure that leads to acceptable high-quality outcome for retailers and trading corporations. The SMETA centers on health and safety, labor standards, environment, and business ethics.

INTERNAL AUDIT

ADEC Innovations' Internal Audit provides the governing body and senior management with reasonable assurance and consultancy services based on the highest level of independence and objectivity within the Company. Internal Audit executes an approved risk-based audit plan to evaluate and improve the Company's efficiency and effectiveness of operations; safeguarding of assets; reliability and integrity of reporting processes; and compliance with laws, regulations, policies, procedures, and contracts. International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors and other related internal auditing disciplines and principles are considered to support the Internal Audit operations and management.



STANDARDS AND COMPLIANCE

Standards and Compliance Department is established to drive and sustain a culture of improvement and innovation amongst the different ADEC Innovations business verticals, involved in Business System Transformation, and mandated to drive the compliance to ISO standards and globally accepted industry best practices.

An annual Management System Audit plan is developed using a risk-based methodology. A written report is prepared and issued following the conclusion of each management system audit engagement. This is discussed with the audit customer and distributed as appropriate. The report is presented to the management; highlighting the action items, recommendations, business risks and impact, any control red flags, contract breaches and the like.

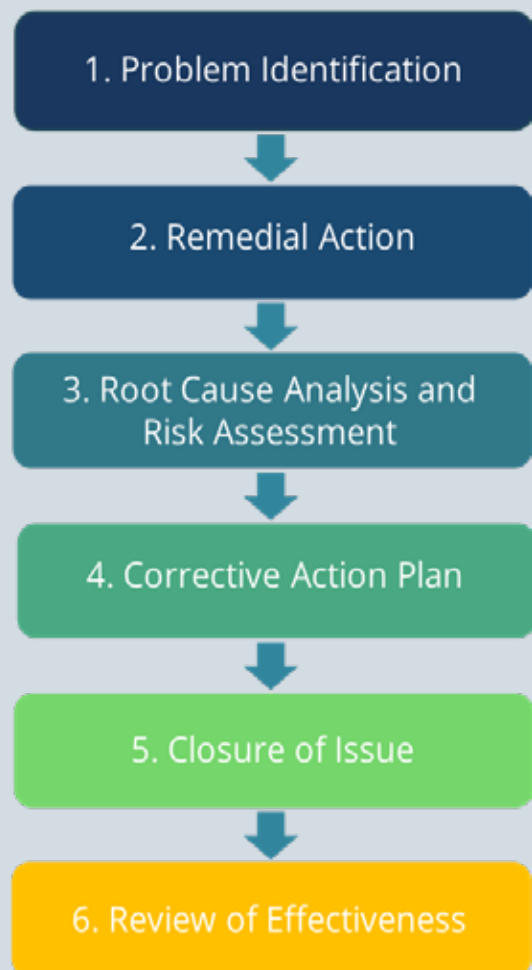


IMPROVEMENT MANAGEMENT

ADEC Innovations promotes transparency, accountability, and open communication across all levels of the organization. The Company has established an Improvement Management System (IMS) which is a communication platform that addresses non-conformance. It is an interactive platform that receives, stores, and monitors the issues, concerns, and complaints raised by the employees. Employees may elevate any issues concerning, but not limited to, fraud, information and infrastructure security, and other auditable matters. Reporting could be done through various media that are integrated into the system, including online, telephone, and email or post. Concerns are forwarded to the corresponding organizational entity for further evaluation and resolution. The matter is elevated to the Management, depending on the extent of the subject matter and level of office of the complainant.

The IMS covers the organization's operation, services and product delivery. The system is guided by a Systems Management Procedure that describes the level of access and operating measures in identifying the root of problems and mitigating them. Improving the system and resolving the issues are based on the Improvement Management Framework that defines the course of action, identifies the problem, assesses the situation and reviews for any corrective action.

IMPROVEMENT MANAGEMENT FRAMEWORK





ECONOMIC DRIVE

CONFORMANCE TO
LABOR LAWS

ANTI-BRIBERY AND
ANTI-CORRUPTION

PROCUREMENT PROCESS

LOCAL SUPPLIER ALLOCATION
AND ACCREDITATION

STABLE REVENUE

CONFORMANCE TO LABOR LAWS

ADEC Innovations Corporation respects human rights; observes the welfare of its employees; fosters development growth; and upholds gender equality, diversity and inclusion. Company programs and remuneration package of the employees adhere to national and regulatory laws on employment including the Labor Code and Corporate Code of the Philippines. Company has a fair wage system and implements a normal-working hour to support a work-life balance.

ADEC Innovations lays the ground for discipline and professionalism by communicating to its employees the Code of Discipline which sets the guidelines for proper decorum, prohibitions, and sanctions for any violation. Our Company introduces this code to new personnel through an onboarding session and orientation. With the strict observance of the Code of Discipline for the past year, no grave violations on labor code has been reported in 2018. No significant fines and non-monetary sanctions for non-compliance with laws and regulations involving human rights and labor were imposed over the past year.

Equal opportunity is provided by ADEC Innovations through its fair wage structure which is commensurate to the skill set, educational attainment, and professional background of the employees. ADEC Innovations has a competitive package for the employees, with the wage based on nationally accepted minimum rate and with consideration to the current inflation.

The remuneration offer to employees includes:

- ▲ A comprehensive health care coverage for them and one dependent;
- ▲ Government-mandated benefits;
- ▲ Annual leaves including parental leave; and
- ▲ A retirement benefit equivalent to 100% of the average monthly basic salary during the last 12 months of credited service for employees aged 60 and above.

To maintain a stable employment and ensure effective transition, the hiring program of ADEC Innovations considers the strategic position of the Company, operational and financial capacity, and projected return on investment. The proportion of senior, mid-level, and junior employees is balanced to ensure productivity, career growth and strategic transition.



ECONOMIC DRIVE

ANTI-BRIBERY AND ANTI-CORRUPTION

ADEC Innovations embraces zero tolerance against bribery and corruption. The Company ensures a fair partnership, lawful engagement, and ethical business deal with its clients and stakeholders. ADEC Innovations has an Anti-Bribery and Anti-Corruption Policy which defines the employees' accountability for the outcome of their behaviors and actions, maintaining work integrity and observing the Company's position on bribery and corruption. This policy covers the actions of all employees and supports applicable laws and corporate policies including the Global Code of Ethics and Business Conduct and the Global Procurement Policy.

ADEC Innovations conducts risk assessment on all processes and operations, safeguarding the rights of people and reflecting transparency and accountability. The Company encourages the involvement of employees and stakeholders against any actions that reflect bribery and corruption through corporate communications, orientation of new hires, and reporting of any incident involving unlawful acts. With this, no confirmed incidents of bribery, corruption or major misdemeanor has been cited as of 2018. Likewise, no significant fines and non-monetary sanctions had been imposed to all companies and subsidiaries under the ADEC group in 2018.

PROCUREMENT PRACTICES

The procurement practices of ADEC Innovations are anchored on the global principles of ethics, ecology, social, and good governance. The ADEC group established a Global Procurement Policy and Operating Procedure that ensures the Company's compliance with government regulations and streamlines the procurement of materials, goods, and services across all related companies, subsidiaries and affiliated parties. The Policy stipulates the rules and regulations for the modernization, globalization, standardization, and

Bribery is the wrongful use of influence to procure a benefit contrary to the duty or rights of others.

Corruption is the offering, giving, receiving and soliciting anything of value to influence an official act or business decision.

Source: ADEC Anti-Bribery and Corruption Policy

Prohibitions under the Anti-Bribery and Anti-Corruption Policy:

- ▲ Taking and receiving any bribes and kickbacks.
- ▲ Offering and/or receiving gifts and incentives from an official in duty.
- ▲ Performing any insider trading or transactions.

ADEC Principles and Standards of Ethical Purchasing Conduct:

- ▲ **Transparency** in the purchasing process and implementation of contract agreements;
- ▲ **Competitiveness** in providing equal opportunity to all private entities who are qualified to supply the goods and services;
- ▲ **Streamlining** of the purchasing process to create a simple but innovative, effective and efficient procedure;
- ▲ **Accountability** of all those involved in the procurement process; and
- ▲ **Monitoring** of the purchasing process and implementation.

regulations of purchasing activities, from the initial transaction, up to delivery. The ADEC group observes a set of principles and standards in pursuit of ethical purchasing. ADEC Innovations extends its responsibility to global ethics and code of discipline by establishing a procurement bidding committee who reviews the procurement plan for goods and services amounting to half a million or more. The screening of suppliers and regular evaluation of their performance, goods and services ensure the Company's provision of quality services and products to clients. ADEC Innovations leverages on its extensive network to deliver excellence, considering the economic needs and while adhering to the best procurement practices that promote human rights and reduce the risk to bribery and corruption.

LOCAL SUPPLIER ALLOCATION AND ACCREDITATION

ADEC Innovations promotes local employment, working closely with the local network, communities and suppliers. Generally, a hundred percent of the products and services of ADEC Innovations are purchased locally, contributing to the local and regional economic growth and development. Local suppliers are selected based on excellence, credibility, reputation, and enthusiasm in providing global service, and adherence to the ADEC Innovations global principles on procurement.

Our vendor and supplier accreditation and performance evaluation system is aligned with national policies and requirements, and subjected to careful audit procedures. The Company ensures that it only transacts with suppliers that comply with government regulatory requirements and conform to ISO international guidelines on ISMS and EMS. Assessment screening criteria for suppliers include competitive pricing, quality of goods and service, prompt delivery, and service responsiveness.



STABLE REVENUE

ADEC Innovations' sustainability efforts have influenced the stable and financial stability over the years. The Company advances excellence and innovation in providing sustainable business solutions despite the rigid market competition on data analytics. ADEC Innovations earned a gross profit of 5.2 Million from developing sustainable business solutions and other professional services (See Annex C). The generated income shows the profitability and value brought by shifting the operation towards sustainability. ADEC Innovations has been keen in safeguarding and monitoring its fixed assets, financial resources, impacts to ESG, and human capital. With this, ADEC Innovations has continuously contributed to both local and global economic value.



ENVIRONMENTAL ACTIONS

SUPPLIER ENVIRONMENTAL ASSESSMENT

SUSTAINABILITY PROGRAMS

COMPLIANCE WITH
ENVIRONMENTAL REGULATIONS

ADVOCACIES AND PARTNERSHIPS

ENVIRONMENTAL ACTIONS

SUPPLIER ENVIRONMENTAL ASSESSMENT

The Supply Chain has no direct impact to the environment as it deals with sustainable business solutions involving digital software applications, from inception to testing and delivery. Nevertheless, the Company guides and tracks the performance of its suppliers involved in the internal operation, and checks their conformance with the environmental, quality and information standards through a Supplier Assessment metrics. Same level of scrutiny is conducted with the partner contractors in developing the applications that may have implications to the service and delivery of sustainability solutions provided to the clients, as well as to the stakeholders.

Potential risks of engagement with the partner contractors providing support are identified at the early stage of the project to ensure quality and compliance. The most efficient and sustainable solutions are developed with outmost excellence based on the best understanding of client's requirements. The ease of integration with any foreseen technological advancement in addressing the environmental, social, and governance concerns of the clients is also considered in creating the product.

As for the internal operation, no new suppliers were added to the list in 2018. The existing 13 suppliers underwent the re-evaluation process to assess the potential for any impact to the environment. Based on the 2018 Environmental Aspect and Impact

Assessment, waste generation poses a major concern with the suppliers, and soil and land pollution has been pinned as having the highest rating in terms of environmental impact.

Hundred percent of suppliers, service providers, and subcontractors have completed the Environmental Management System (EMS) orientation prior to acceptance and deployment. Qualified providers of office and medical supplies, housekeeping products, construction materials, computers and peripherals, and pantry supplies were equipped with the knowledge on the environmental policies, waste management, sustainability programs, and other requirements under the EMS.

SUSTAINABILITY PROGRAMS

ADEC Innovations improves its sustainability programs through the strict implementation of environmental policies, review of management procedures, monitoring of utility and resources consumption, and compliance with environmental standards. The Energy, Water, and Waste Management Programs of ADEC Innovations serve as the implementing instrument of the Company's EMS, in accordance to the ISO 14001:2015 international standard. An Environmental Management Representative (EMR) ensures compliance with the general requirements of the programs, oversees and facilitates their implementation, monitors the progress, and performs routine audits.

ENVIRONMENTAL ACTIONS

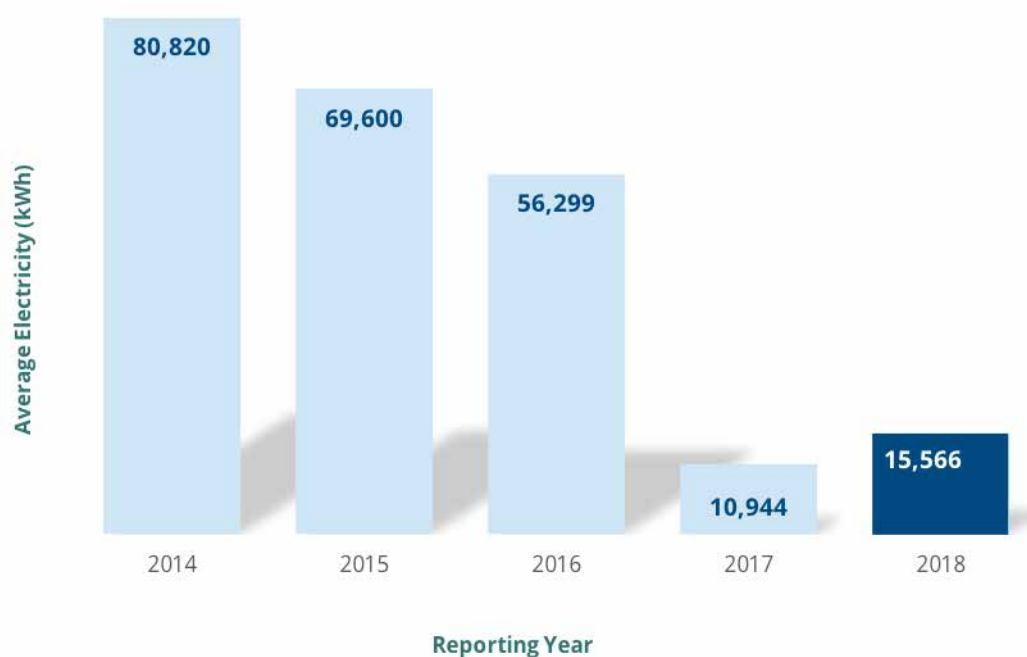
Energy Management Program

ADEC Innovations has established an Energy Management Program for the continued implementation of the Energy Management System (EnMS). ADEC Innovations has circulated an Energy Conservation Policy which aims to conserve energy within the office premise of the ADEC group of companies and subsidiaries. This Policy is made available to the employees through the Electronic Data Management System (EDMS), an online repository of policies, procedures, forms and other corporate documents. It is also introduced to the new hires during the onboarding session. All employees are required to comply with this policy as any identified practices of energy wastage is dealt with as a disciplinary incident.

The ADEC Innovations **Energy Conservation Policy** aims to reduce energy consumption whenever possible through the active efforts of its employees and pursue energy savings in its infrastructure and facilities.

ENERGY SAVING EFFORTS

- ✓ Optimization of used area for appropriate energy usage.
- ✓ Observation of Energy Conservation strategies such as turning off light fixtures, office machines and airconditioning units after office hours or when not in use.
- ✓ Keeping computers on energy saving mode.
- ✓ Provision for appropriate level of lighting and cooling, utilizing the most energy efficient system.
- ✓ Establishing a standard temperature setting in all areas.
- ✓ Preference for energy efficient products, whenever possible, and recyclable and reusable items to reduce disposal costs.



The Company regularly monitors its fuel consumption for the year and tracks electricity expenditure on a monthly basis. In 2018, ADEC Innovations Corporation utilized 370 Liters of diesel for three generators. As for electricity, a 42-percent increase based on the monthly average consumption in 2018 is reflected compared to the year 2017 data.

Energy saving efforts of ADEC Innovations include the re-assessment of light switches, posting of energy conservation reminders near the electricity fixtures, and seeking accountability from each department in turning off the lights. Active involvement of employees in the energy management

program will be sought in the coming years to improve the energy consumption figures.

Water Management Program

ADEC Innovations tracks the water usage of the facility on a monthly basis. In 2018, there was a sixty percent (60%) increase in water usage compared to the year 2017 monthly average record. Elevated temperature has potentially increased the consumption of water over the year. However, the average monthly consumption in 2018 is still much lower compared to previous monitoring data since 2014. With this, continuous monitoring and improvements will be made in the succeeding years.

The **Water Management Policy's** objective is to monitor and evaluate the overall supply, usage and consumption of water within the ADEC Innovations' facility.

Water reduction strategies of ADEC Innovations include the re-use of water in sanitation activities, domestic cleaning, and gardening, inspection of water fixtures for leaks, and regular maintenance of the facilities.



ENVIRONMENTAL ACTIONS

Waste Management Program

The waste management scheme of ADEC Innovations includes the solid wastes segregation, initial treatment of liquid wastes from the kitchen through grease traps, and use of recycled treated sewage water in gardening. The implementation of the Waste Segregation Policy engages the commitment of all companies and subsidiaries under the ADEC Group to protect the environment through efficient waste management, and to practice the reduction and recycling of wastes produced. ADEC Innovations compels its employees to observe the waste segregation policy and prohibition of littering as stipulated in the Code of Discipline. Any acts of non-conformance are sanctioned under the Employee Code of Discipline.

ADEC Innovations EMS Core Team records the weight of non-hazardous wastes to monitor the impact contribution of the Company and gauge the effectiveness of the program, which is done on a monthly basis. The highest recorded weight in 2018 was 429.50 kg, and the lowest was 306 kg, with a monthly average of 376 kg. A company-accredited third party hauler collect the segregated wastes for further disposal and treatment. No hazardous wastes were disposed in 2018.

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

ADEC Innovations Corporation maintains its commitment in adhering to environmental laws and regulations including the acquisition and renewal of permits from government agencies; implementation of

WASTE SEGREGATION



BIODEGRADABLE



NON-BIODEGRADABLE



RESIDUAL

environmental management system policies; and monitoring and evaluation of facilities and operation to regulatory standards.

The Environmental Management Representative (EMR) heads the EMS and regularly monitors the environmental performance of the Company, reporting the progress through an established rating criteria. EMR collaborates with a Pollution Control Officer (PCO) in implementing the environmental safeguards and ensuring compliance to national and local government policies, as well as observing international treaties concerning global environment preservation. Any concerns, inquiries and complaints regarding environment-related cases are forwarded to the office of EMR and PCO, and overseen by the Managing Head.

ADEC Innovations did not encounter any non-compliance reports with environmental laws and/or regulations in 2018.

ADVOCACIES AND PARTNERSHIPS

ADEC Innovations Corporation continues to spearhead collaborations and partnerships with various coalitions and multi-stakeholder organizations in advancing the SDGs through its sustainable business solutions, engagement models, and innovative programs. In 2018, ADEC Innovations partnered with the United Nations Development Programme (UNDP) and the Biodiversity Management Bureau under the Department of Environment and Natural Resources (DENR-BMB) in developing an online monitoring and evaluation and investment platform which intends to move the capital towards biodiversity impact investment. James Donovan, the CEO of ADEC Innovations, has also been appointed in the same year as one of the business and industry major group representatives to UNEA. With these collaborative learning efforts, ADEC Innovations believes that developing viable, environmentally-sound, and evidence-based solutions could drive a lasting impact to the planet and people.





SOCIAL GROWTH

EMPLOYMENT

EMPLOYEE ENGAGEMENT
AND DEVELOPMENT

COMMUNITY INITIATIVE

CUSTOMER SATISFACTION

COMPLIANCE WITH
DATA PRIVACY, SECURITY
AND STORAGE

SOCIAL GROWTH

EMPLOYMENT

Employment in ADEC Innovations Corporation provides equal opportunity to men and women, with a total of 71 personnel across the technical and internal support departments. This is reflected through an almost equal number of employees between men and women in 2018, accounting for 54% and 46% of the workforce, respectively. Majority of the employees are under 30 years old (73%), while those who are within the age bracket of 30 to 50 years old compose 27% of the employment distribution.

Eighty-two (82%) of the workforce have a permanent tenure, while the remaining 18% are temporary or probationary. Majority of

the regular employees are below 30 years old, while the rest of the regular employees are aged 30 to 50 years old. There are no temporary or probationary employees above 30 years old.

All employees are working full-time. Majority of them are under 30 years old, while the rest are between the age group of 30 to 50 years old.

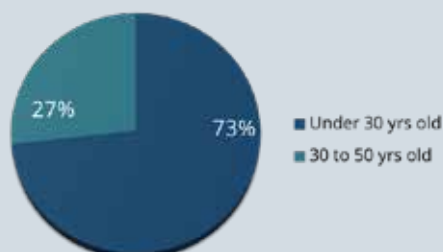
The Company prioritizes local hiring. Only one percent (1%) of the population is comprised of foreign-hired managers.

No incidents of discrimination were reported in 2018, thus reflecting that diversity and inclusion are practiced by the Company.

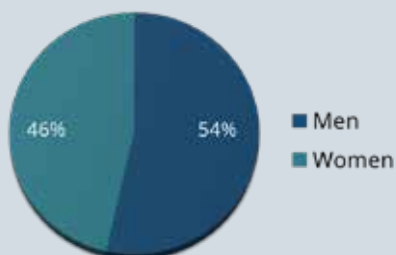
EMPLOYMENT TENURE BY AGE AND GENDER (2018)

Gender	Age (years old)			Total
	Under 30	30-50	Above 50	
Male	25	13	0	38
Female	27	6	0	33
Total	52	19	0	71

Employment by Gender



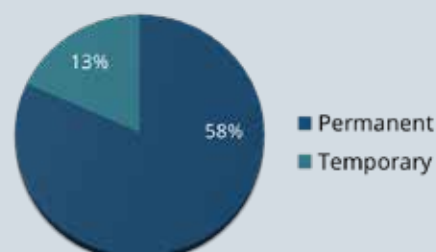
Employment by Age Group



EMPLOYMENT TENURE BY AGE GROUP (2018)

Tenure	Age (years old)			Total
	Under 30	30-50	Above 50	
Permanent	39	19	0	58
Temporary	13	0	0	13
Total	52	19	0	71

Employee Distribution by Tenure



EMPLOYMENT TYPE BY AGE GROUP (2018)

Type	Age (years old)			Total
	Under 30	30-50	Above 50	
Full-time	52	19	0	71
Part-time	0	0	0	0
Total	52	19	0	71

SOCIAL GROWTH

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

ADEC Innovations encourages the participation of employees in activities and programs that cater to development, promote equality, encourage teamwork and leadership, and advocate environmental and social awareness. In 2018, the Company prepared various engagements for the employees, promoting growth and nourishing relationships across the organization.

Learning and Development

Various trainings and workshops, ranging from leadership to skills enhancement, are provided to the employees. These trainings depend on their needs and the results of their needs assessment tests. Internal and external trainings are available for technical and personal development, equipping the employees with the required skills set, bridging any technical gaps, and honing their character as productive partners of the Company. Trainings are developed, applied and evaluated based on the Corporate Learning and Development Guidelines.

A total of 216 manhours were allotted for training in 2018, which translates to an average of 3 training hours per employee per year. Fifty-three percent (53%) who attended the trainings were female (115 manhours), and 47% were male (101 manhours).

With the theme, "Six Thinking Hats", this training program catering to the Management Team of the Company in 2018 had drawn the leadership potentials of the participants and enhanced their critical thinking skills in responding to the business challenges.

Communication Platforms

ADEC Innovations Corporation strengthens the management employee relationship and encourages inclusive participation through different communication platforms. Town hall meetings are conducted to serve as

venue for conveying any concerns, issues and appreciation to the Management. A grievance mechanism platform is also available, known as the IMS, which aims to promote transparency and accountability within the organization. With a feedback system in place, employees are assured that their issues and concerns are prioritized. No grave issues were recorded by the Board of Management in 2018.

Employees are allowed to exercise their right to peaceful assembly. However, ADEC Innovations prohibits unlawful acts that elicit rebellion amongst co-workers and cause damage to properties. Personnel are also refrained from using the Company resources for personal interest, as stipulated in the Code of Discipline.

Employee Recognition and Engagement

ADEC Innovations Corporation recognizes the significant contributions of its employees in the realization of the Company's vision. The ADEC Innovations Group of Companies celebrates the commitment and perseverance of its employees through an Annual Service Awarding Ceremony.

In 2018, loyalty awards were given to employees who have manifested an exemplary performance for the past 5 to 15 years of service. Other employee engagement activities in 2018 include the corporate-wide celebration of special occasions, namely Chinese New Year, Valentine's Day, a special tribute to mothers and fathers, and Halloween. A summer teambuilding event was also held for ADEC Innovations employees together with their family members. Pocket activities supplement each major event which showcased the talents and skills of employees. In addition, wellness programs such as circuit training and yoga sessions were offered on a weekly basis to employees to promote healthy living and manage a work-life balance.



▲ ADEC Innovations Service Awardees in 2018



▲ Summer Outing



◀ 2018 Christmas Parties



SOCIAL GROWTH

COMMUNITY INITIATIVE

Brigada Eskwela and Red Cross Blood Donation Program

Events that made an impact to the community include the *Brigada Eskwela* where school supplies were provided to the Las Piñas National High School in Metro Manila, and the annual blood-letting activity facilitated by the Red Cross Philippines where employee volunteers donated blood.



◀ **Blood Donation Program in partnership with Red Cross Philippines**

▼ ***Brigada Eskwela* at the Las Piñas National High School**



CUSTOMER SATISFACTION

ADEC Innovations Corporation values the experience and feedback of its clients in delivering quality products and attending to their needs in the sustainability space. The Company measures its impact in the industry through a periodic client survey feedback. The Company derives insight from this feedback mechanism, serving as a valuable measurement of performance. The survey shows the areas for improvement, identifies any gaps, provides a rating of the client's satisfaction level, and gauges the productivity of the Company. The outcome of the feedback system sets the direction for the next steps of the Company in revolutionizing the way products and services are delivered, upholding excellence in providing the finest experience to its clients worldwide.

Products and services undergo quality assurance and risk assessment to ensure client's value for money, as well as determine any health and safety, environmental, and social impacts of the projects. ADEC Innovations' customer support is available 24 hours a day and 7 days a week to listen and respond to the concerns and queries of the end-users of the products. The Company communicates and assists its clients and partners through the different media available, from conferencing to face-to-face meetings. Online self-help tools are also within the reach of ADEC's clients for easier communication and minimal product concerns.

ADEC Innovations remains compliant with regulations and voluntary codes related to health and safety in 2018.

COMPLIANCE WITH DATA PRIVACY, SECURITY AND STORAGE

The intricately structured information system management and procedures shield the business from any unauthorized access, damage, and loss. The operational systems

Industry:

- Associations
- Commercial Real Estate
- Consumer Products
- Developers
- Education
- Finance
- Healthcare
- Hospitality
- Industrial
- Insurance
- Manufacturing
- Municipality
- Packaging
- Retail
- Restaurants
- Telecommunications

Focus Area

- Sustainability
- Energy Management
- Environmental
- Due Diligence and Entitlements
- Supply Chain
- CDP
- Consulting
- Software
- Reprographics
- Data Processing

and information security measures of the Company are anchored on international guidelines (ISO/IEC 27001:2013) and aligned with the requirements of the Philippine Corporation Code and the Securities and Exchange Commission. Compliance is strictly monitored, from creation and authentication of data, to transfer and archiving of the information. The Management engages the participation of employees in conscientiously guarding information and upholding data privacy, security and storage through orientations, corporate emails, and the circulation of regular reminders. The Company values the involvement of its employees and stakeholders in maintaining the integrity of the IMS.

Data and information gathered from clients as well as from employees have been treated with confidentiality based on the national data privacy act. In 2018, no complaints concerning breach of privacy were recorded. Likewise, there were no identified leaks, thefts, or losses of customer data over the past year.

OUR VALUE

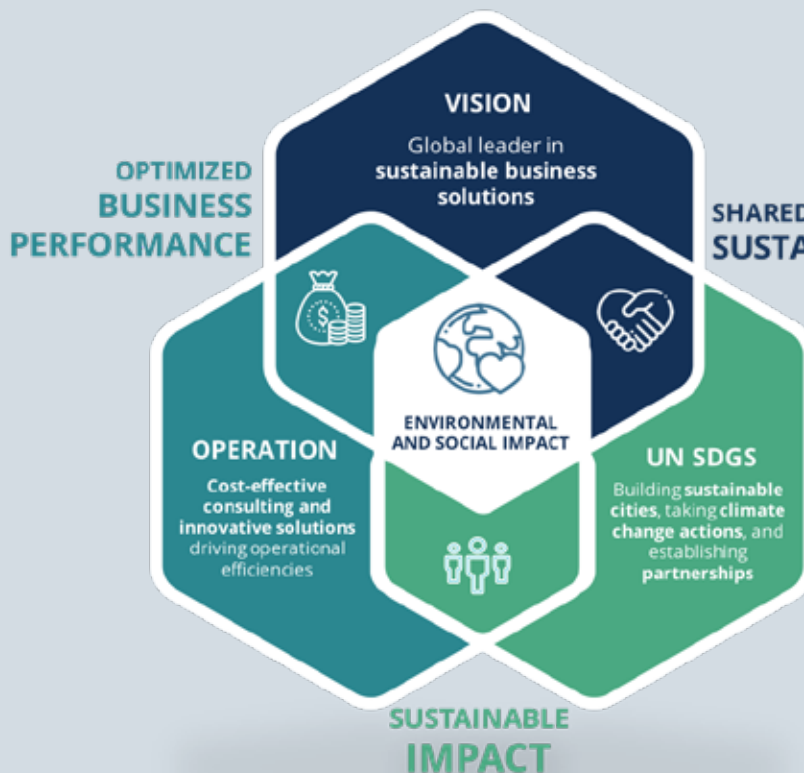
VALUE CREATION

Current challenges on sustainable cities and climate change continue to aggravate over the years as we experience resource scarcity; worsening global warming; unlawful discharges and increased waste generation; unsustainable lifestyle and operation; and lack of transparent governance structures and mechanisms. Immense issues entail evolving the way governments, society, and private sector think, act, and live. A paradigm shift on how we perceive the environment and society needs to be encouraged through disruptive innovation and evidence-based approach to be able to address these global challenges. ADEC Innovations Corporation streamlines its processes, products and services to influence organizations to translate their sustainability vision into action, allowing them to have an efficient and optimized operation.

CONTRIBUTIONS TO SDGS

The value creation of ADEC Innovations is anchored on its vision of honing global leadership in sustainable business solutions, pursuing sustainability in its operation, and contributing to the SDG impact areas concerning building sustainable cities, taking actions against climate change, and establishing global and multi-stakeholder partnerships. The harmonious integration of the three facets – (1) optimized business performance; (2) shared sustainability; and (3) sustainable impact - drives the long-term environmental and social impact of ADEC Innovations to the environment, business and society.

ADEC INNOVATIONS VALUE CREATION



Path Towards Value Creation

- Translating the Company's core business and values with cost-efficient business operation results to **optimized business performance**.
- Responding to the call of advancing the UN SDG thrusts develops a **shared sustainability** between the private sector and stakeholders.
- Tapping the Company's core expertise and creating innovation in responding to the UN SDGs produces a more **sustainable impact**.

PROPELLING THE SDGS THRUSTS

The complete suite of SDGs advanced by each companies and subsidiaries under the ADEC group is presented in Annex D. There are 14 SDGs pursued by different clusters of the ADEC group. Key products and services of each companies in various fields involving ESG, health information, knowledge management, and outsourcing generate direct and indirect impacts to the targeted SDGs. Out of the 14 SDGs, ADEC Innovations Corporation localizes three thrusts: sustainable cities (SDG 11), climate action (SDG 13), and partnerships (SDG 17).

The Company contributes to these three SDGs by developing sustainable business solutions and building networks geared towards addressing the challenges on ESG spheres of sustainability. ADEC Innovations provides its clients with technological and innovative

solutions, strategies and management to monitor the supply chain, GHG emissions, waste generation, electricity and water consumption, and other possible methods to optimize the operation of businesses, cities, and other types of organizations.



The Company helps governments, enterprises, and coalitions transform the way they operate through software and data management solutions, professional services, and other innovative programs. The interaction between the ADEC Innovations' business and the respective pillars of sustainability define the outcome which contributes to public welfare, economic profitability, and ecological balance – value created. Values drawn from each chain of solutions drive the attainment of the SDG focus areas.

ADEC'S SDG THRUSTS



Source:
FCS Social Impact
Sustainability Report

VALUES CREATED IN PROPELLING THE SDG THRUSTS OF ADEC INNOVATIONS CORPORATION

SDG THRUSTS	TARGETS	ADEC INNOVATIONS CONTRIBUTIONS TO SDGS		BENEFICIARIES
	Make cities inclusive, safe, resilient and sustainable Target 11.6 Reduce the environmental impact of cities. Target 11.B Implement policies for inclusion, resource efficiency, and disaster risk reduction.	Sustainable Business Solutions		<ul style="list-style-type: none"> ▪ Business ▪ Governments ▪ Economy ▪ Environment
		Solutions	<ul style="list-style-type: none"> ▪ Software solutions and data management ▪ Energy monitoring and waste management program ▪ Environment-related risk mitigation and environmental compliance ▪ Supply-chain monitoring and performance management 	
		Outcome	<ul style="list-style-type: none"> ▪ Integrated data system ▪ Reductions in waste generation, air and water pollution ▪ Maximized use of resources ▪ Optimum utility consumption ▪ Reduced operational and environmental costs ▪ Improved sustainability performance ▪ Green supply chain 	
		Value Created	<ul style="list-style-type: none"> ▪ Energy and operational efficiency ▪ Profitable growth ▪ Long-term economic and environment impacts 	
	Take urgent action to combat climate change and its impacts Target 13.2: Integrate climate change measures into national policies, strategies, and planning. Target 13.b: Promote mechanisms for raising capacity for effective climate change-related planning and management.	Sustainable Business Solutions		<ul style="list-style-type: none"> ▪ Business ▪ Governments ▪ Economy ▪ Environment
		Solutions	<ul style="list-style-type: none"> ▪ GHG management strategies ▪ Climate change strategies and programs, including CDP scoring ▪ Monitoring and evaluation, and impact investment platforms 	
		Outcome	<ul style="list-style-type: none"> ▪ Reductions in GHG emission 	
		Value Created	<ul style="list-style-type: none"> ▪ Contribution to national nationally determined contributions on climate change 	

SDG THRUSTS	TARGETS	ADEC INNOVATIONS CONTRIBUTIONS TO SDGS		BENEFICIARIES
17 PARTNERSHIPS FOR THE GOALS 	Revitalize the global partnership for sustainable development 17.5 Adopt and implement investment promotion regimes. 17.6 Enhance regional and international cooperation on and access to science, technology and innovation. 17.7 Promote the development, transfer, dissemination and diffusion of environmentally-sound technologies. 17.8 Fully operationalize the technology and innovation capacity-building mechanism for least developed countries. 17.9 Enhance international support for implementing effective and targeted capacity-building in developing countries. 17.16 Enhance the global partnership for sustainable development. 17.17 Encourage and promote effective public, public-private and civil society partnerships. 17.18 By 2020, enhance capacity-building support to developing countries. 17.19 By 2030, build on existing initiatives to develop measurements of progress on sustainable development.	Social Capital and Network		<ul style="list-style-type: none"> ▪ Business ▪ Society ▪ Developing, LDCs
		Activities	<ul style="list-style-type: none"> ▪ Integration across ADEC Group of Companies ▪ Improved Management System (feedback mechanism) ▪ Public-private partnerships ▪ Collaboration and engagement with organizations and multi-stakeholder groups ▪ Corporate Social Responsibility programs ▪ Capacity-building ▪ Development of engagement models ▪ Monitoring and evaluation, and impact investment mechanism and platform ▪ Integrated sustainability reporting 	
		Outcome	<ul style="list-style-type: none"> ▪ Realization of one vision ▪ Business sector representation ▪ Public-private partnerships ▪ Associations and affiliations ▪ Employee empowerment ▪ International cooperation ▪ Business sector representation in international engagements 	
		Value Created	<ul style="list-style-type: none"> ▪ Impact Investing market growth ▪ Customer satisfaction ▪ Long-term social impact ▪ Empowerment ▪ Global cooperation ▪ Sustainable finance 	

OUR VALUE

ACTORS AND BENEFICIARIES

The products and services of ADEC Innovations cater to the three actors: (1) the government, (2) the enterprise, and (3) the coalitions. With the integration of sustainability business solutions in the core expertise of ADEC Innovations, the Company creates a lasting impact to the three beneficiaries: (1) the environment, (2) the clients (which may also be the actors), and (3) the society or public in general.

THE STAKEHOLDERS OF ADEC INNOVATIONS





ADEC OUTLOOK

ADEC Innovations Corporation believes in the critical role of private sectors as a disruptive catalyst of environmental and social development, addressing the SDG deficit of 2.5 Trillion. With the onset of climate crisis, the business, industries, cities, and organizations entail a paradigm shift towards an integrated and innovative approach to monitor their consumption of resources, reduce waste generation, track the capital flow of investments, and report the progress in pursuing sustainability.

Challenges in aligning government programs, fostering transparency and accountability, and establishing sustainable finance translate to strategic opportunities for ADEC Innovations to rise as a Sustainability

Integrator. Sustainable business solutions developed by ADEC Innovations are based on the current and foreseen requirements of the government, enterprise and coalitions to fill these gaps. The policies, programs, and market serve as driving forces for ADEC Innovations to pursue innovative solutions through data management (Data-as-a-Service), software solutions (Software-as-a-Service), sustainability expertise (Professional Services), and outsourcing services (Workforce Solutions).

To meet the Company Strategy 2030, ADEC Innovations would continue to bring forth disruptive innovation and create sustainable platforms to put the vision of government, enterprise and coalitions into real action.



ANNEX A

UNGC TEN PRINCIPLES CONTENT INDEX

UNITED NATIONS GLOBAL COMPACT TEN PRINCIPLES CONTENT INDEX

UNITED NATIONS GLOBAL COMPACT Ten Principles		COMMITMENTS in 2018	
		Cross reference to the Section	Page
HUMAN RIGHTS			
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	ABOUT ADEC: COMPLIANCE	32-33
		ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
Principle 2	Businesses should ensure that they are not complicit in human rights abuses.	ABOUT ADEC: COMPLIANCE IMPROVEMENT MANAGEMENT	32-33 35
		ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
		SOCIAL GROWTH: EMPLOYEE ENGAGEMENT AND DEVELOPMENT - Communication Platforms	48
LABOUR			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	SOCIAL GROWTH: EMPLOYEE ENGAGEMENT AND DEVELOPMENT - Communication Platforms	48
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
Principle 5	Businesses should uphold the effective abolition of child labor	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
		SOCIAL GROWTH: EMPLOYMENT EMPLOYEE ENGAGEMENT AND DEVELOPMENT	47 48 - 49
ENVIRONMENT			
Principle 7	Businesses are asked to support a precautionary approach to environmental challenges	RESPONSIBLE BUSINESS	8 - 9
		ABOUT ADEC: WHO WE ARE WHAT WE DO BUSINESS CORE ADVOCACY, CERTIFICATIONS AND RECOGNITIONS	10 10 - 11 14 - 15 17 - 19
		OUR VALUE	52 - 56
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	ENVIRONMENTAL ACTIONS	40 - 45
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	ABOUT ADEC: ESG SOLUTIONS SUPPLY CHAIN PRODUCTS AND SERVICES CLIENTS	20 21 22
ANTI-CORRUPTION			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS	23 - 25
		ABOUT ADEC: MANAGEMENT SYSTEM AND OPERATION RISK MANAGEMENT - Internal Control Mechanism against Risks COMPLIANCE INTERNAL AUDIT IMPROVEMENT MANAGEMENT	26 30 32 - 33 34 35
		ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS ANTI-BRIBERY AND ANTI-CORRUPTION PROCUREMENT PRACTICES LOCAL SUPPLIER ALLOCATION AND ACCREDITATION	37 38 38 - 39 39



ANNEX B

GRI 2016 STANDARDS CONTENT INDEX

GLOBAL REPORTING INITIATIVE 2016 STANDARDS CONTENT INDEX

GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2018		
		Cross reference to the Section	Page	
GRI 102: GENERAL DISCLOSURES	GRI 102: GENERAL DISCLOSURES			
	ORGANIZATIONAL PROFILE			
	102-1	Name of the organisation	ABOUT ADEC: WHO WE ARE	10
	102-2	Activities, primary brands, products, and services	ABOUT ADEC: WHO WE ARE WHAT WE DO PRODUCTS AND SERVICES	10 10 - 11 21
	102-3	Location of headquarters	ABOUT ADEC: WHERE WE ARE	12
	102-4	Location of operations	ABOUT ADEC: WHERE WE ARE	12
	102-5	Ownership and legal form	ABOUT ADEC: OWNERSHIP	16
	102-6	Markets served	ABOUT ADEC: WHO DO WE SUPPORT	13
			SOCIAL GROWTH: CUSTOMER SATISFACTION	51
	102-7	Scale of the organization	SOCIAL GROWTH: EMPLOYMENT	47
	102-8	Information on employees and other workers	SOCIAL GROWTH: EMPLOYMENT	47
	102-9	Supply chain	ABOUT ADEC: ESG SOLUTIONS SUPPLY CHAIN	20
	102-10	Significant changes to the organization and its supply chain	2018 MILESTONES	4
			ABOUT ADEC: ESG SOLUTIONS SUPPLY CHAIN	20
	102-11	Precautionary Principle or approach	RESPONSIBLE BUSINESS	8 - 9
			BUSINESS CORE	14 - 15
	102-12	External initiatives	ABOUT ADEC: CLIENTS	22
			SOCIAL GROWTH: COMMUNITY INITIATIVES	50
	102-13	Membership of associations	ABOUT ADEC: ADVOCACY, CERTIFICATIONS AND RECOGNITIONS - Associations	17
	STRATEGY			
	102-14	Statement from senior decision-maker	CEO'S MESSAGE	2
	102-15	Key impacts, risks, and opportunities	ABOUT ADEC: MANAGEMENT SYSTEM AND OPERATION BUSINESS OPERATION & CONTROLS RISK MANAGEMENT	26 26 - 27 28 - 29
	ETHICS AND INTEGRITY			
	102-16	Values, principles, standards, and norms of behavior	RESPONSIBLE BUSINESS	8 - 9
			BUSINESS CORE	14 - 15
	102-17	Mechanisms for advice and concerns about ethics	ABOUT ADEC: IMPROVEMENT MANAGEMENT	35
			SOCIAL GROWTH: COMMUNICATION PLATFORMS	48
	GOVERNANCE			
	102-18	Governance structure	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS	23
	102-19	Delegating authority	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board of Directors and Board Committees	23 - 25
	102-20	Executive-level responsibility for economic, environmental, and social topics	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board of Directors and Board Committees	23 - 25

	GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2018	
			Cross reference to the Section	Page
GRI 102: GENERAL DISCLOSURES	102-21	Consulting stakeholders on economic, environmental, and social topics	REPORTING GUIDELINES: METHODOLOGY	7
	102-22	Composition of the highest governance body and its committees	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board of Directors and Board Committees	23 - 25
	102-23	Chair of the highest governance body	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board of Directors	24
	102-24	Nominating and selecting the highest governance body	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board of Directors and Board Committees	24 - 25
	102-25	Conflicts of interest	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board Committees	25
	102-26	Role of highest governance body in setting purpose, values, and strategy	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board of Directors and Board Committees	24 - 25
	102-27	Collective knowledge of highest governance body	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board of Directors and Board Committees	23 - 25
	102-28	Evaluating the highest governance body's performance	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board Committees	25
	102-29	Identifying and managing economic, environmental, and social impacts	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board Committees	25
			ABOUT ADEC: STANDARDS AND COMPLIANCE	34
	102-30	Effectiveness of risk management processes	ABOUT ADEC: RISK MANAGEMENT	28 - 31
	102-33	Communicating critical concerns	ABOUT ADEC: IMPROVEMENT MANAGEMENT	35
			SOCIAL GROWTH: COMMUNICATION PLATFORMS	48
	102-34	Nature and total number of critical concerns	ABOUT ADEC: IMPROVEMENT MANAGEMENT	35
			SOCIAL GROWTH: COMMUNICATION PLATFORMS	48
	102-35	Remuneration policies	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
	102-36	Process for determining remuneration	ABOUT ADEC: GOVERNANCE STRUCTURE & DIRECTORS - Board Committees	25
	STAKEHOLDER ENGAGEMENT			
	102-43	Approach to stakeholder engagement	GRI REPORTING GUIDELINES: METHODOLOGY	7
	102-44	Key topics and concerns raised	GRI REPORTING GUIDELINES: METHODOLOGY	7
	REPORTING PRACTICE			
	102-45	Entities included in the consolidated financial statements	ANNEX C: ADEC FINANCIAL STATEMENT	65
	102-46	Defining report content and topic Boundaries	GRI REPORTING GUIDELINES	6 - 7
	102-47	List of material topics	ECONOMIC DRIVE ENVIRONMENTAL ACTIONS SOCIAL GROWTH	36 40 46
	102-48	Restatements of information	GRI REPORTING GUIDELINES: METHODOLOGY	7

	GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2018	
			Cross reference to the Section	Page
GRI 102: GENERAL DISCLOSURES	102-49	Changes in reporting	2018 MILESTONES	4
			GRI REPORTING GUIDELINES: METHODOLOGY	7
	102-50	Reporting period	RATIONALE	3
	102-51	Date of most recent report	RATIONALE	3
			GRI REPORTING GUIDELINES: METHODOLOGY	7
	102-52	Reporting cycle	RATIONALE	3
	102-53	Contact point for questions regarding the report	Contact Information and Contact Person	Back Cover
	102-54	Claims of reporting in accordance with the GRI Standards	GRI REPORTING GUIDELINES	6
	102-55	GRI content index	ANNEX B: GRI 2016 STANDARDS CONTENT INDEX	60
GRI 200: ECONOMIC TOPICS	GRI 201: ECONOMIC PERFORMANCE			
	201-1	Direct economic value generated	ECONOMIC DRIVE: STABLE REVENUE	39
	201-3	Defined benefit plan obligations and other retirement plans	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
	201-4	Financial assistance received from government	ABOUT ADEC: OWNERSHIP	16
	GRI 202: MARKET PRESENCE			
	201-2	Proportion of senior management hired from the local community	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
	GRI 204: PROCUREMENT PRACTICES			
	204-1	Proportion of spending on local suppliers	ECONOMIC DRIVE: LOCAL SUPPLIER ALLOCATION AND ACCREDITATION	39
	GRI 205: ANTI-CORRUPTION			
	205-1	Operations assessed for risks related to corruption	ECONOMIC DRIVE: ANTI-BRIBERY AND ANTI-CORRUPTION	38
	205-2	Communication and training about anti-corruption policies and procedures	ECONOMIC DRIVE: ANTI-BRIBERY AND ANTI-CORRUPTION	38
	205-3	Confirmed incidents of corruption and actions taken	ECONOMIC DRIVE: ANTI-BRIBERY AND ANTI-CORRUPTION	38
GRI 300: ENVIRONMENTAL TOPICS	GRI 302: ENERGY			
	302-1	Energy consumption within the organization	ENVIRONMENTAL ACTIONS: ENERGY MANAGEMENT PROGRAM	42
	302-4	Reduction of energy consumption	ENVIRONMENTAL ACTIONS: ENERGY MANAGEMENT PROGRAM	42
	GRI 303: WATER			
	303-1	Water withdrawal by source	ENVIRONMENTAL ACTIONS: WATER MANAGEMENT PROGRAM	43
	GRI 306: EFFLUENTS AND WASTE			
	306-2	Waste by type and disposal method	ENVIRONMENTAL ACTIONS: WASTE MANAGEMENT PROGRAM	44
	GRI 307: ENVIRONMENTAL COMPLIANCE			
	307-1	Non-compliance with environmental laws and regulations	ENVIRONMENTAL ACTIONS: COMPLIANCE WITH ENVIRONMENTAL REGULATIONS	44 - 45
	GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT			
	308-1	New suppliers that were screened using environmental criteria	ENVIRONMENTAL ACTIONS: SUPPLIER ENVIRONMENTAL ASSESSMENT	41
	308-2	Negative environmental impacts in the supply chain and actions taken	ENVIRONMENTAL ACTIONS: SUPPLIER ENVIRONMENTAL ASSESSMENT	41

	GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2018	
			Cross reference to the Section	Page
GRI 400: SOCIAL TOPICS	GRI 401: EMPLOYMENT			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
			SOCIAL GROWTH: EMPLOYMENT	47
	GRI 404: TRAINING AND EDUCATION			
	403-1	Average hours of training per year per employee	SOCIAL GROWTH: EMPLOYEE ENGAGEMENT AND DEVELOPMENT - Learning and Development	48
	403-2	Programs for upgrading employee skills and transition assistance programs	SOCIAL GROWTH: EMPLOYEE ENGAGEMENT AND DEVELOPMENT - Learning and Development	48
	GRI 405: DIVERSITY AND EQUAL OPPORTUNITY			
	405-1	Diversity of governance bodies and employees	SOCIAL GROWTH: EMPLOYMENT	47
	GRI 406: NON-DISCRIMINATION			
	406-1	Incidents of discrimination and corrective actions taken	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
			SOCIAL GROWTH: EMPLOYMENT	47
	GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	SOCIAL GROWTH: EMPLOYEE ENGAGEMENT AND DEVELOPMENT - Communication Platforms	48
	GRI 413: LOCAL COMMUNITIES			
	413-1	Operations with local community engagement, impact assessments, and development programs	SOCIAL GROWTH: COMMUNITY INITIATIVES	50
			ENVIRONMENTAL ACTIONS: ADVOCACIES AND PARTNERSHIPS	45
	GRI 416: LOCAL COMMUNITIES			
	416-1	Assessment of the health and safety impacts of product and service categories	SOCIAL GROWTH: CUSTOMER SATISFACTION	51
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	SOCIAL GROWTH: CUSTOMER SATISFACTION	51
	GRI 418: CUSTOMER PRIVACY			
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SOCIAL GROWTH: COMPLIANCE WITH DATA PRIVACY, SECURITY AND STORAGE	51
	GRI 419: SOCIOECONOMIC COMPLIANCE			
	419-1	Non-compliance with laws and regulations in the social and economic area	ECONOMIC DRIVE: CONFORMANCE TO LABOR LAWS	37
			ECONOMIC DRIVE: ANTI-BRIBERY AND ANTI-CORRUPTION	38



ANNEX C

FINANCIAL STATEMENTS



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Report of Independent Auditors

The Board of Directors
ADEC Innovations Corporation
(A Subsidiary of REDECS Green Holdings Corporation)
26th Floor, Philippine AXA Life Centre
Sen. Gil Puyat Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ADEC Innovations Corporation (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APR 3 2019

Certified Public Accountants
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 21 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: **James Joseph Benjamin J. Araullo**
Partner

CPA Reg. No. 0111202
TIN 212-755-957
PTR No. 7333685, January 3, 2019, Makati City
SEC Group A Accreditation
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-039-2018 (until Nov. 26, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2019



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Supplemental Statement of Independent Auditors

The Board of Directors
ADEC Innovations Corporation
(A Subsidiary of REDECS Green Holdings Corporation)
26th Floor, Philippine AXA Life Centre
Sen. Gil Puyat Avenue, Makati City

We have audited the financial statements of ADEC Innovations Corporation (the Company) for the year ended December 31, 2018, on which we have rendered the attached report dated April 8, 2019.

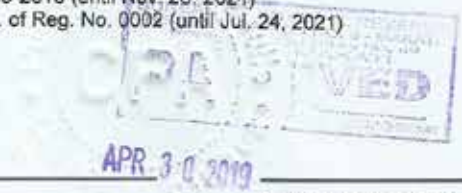
In compliance with the Securities Regulation Code Rule 68, as amended, we are stating that the Company has three stockholders owning 100 or more shares each of the Company's capital stock as at December 31, 2018, as disclosed in Note 15 to the financial statements.

PUNONGBAYAN & ARAULLO


By: **James Joseph Benjamin J. Araullo**
Partner

CPA Reg. No. 0111202
TIN 212-755-957
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April 8, 2019


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ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)



Notes

ASSETS

CURRENT ASSETS

Cash	4	P	700,455	P	2,167,949
Trade and other receivables - net	5		44,450,232		45,681,906
Other current assets	6		1,325,289		1,273,588
Total Current Assets			46,475,976		49,123,443

NON-CURRENT ASSETS

Investment in a subsidiary	7		2,000,000		2,000,000
Property and equipment - net	8		5,250		6,465
Security deposits	6		1,571,674		1,571,674
Deferred tax assets - net	13		731,816		356,680
Total Non-current Assets			4,308,740		3,934,819

TOTAL ASSETS

P	50,784,716	P	53,058,262
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Trade and other payables	9	P	7,107,911	P	6,209,724
Due to a related party	14		7,066,051		7,057,297
Income tax payable			-		76,662
Other current liabilities			242,830		637,341
Total Current Liabilities			14,416,792		13,981,024

NON-CURRENT LIABILITIES

Post-employment benefit obligation	12		470,688		384,044
Security deposits	16		958,482		958,482
Total Non-current Liabilities			1,429,170		1,342,526

Total Liabilities

15,845,962	15,323,550
------------	------------

EQUITY

Capital stock	15		25,750,001		25,750,001
Revaluation reserve	12		344,909		344,909
Retained earnings			8,843,844		11,639,802
Total Equity			34,938,754		37,734,712

TOTAL LIABILITIES AND EQUITY

P	50,784,716	P	53,058,262
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APR 30 2019

See Notes to Financial Statements.

ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2018	2017
SALE OF SERVICES	11, 14	P 8,146,350	P 9,377,368
COST OF SERVICES	10	<u>2,873,057</u>	<u>2,318,724</u>
GROSS PROFIT		5,273,293	7,058,644
OTHER OPERATING EXPENSES	10	(13,168,334)	(13,531,450)
OTHER OPERATING INCOME	11	<u>8,333,690</u>	<u>5,670,676</u>
PROFIT (LOSS) BEFORE TAX		438,649	(802,130)
TAX EXPENSE (INCOME)	13	<u>866,836</u>	(<u>241,762</u>)
NET LOSS		<u>428,187</u>	<u>560,368</u>
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Actuarial gain on remeasurements of post-employment benefit obligation	12	-	199,165
Tax expense	13	-	(59,750)
	12	-	<u>139,415</u>
TOTAL COMPREHENSIVE LOSS		<u>P 428,187</u>	<u>P 420,953</u>

See Notes to Financial Statements.



ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Revaluation Reserve	Retained Earnings	Total
Balance at January 1, 2018					
As previously reported		P 25,750,001	P 344,909	P 11,639,802	P 37,734,712
Effect of adoption of PFRS 9	2			(2,267,771)	(2,267,771)
As restated		25,750,001	344,909	9,272,031	35,366,941
Total comprehensive loss for the year	12			(428,187)	(428,187)
Balance at December 31, 2018	13	<u>P 25,750,001</u>	<u>P 344,909</u>	<u>P 8,843,844</u>	<u>P 34,938,754</u>
Balance at January 1, 2017		P 25,750,001	P 205,494	P 12,200,170	P 38,155,665
Total comprehensive income (loss) for the year	12		<u>139,415</u>	(560,368)	(420,953)
Balance at December 31, 2017	13	<u>P 25,750,001</u>	<u>P 344,909</u>	<u>P 11,639,802</u>	<u>P 37,734,712</u>

See Notes to Financial Statements.



APR 30 2019

ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		P 438,649	(P 802,130)
Adjustments for:			
Unrealized foreign currency exchange loss (gains) - net		(2,071,182)	215,247
Impairment loss on trade receivables	5	279,086	58,568
Interest income	4, 11	(4,887)	(8,954)
Depreciation	8	3,610	8,906
Operating loss before working capital changes		(1,354,724)	(528,363)
Decrease (increase) in trade and other receivables		(2,429,943)	2,003,683
Increase in other current assets		(101,543)	(346,930)
Increase (decrease) in trade and other payables		898,187	(1,755,613)
Increase (decrease) in other current liabilities		(394,511)	394,510
Increase in post-employment benefit obligation		86,644	102,468
Cash used in operations		(3,295,890)	(130,245)
Interest received		4,887	8,954
Cash paid for income taxes		(254,032)	(948,156)
Net Cash Used in Operating Activities		(3,545,035)	(1,069,447)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	8	(2,395)	(2,589)
Acquisition of investment in a subsidiary	7	-	(2,000,000)
Cash Used in Investing Activities		(2,395)	(2,002,589)
CASH FLOWS FROM A FINANCING ACTIVITY			
Proceeds from advances obtained from a related party	14	8,754	2,205,689
EFFECT OF FOREIGN EXCHANGE RATES CHANGES ON CASH		2,071,182	(18,322)
NET DECREASE IN CASH		(1,467,494)	(884,669)
CASH AT BEGINNING OF YEAR		2,167,949	3,052,618
CASH AT END OF YEAR		P 700,455	P 2,167,949

See Notes to Financial Statements.



APR 30 2019

ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

ADEC Innovations Corporation (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 25, 2009 and started commercial operations in 2011. It is presently engaged in Information Technology (IT) enabled services, primarily to foreign markets and clients, which include related parties of the Company (see Notes 14.1 and 14.2).

In 2017, the Company acquired ADEC Innovations Knowledge Management Corporation (ADEC KMC) as its subsidiary. ADEC KMC was incorporated on November 15, 2013 and is engaged in providing programs, systems and tools related to business process outsourcing courses and other related courses, professional training in the use of these programs, systems and tools and to offer necessary back office support services to institutions and other entities (see Note 7).

The Company is 60% owned by REDECS Green Holdings Corporation (REDECS or the parent company). The remaining 40% interest is held equally by JICA BPO Holdings Limited (JICA) and ADEC Innovations, Ltd. (ADEC). The parent company is also incorporated in the Philippines and is presently engaged in investing, purchasing, developing, leasing, selling, transferring or otherwise disposing of all properties of every kind, nature and description and wherever situated, including, but not limited to, real estate.

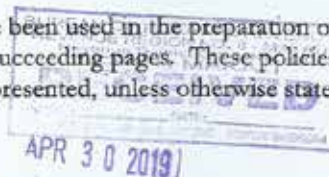
The registered office of the Company, which is also its principal place of business, is located at the 26th Floor, Philippine AXA Life Centre, Sen. Gil Puyat Avenue, Makati City. The registered office and principal place of business of the parent company is located at Bldg. 15 Don Mariano Lim Industrial Compound, Alabang-Zapote, Las Piñas City.

1.2 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2018 (including the comparative financial statements as of and for the year ended December 31, 2017) were authorized for issue by the Company's BOD on April 8, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the periods presented, unless otherwise stated.



2.1 Basis of Preparation of Financial statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The Company is qualified as a small and medium-sized entity based on the criteria set by the SEC and as defined in the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs). However, the Company opted to avail of the exemption provided by the SEC for mandatory adoption of PFRS for SMEs on the basis of its ultimate plan to become a subsidiary of a foreign parent company (see Note 1.1) reporting under International Financial Reporting Standards. In view of the foregoing, the Company's financial statements have been prepared in accordance with PFRS.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on a historical cost basis. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expenses and other comprehensive income in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in these financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2018 that are Relevant to the Company

The Company adopted for the first time the following PFRS, interpretation and annual improvements to existing standards which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contract with Customers
		Clarifications to PFRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvement to PFRS (2014-2016 Cycle)		
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

Discussed below are the relevant information about these standards, interpretation and annual improvements.

- (i) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaced PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This new standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);
 - an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at FVTPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Company applied PFRS 9 using transitional relief allowed by the standard. This allows the Company not to restate its prior periods' financial statements. The adoption of this new accounting standard required the application of the ECL methodology based on the stages of impairment assessment of the Company's trade and other receivables. Such application resulted in the additional credit losses for trade and other receivables as of January 1, 2018 together with the related deferred tax, which was charged against the opening balance of Retained Earnings account.

The impact of the adoption of PFRS 9 to the Company's unappropriated retained earnings as of January 1, 2018 is as follows.

Balance at January 1, 2018	P	11,639,802
Increase in allowance for doubtful accounts	(3,382,530)
Increase in deferred tax assets		<u>1,014,759</u>
	P	<u>9,272,031</u>

The Company's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.4 and 2.7, while the related disclosure on credit risks is included in Note 17.2.

- (ii) PFRS 15, *Revenue from Contract with Customers*, together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This new standard replaced PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company applied PFRS 15 using the modified retrospective approach, which allows the Company not to restate prior period adjustments.

The Company's significant revenue streams as of December 31, 2018 includes rendering of services, which is within the scope of PFRS 15. The recognition and measurement of this revenue stream under PFRS 15 did not significantly vary from PAS 18. Relative to this, the Company's adoption of PFRS 15 did not result in any adjustment to the Company's financial statement as of January 1, 2018 and for the current year. However, it resulted in changes in its accounting policies as disclosed in Note 2.10. In addition, disclosure related to management judgments and estimates is disclosed in Note 3 while disaggregation of revenues is disclosed in Note 11.

- (iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration*. The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The application of this interpretation has no impact on the Company's financial statements.

- (iv) Annual Improvements to PFRS 2014-2016 Cycle. PFRS 1 (Amendments), *First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions*. The amendments removed short-term exemptions in PFRS 1 covering PFRS 7, *Financial Instruments: Disclosures*, PAS 19, *Employee Benefits*, and PFRS 10, *Consolidated Financial Statements*, because the reporting period to which the exemptions applied have already transpired. The application of these amendments had no material impact on the Company's financial statements as these amendments merely clarify existing requirements.

(b) *Effective in 2018 that are not Relevant to the Company*

The following amendments and improvements to PFRS are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Company's financial statements.

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4
Annual Improvement to PFRS (2014-2016 Cycle)	:	
PAS 28 (Amendments)	:	Investment in Associates – Classification on Fair Value Through Profit or Loss Classification

(c) *Effective Subsequent to 2018 but not Adopted Early*

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt these relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

- (ii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

For lessors, lease accounting is similar to PAS 17’s. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17’s. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Company will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

As of December 31, 2018, the management has initially assessed that the impact of this new standard will be on the recognition of additional asset and liability which is determined based on the present value of the Company’s future minimum lease payments.

- (iii) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

- (iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (v) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify existing requirements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
 - PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Company obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Company obtains joint control of the business.

2.3 Separate Financial Statements and Investment in a Subsidiary

These financial statements are prepared as the Company's separate financial statements. As allowed under existing financial reporting standards, the Company has not presented consolidated financial statements because it is itself a wholly owned subsidiary of REDECS, which will present consolidate financial statements available for public use that comply with PFRS. Moreover, the Company's debt or equity securities are not traded in organized financial market and the Company is not in the process of filing its financial statements with securities commissions or other regulatory organization for the purpose of issuing any class of instruments in an organized financial market.

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

The Company's investment in a subsidiary is accounted for in these separate financial statements at cost, less any impairment loss (see Note 2.13).

2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at FVTPL. Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. As of December 31, 2018, the Company's financial assets are classified and measured at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Company's financial assets meet these criteria and are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company's financial assets at amortized cost is presented as Cash, Trade and Other Receivables and Security Deposits in the 2018 statement of financial position.

For purposes of cash flows reporting and presentation, cash include cash on hand and demand deposits, which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Other Operating Income.

(b) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39*

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The designation of financial assets is re-evaluated at every reporting date, at which date, a choice classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standard.

As of December 31, 2017, the financial asset category relevant to the Company is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Company's financial assets categorized as loan and receivables are presented as Cash, Trade and Other Receivables, and Security Deposits in the statement of financial position. Cash includes demand deposits maintained in local bank that is unrestricted, readily available for use in the Company's operations and generally earning interest based on daily bank deposit rates.

All income relating to financial assets that are recognized in profit or loss are presented as part of Other Operating Income in the statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. Interest calculated using the effective interest method for all categories of financial assets is recognized in the statement of profit or loss. Dividends on equity instruments are recognized in profit or loss when the Company's right to receive payment is established.

(c) *Impairment of Financial Assets under PFRS 9*

From January 1, 2018, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

As allowed under PFRS 9 for financial asset with no significant financing component, the Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for financial assets at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the expected credit losses, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – is an estimate of likelihood of default over a given time horizon.
- *Loss Given Default* – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- *Exposure at Default* – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) *Impairment of Financial Assets under PAS 39*

As of December 31, 2017, impairment loss is provided when there is any objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in profit or loss.

(e) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Other Assets

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.6 Property and Equipment

Property and equipment are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Office equipment	3-5 years
Computer equipment	3 years

Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements of five years or the term of the lease, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and fully amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.7 Financial Liabilities

Financial liabilities of the Company, which include trade and other payables (excluding tax-related liabilities), due to a related party and security deposits, are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.8 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.9 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.10 Revenue and Expense Recognition

Revenue arises mainly from sale of services is recognized under the requirements of PFRS 15.

To determine whether to recognize revenue, the Company follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, revenue from sale of services is recognized as the performance obligation has been performed over time since the customer simultaneously receives and consumes the benefits provided by the Company on the duration of the contract. This specific recognition criteria must be met before revenue is recognized [significant judgment in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(a)]

In 2017 and prior periods, revenue is recognized under PAS 18 to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and, the costs incurred or to be incurred can be measured reliably. Revenue from sale of services is recognized when the performance of contractually agreed tasks has been completed.

Costs and expenses are recognized in the statement of comprehensive income upon utilization of goods and/or services, or at the date they are incurred.

2.11 Leases

The Company accounts for its leases as follows:

(a) Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Company as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.12 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of income or loss from operations.

2.13 Impairment of Non-financial Assets

The Company's investment in a subsidiary, property and equipment, and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.14 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.15 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, a defined contribution plan and other benefits.

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees.

ANNEX D

ADEC PORTFOLIO IMPACT

Area of Expertise	Key Products & Services	Companies	SDGs Impacted (Direct + Indirect)
Environment, Social and Governance (ESG)	Industry Expert Solutions • Sustainability Solutions • Compliance • Disclosure • ESG Data Management • ESG Software Solutions	FIRSTCARBON SOLUTIONS ADEC INNOVATIONS ENVIROSITE Corporation	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND
Health Information	Revenue Cycle Management • Medical Coding • Medical Claims & Adjudication • Pharmaceutical Contract Research • Patient Engagement	ADEC INNOVATIONS PharmaKPO	3 GOOD HEALTH AND WELL-BEING
Education/ Knowledge Management	E-learning • Physical School • Online Language Learning • Content Development • Capacity Building	ADEC INNOVATIONS Ascentify	4 QUALITY EDUCATION 1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
Outsourcing/ Workforce Solutions	Business Process Outsourcing • Professional Employment Outsourcing • Knowledge Process Outsourcing • Program Management • IT Outsourcing • Software Development • Impact Sourcing	American Data Exchange ADEC SOLUTIONS USA ADECKENYA™ ADECCHINA™ ADECPHILIPPINES™ ADEC INNOVATIONS	8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY 10 REDUCED INEQUALITIES 1 NO POVERTY



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