ADEC INNOVATIONS
WHERE IMPACT MATTERS

IMPACT ASSURED

Towards a Resilient and Thriving Future

SUSTAINABILITY REPORT 2019

About the **Cover**

The Environmental, Social and Governance (ESG) narrative today is different, ADEC Innovations (ADEC) continues to reinvent itself to adapt to this changing landscape. For over 30 years, ADEC has taken the strategic lead role towards sustainable development. Our Company enables stakeholders and changemakers to embed sustainability in their respective organizations and make informed decisions. In the coming years, ADEC will continue to strive to be part of this fundamental shift in the Environmental, Social, Governance (ESG) space – allowing our clients to embrace this systemic change towards a resilient and thriving future.

COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

CONTENTS

IMPACT **ASSURED**

The United Nations Agenda 2030 is a transformative plan of action for an integration across the economic, social, environmental dimensions of sustainable development. With the growing challenges on climate change and environmental degradation, it reinforces the need for governments, businesses, and civil societies to act in a decisive manner – one that is science-based and data-driven. Over the past years, Environmental, Social, Governance (ESG) funds have risen to billions, reflecting the shift in capital investments that provide a lasting impact to the planet and people.

Impact Assured is ADEC Innovations' commitment to its clients. We aim to provide the foundation for building a sustainable and resilient organization through our portfolio of ESG assurance solutions. We will continue to collaborate and equip governments, enterprises and coalitions with scalable tools and services to help them improve their journey towards a sustainable and resilient future.

This sixth Sustainability Report serves as a testament of our relentless dedication in developing solutions that would leave a nature-positive impact to development. The report presents our progress for the fiscal year of 2019, covering our achievements and improvements in advancing the United Nations' 17 Sustainable Development Goals (SDGs) and the UN Global Compact (UNGC) Ten Principles on human rights, labor, environment, and anti-corruption. This report also details our disclosures on the management approach, operations, management systems, and impacts of the business operation to the three facets of sustainability.

For 2019, ADEC Innovations has revolutionized sustainability solutions into a scalable portfolio of ESG Assurance offerings composed of blended data-driven technology and professional services. We are confident that our ESG solutions portfolio will allow our clients and stakeholders to embrace this radical transformation towards a more resilient globalization. In pursuit of sustainability, we continue to partner with multilateral organizations and international coalitions in establishing concrete and strategic programs and actions towards sustainable development. With our unrelenting commitment, our Company remains true to our promise in building resilient organizations that are ready to thrive despite the growing challenges of the future. This is our legacy – an Impact Assured.

MESSAGE FROM **THE CEO**

Dear Fellow Stakeholders,

The year 2019 had been a pivotal point for governments, industries, and changemakers, as Environmental, Social and Governance (ESG) issues continue to be topics of heightened concern and activism among various stakeholders. It was a year when more business leaders have grown to recognize the need to stand up for long-term impacts towards a healthy planet and people. Sustainable investment, serious climate change actions, clean technology, and data-driven solutions have certainly become the forefront agenda of policy makers and business leaders.

We, at ADEC Innovations, are one with the world in nurturing a sustainable and resilient future. We continue to co-create solutions with our partners and stakeholders in response to the existing and emerging complex challenges to sustainable development. To scale our impact, we have developed a complete suite of ESG assurance services, covering solutions for various industries - education, healthcare, manufacturing, logistics, textile, financial and engineering, among others.

Through our wide array of assurance solutions, we aim to support our clients in achieving optimized and efficient performance, with a balance of profitable growth, business compliance, and sustainable impact. In delivering assurance services and solutions, we wish to further contribute to addressing the $2.5 trillion SDG gap and to accelerate ESG-related investments.

As reflected in this 2019 Sustainability Report, ADEC Innovations continues to inspire the private and public sector as they navigate towards a vibrant and resilient ESG landscape. This report encapsulates our constant commitment to sustainable development and to the UNGC Ten Principles revolving on human rights, labor, environment, and anti-corruption.

For the past year, in our service delivery, activities and initiatives, we have continued to drive long-term and assured impact to the three pillars of sustainability – economy, environment, and society. We worked hand-in-hand with thousands of organizations in realizing their vision - aligning the same with the SDGs and translating them into real action.

However ambitious, ADEC Innovations remains steadfast in its mission as an ESG Assurance company. We remain to be a leading and trusted partner in delivering sustainable impact towards a resilient and thriving future.

James M. Donovan
Chief Executive Officer
ADEC Innovations Corporation

BUILDING A **RESILIENT FUTURE**

ADEC Innovations Corporation (ADEC Innovations) produces an assured positive impact by translating the vision, ideas, and goals of organizations into real action and value. Our Company provides technological and professional solutions to governments, coalitions, and enterprises, allowing them to become resilient and sustainable. For the past years, the Company has been pursuing SDGs through a multi-sectoral approach to innovation, supporting the efficient operation of organizations.

Our Company has been an active member of the UNGC since July 2014. We communicate our commitment to the UNGC Ten Principles in light of human rights, labor, environment, and anti-corruption. This Sustainability Report serves as our sixth annual Communication on Progress (COP) to the UNGC, covering the fiscal period from January to December 2019. Carrying on from last year's reporting, we continue to disclose our progress in responding to the global business principles of UNGC in an advanced manner of reporting.

Other objectives of this year's sustainability report are as follows:

- **Evaluate the impacts of the Company to the economy, environment, and society;**
- **Share the Company's best practices and management approach for each material topic;**
- **Present the new programs, actions, and enhanced policies and management that advance human rights, labor, environment, and anti-corruption practices;**
- **Reflect on our contributions to the UN SDGs; and**
- **Foster transparency, accountability and proper reporting of performance in compliance to standards, the three pillars of sustainability – economy, environment, and society.**

2019 **MILESTONES**

ADEC Innovations continues to create a ripple of change as the management presents the evolved complete suite of ESG Assurance Solutions, highlighting the four core components: ESG+, Technology, Global Development, and Impact Capital. The Company aims to further cater to the growth of our clients and partners globally, offering scalable tools and solutions.

PROMOTING SMART CITIES

In order to reach more cities towards sustainability, our non-profit arm, the Global CEO Alliance (GCEOA) joined the Sister Cities International (Sister Cities). Mr. James Donovan, the CEO of ADEC Innovations and Chairman of the GCEOA became one of Sister Cities' Board of Directors. Together, ADEC through GCEOA and Sister Cities aim to increase the capacity and resiliency of local city governments through smart city data-driven actions and urban development.

ENVIRONMENTAL OUTLOOK FOR BUSINESS

Mr. Donovan also joined the Advisory Committee of United Nations Environment Programme (UNEP)'s Global Environment Outlook (GEO) for Business in 2019. He joined the rest of the business leaders in effectively communicating the outcomes of GEO6 – UNEP's publication that aims to assess the state of the environment to the private sector. GEO for Business provides guidance to the private sector on the current environmental issues on six business briefs – (1) adapt to thrive and what transformational change means for business; (2) moving from linear to circular economy and what it means for business; (3) the changing role of business in transforming food systems; (4) management of transition to decarbonization and full electrification; (5) future-proofing infrastructure for climate resiliency; and (6) financing change.

> This initiative (the biodiversity M&E platform) not only requires work from the government and public agencies but also calls for efforts from us in the private sector as we undoubtedly share the same vision with the Philippine Government when it comes to sustainable management of natural resources.
>
> **James Donovan**
> CEO, ADEC Innovations

INVESTING IN BIODIVERSITY

The partnership of United Nations Development Programme (UNDP) and ADEC Innovations in developing an online biodiversity monitoring and evaluation (M&E) platform was also sealed in March 2019 through a pact signing held in Manila, Philippines. Through UNDP's Biodiversity Finance Initiative (BIOFIN) and the Biodiversity Management Bureau (BMB) under the Department of Environment and Natural Resources (DENR), ADEC has been commissioned to develop the M&E platform which aims to promote transparency and accountability for ongoing biodiversity projects nationwide and mobilize resources and blended investment mechanisms.

As a fortress of sustainability, ADEC continues to invest in ESG by adding a pool of assurance, compliance, and monitoring tools. We partner with more like-minded organizations to strengthen our position in advancing sustainability assurance.

ASSURANCE **STRATEGY**

Cognizant of the United Nations' Agenda 2030, ADEC Innovations joins the rest of the world in fostering collaboration among public and private sector to uphold transparency, accountability and compliance in measuring its impact to the environment and the society. We have come up with a set of assurance solutions to encourage evidence-based reporting and informed decision-making.

$2.5 TRILLION

Annual Investment Gap to Achieve the SDGs

The journey towards sustainability and resiliency does not end in developing solutions, but also in encouraging active and actual investments for sustainable development. We continue to contribute in bridging the $2.5 trillion SDG-financing gap by partnering with governments, enterprises, and coalitions in the delivery of different assurance solutions.

We bring our operational and management experience to help our deal partners and investee companies to achieve their investment and impact goals.

OUR ANCHORS **IN REPORTING**

Global Reporting Initiative

REPORTING PRINCIPLES

The 2019 ADEC Innovations Sustainability Report is referenced from the 2016 Global Reporting Initiative (GRI) Standards. This report provides disclosures of the company's governance, operation and impacts to economy, environment, and society which are the three pillars of sustainability.

The Sustainability Report reflects the Reporting Principles of the 2016 GRI Standards.

- **Accuracy.** Consolidated data and relevant documents from each office and department were validated and scrutinized to ensure the reliability, quality, and integrity of information provided in this report.
- **Balance.** Both positive and negative responses on each of the pillars of sustainability are presented to provide a balanced reporting.
- **Clarity.** Each section is presented in a concise manner, with supporting evidence for more adept understanding.
- **Comparability.** Current performance is compared with the previous years to determine the company's growth and progress with respect to our commitment with the UNGC Ten Principles, GRI reporting framework and SDG targets.
- **Reliability.** This report has been reviewed prior to its publication.
- **Timeliness.** Since 2015, our Company has been consistent in forwarding the Sustainability Report as our COP to UNGC.

SCOPE AND LIMITATIONS

This Sustainability Report covers the 2019 fiscal year, covering the Philippine office only. The report presents the progress and commitment of ADEC Innovations Corporation to sustainability, highlighting the impacts to economy, environment and society over a period of one year.

METHODOLOGY

This Sustainability Report adopted the materiality topics of last year's reporting to ensure continuity and evaluate the overall progress of the company in advancing sustainability for the past years. Current performance is compared with the previous reporting results, as well as with international guidelines and standards, and industry best practices. This report covers the governance and operation of our Company, including the impacts and management disclosures based on the materiality topics under the economic, environmental, and social aspects.

ADEC conducted data gathering and consultation with its various departments – executive office, finance, purchasing, human resources, legal, standard compliance and audit, research and development, compliance office, facilities group and operation. Presentation of findings and assessments revolve around the UNGC Ten Principles on human rights, labor, environment and anti-corruption. The evaluation is also aligned with the SDGs pursued by our Company.

UNGC Ten Principles

ADEC Innovations has been an active member of the UNGC since July 2014. We have been consistently reporting our commitment, progress, and disclosures in advancing the Ten UNGC Principles on human rights, labor, environment, and anti-corruption. We respond to environmental and social challenges and drive positive impact to the economy, environment, and society through our wide array of assurance solutions.

This 2019 Sustainability Report is based on a GC Advanced Level of COP which entails a more comprehensive type of disclosures. The advanced level of reporting requires a self-assessment based on additional advanced criteria for communication of UNGC. This is on top of the minimum requirements cited in the 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, environment, and anti-corruption..
- 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.

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.

Global Sustainable Goals

ADEC Innovations supports the United Nations' Sustainable Development Goals by helping our clients develop a greener supply chain, heighten sustainability in their operations, capitalize in greener forms of investment, integrate sustainability and resiliency on how they actualize their vision, and monitor their progress for evidence-based decision-making. We work hand in hand with our clients in building resilient organizations through our assurance solutions, thereby allowing optimum operation in the midst of crisis and unforeseen disruption.

In 2019, the ADEC Global Group advanced 13 out of the 17 global sustainable goals. From which, three SDGs had been adopted by ADEC Innovations for its local operation:

- **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 launching of the Paris Agreement in 2015 has escalated the urgency of member countries working together to limit the global temperature increment to 1.5°C.

ADEC supports the requirements of organizations on energy, air, carbon management and other sustainability management measures, including the monitoring and evaluation of greenhouse gas (GHG) emissions.

Business Values

The core business of ADEC is grounded on sustainability and resilience, and guided by the UN SDGs. We work with governments, enterprises, and coalitions towards the realization of their vision through innovative sustainable business and assurance solutions.

ABOUT **ADEC**

WHO WE ARE

We are a global company with over 30 years of group experience in ESG assurance solutions covering Professional and Workforce services, Technology, Global Development, and Impact Capital. Through our integrated expertise and technological solutions, our Company enables our clients to achieve optimized resource utilization, cost-effective operation, efficient performance, and co-creative balance with communities.

WE PUT YOUR VISION INTO ACTION.

WHAT WE DO

ADEC Innovations' ESG assurance services offerings include data management solutions; Software-as-a-Service (SaaS); consulting services for ESG and technology solutions; managed services for private equity and impact capital requirements. Our Company provides solutions to governments, coalitions, and enterprise to help them quickly implement sustainability, capacity-building, and data-driven innovations through our core expertise.

We have a wide array of ESG Assurance solutions.

ESG Professional Services

ENVIRONMENTAL AND CULTURAL SERVICES

ADEC ESG team assists our clients in achieving the delicate – and sometimes elusive – balance between development and environmental protection.

ESG Professional Services

CORPORATE SUSTAINABILITY

We use a comprehensive suite of software and consulting solutions that help minimize negative environmental and social impacts, maximize efficiency, and drive long-term business growth through sustainable profitability and empowered decision-making.

ESG Workforce Solutions

BPO • KPO • PEO • HEALTH INFORMATION

ADEC Innovations' workforce and outsourcing solutions let our clients effectively manage cost in their organizational support and non-core activities, allowing them to focus on their core strengths and corporate strategies.

ESG SaaS / DaaS

ENVIRONMENTAL DATA

We deliver the fastest and most cost-effective environmental data reporting in the industry to turn opportunities into realities.

Impact Sourcing

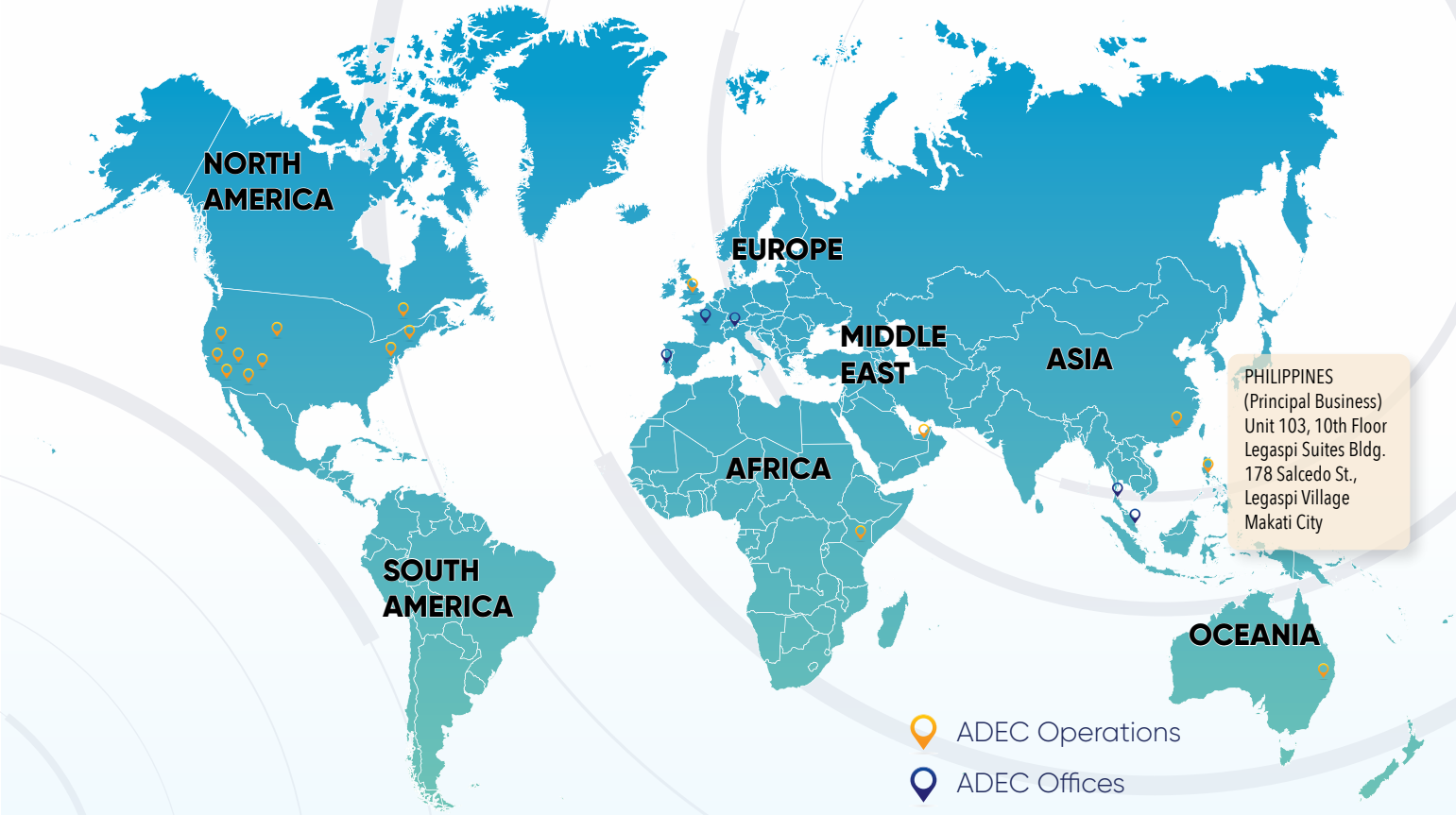
IMPACT WORKFORCE

We provide workforce and outsourcing solutions that help in creating jobs, developing talents, generating economic activities, and improving lives of the underprivileged communities and sectors.

WHERE WE ARE

Our Company is headquartered in Europe and has more than 20 sites located across 15 countries and covering 6 continents. We have serviced 1,500 organizations in 8,000 various projects ranging from sustainability and capacity building solutions in 152 countries.

Global **Reach**



+20 Locations

6 Continents

15 Countries

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

In October 2019, the Company's Board of Directors (BOD) approved the principal change of business address from the Philippine AXA Life Centre in Sen. Gil Puyat Avenue, to Legaspi Village in Makati City. The change in address was approved by the Philippines Securities and Exchange Commission (SEC) in December 2019.

WHO WE SERVE

We support the growth of stakeholders and changemakers in the sphere of resilience and sustainability.

Government

ADEC Innovations partners with governments to co-create solutions that support policy and programme development and implementation that aim to improve public services.

Coalitions

We work with various coalitions to address the common compliance and sustainability requirements of their members. Through a coalition, it is easier to share knowledge and best practices, and create collective impact to the global sustainability outreach.

Enterprise

Businesses need to respond to the demand of sustainability, resilience, and profitability. We engage and collaborate with enterprises in finding solutions for their economic, environmental, social and governance challenges.

HOW WE STARTED

Since our foundation in 2009, ADEC Innovations Corporation (formerly F-I-R-S-T Carbon Solutions) has provided carbon management services, environmental data management solutions, and monitoring and evaluation platform to various organizations across continents. The evolution of our services has allowed us to serve more than 1,500 clients globally.

We are part of the ADEC Innovations Group of Companies that offer back-office support to improve the operations and scale up the business of Fortune 500 companies. To serve our clients better, we have developed a suite of assurance solutions in 2019 to future-proof businesses globally.

1998
START OF THE JOURNEY
ADEC Solutions (now ADEC Group) is founded

2009
F-I-R-S-T CARBON SOLUTIONS FOUNDED
F-I-R-S-T CARBON (FCS) is established as an energy and sustainability company

2010
EXPANSIONS AND EXTENSIONS
ADEC acquires the first Carbon ghgTrack™ software and expanded its operation in China

2011
AWARDS AND ACKNOWLEDGMENT
FCS is chosen by CDP as the Supply Chain Scoring Partner

2013
REVOLUTIONIZING SUSTAINABILITY
ADEC launches Supply Link, expands regulatory compliance services, and brings global solutions

2015
FORGING PARTNERSHIPS
ADEC collaborates with UNEP, confirming the CEO, James Donovan, as the Team Leader of the Data Group for GEO 6

2017
SUSTAINABILITY GLOBAL LEADERS
FCS changed its name to ADEC Innovations Corporation, continuously developing global sustainability business

2018
BUSINESS AND INDUSTRY MAJOR GROUP REPRESENTATIVE TO UNEA
CEO James Donovan becomes one of the Business and Industry Major Group Representatives to the United Nations' Environment Major Group Facilitating Committee

2019
ASSURANCE SOLUTIONS
ADEC Innovations revolutionized its suite of offerings into assurance solutions

Our Business Core

ADEC Innovations has expanded its global network of companies with sustainability and resilience as the core foundations. Over the years, our Company has evolved the landscape of sustainability by integrating the Agenda 2030 of the United Nations in its co-creation of solutions with partner clients and global institutions.

Our Company envisions a future led by sustainable and resilient enterprises, governments, and organizations. We aim to empower organizations through the co-creation of innovative, holistic and integrated solutions that would support their optimum growth and performance.

VISION
A global leader in assurance solutions

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

OUR CORE VALUES

ADEC Innovations upholds the CERTIC Values in our everyday operation.

C

CUSTOMER FOCUS
We continuously understand the unique needs of our client, enabling us to deliver unparalleled customer solutions through our world-class services.

E

EXCELLENCE
We are dynamic, innovative and passionate for learning, fueling our relentless pursuit to achieve the highest level of standards in everything we do.

R

RESPECT
We treat our stakeholders, clients, suppliers and community with courtesy and compassion.

T

TEAMWORK
We proactively work together and guide each other in achieving our vision.

I

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

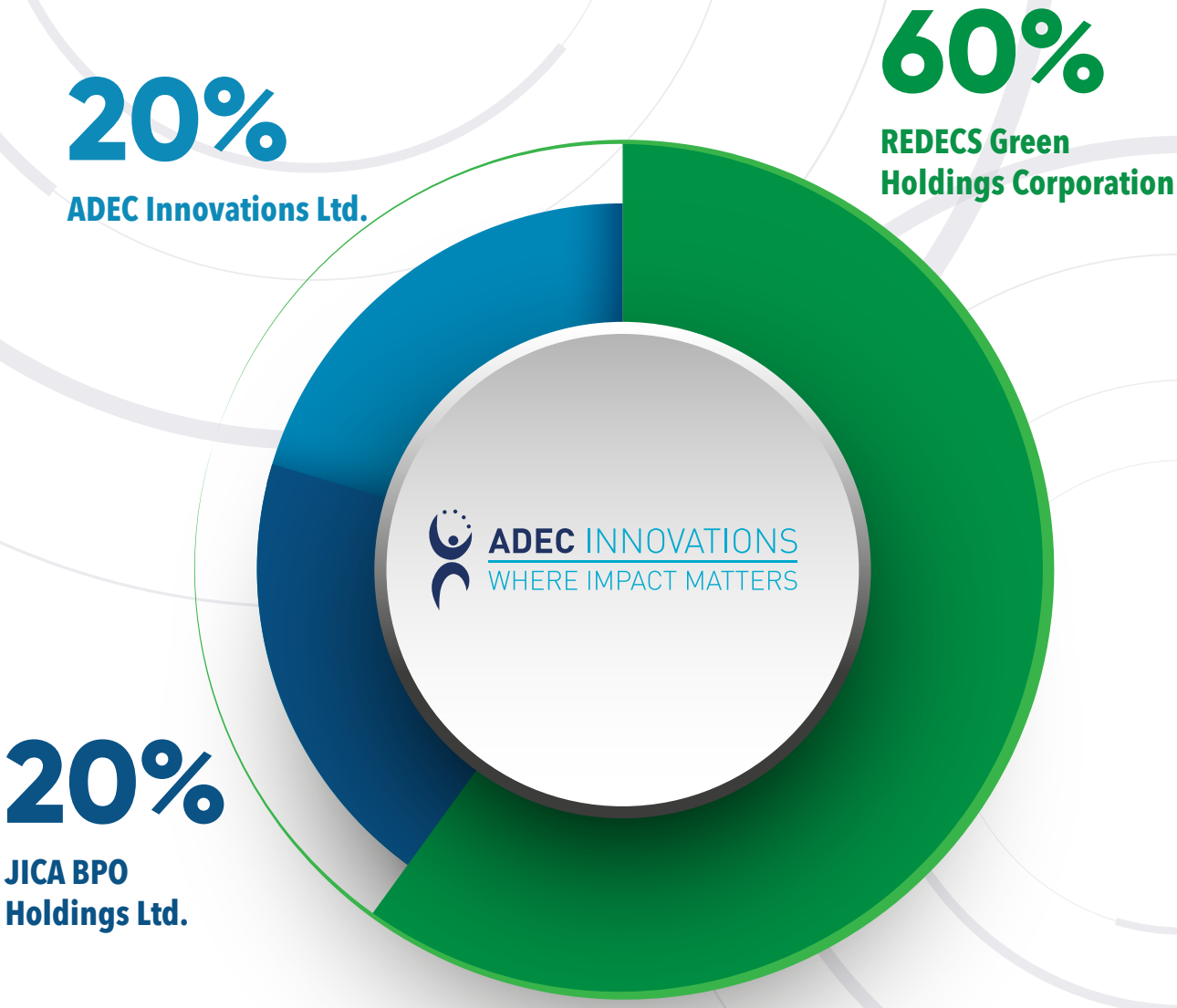
C

COMMITMENT
We make things happen by creatively maximizing our resources to ensure each other's success.

Ownership

ADEC Innovations Corporation is owned by three entities. The REDECS Green Holdings Corporation (REDECS or parent company), which is a Philippine -registered property company, has the majority share of 60%. The remaining 40% is held equally by ADEC Innovations (formerly ADEC Solutions, Limited) and JICA BPO Holdinga Limited (JICA).

ADEC Innovations is privately-owned, with trickle capital from business owners, and none from government agencies.



Establishing Trust and Partnerships

Over the years, ADEC Innovations has established a global network of changemakers in the field of sustainability and resilience.

ASSOCIATIONS AND AFFILIATIONS

Our Company is affiliated with coalitions and associations that promote business inclusion, healthcare, technology and innovation, environment, and urban city development.

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
European Chamber of Commerce of the Philippines (ECCP)	Active Member
United Nations Environment Assembly (UNEA) Stakeholders Group	Active Memberr
United Nations Environment Business and Industry Major Group	Major Representative
Sister Cities International	Board of Directors

ACCREDITATION

ADEC Innovations' operation promotes global standards on climate change action, information security, environmental management, quality assurance, trade, and consulting services, as reflected in its list of accreditations and certifications from international organizations.

- **CDP Accredited Provider**
- **ISO/IEC 27001:2013 Information Security Management Systems (ISMS)**
- **ISO 14001:2015 Environmental Management System (EMS)**
- **ISO 9001:2015 Quality Management System (QMS)**
- **Sedex Member Ethical Trade Audit (SMETA)**

RECOGNITIONS

We have earned the trust of our colleagues in the industry. ADEC Innovations, its subsidiaries and affiliates, and top management have received awards and recognitions from various award-giving bodies for the development of sustainable and innovative business solutions that have contributed to the welfare of the people.

Mr. Donovan receiving the Doctorate Honoris Causa in Humanities from Anaheim University.

ADEC receiving the 2019 Excellence Award for Service Export.

2019

- During the National Export Congress in December 2019, ADEC was announced as the 2019 Top Philippine Exporter for making an exemplary contribution to the export industry.
- Anaheim University conferred ADEC CEO James Donovan the Doctorate Honoris Causa in Humanities, an honorary doctorate and the University's highest honor given in recognition for his work in the field of sustainability.

2018

- CleanChain, a supply chain and chemical data system developed by ADEC Innovations was recognized by United Nations Conference on Trade and Development - International Standards of Accounting and Reporting (UNCTAD-ISAR) for providing an innovative data visualization for industry's supply chain.
- ADEC 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, 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

- 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, received 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

- Donovan, recognized as the JLL Expatriate Executive of the Year at the Asia CEO Awards.

2014

- ADEC 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

- Mr. Donovan, along with Carol S. Esguerra, received the Executive Leadership Team of the Year Award at the Asia CEO Awards.

2011

- ADEC Innovations Corporation won the "Most Innovative Company of the Year" at the 5th ICT International Awards Philippines.

2010

- ADEC won the Best Eco-Industrial Service at the 2010 Philippine International Eco-Show Awards

PARTNERSHIPS

ADEC Innovations and its affiliated companies, as well as its non-profit organizations have partnered with various United Nations' arms, international institutions, governments, academe, and civil society organizations towards creating an assured impact in the field of sustainability and resilience.

UN AGENCY PARTNERS

UNEP
UNECE
unitar United Nations Institute for Training and Research
UNDP
UN GLOBAL COMPACT
UN HABITAT FOR A BETTER URBAN FUTURE
UNOSSC
ECOSOC United Nations
UNIDO

INSTITUTIONAL PARTNERS

BIOFIN THE BIODIVERSITY FINANCE INITIATIVE
CDP DRIVING SUSTAINABLE ECONOMIES
PASD PHILIPPINE ALLIANCE FOR SUSTAINABLE DEVELOPMENT
SisterCities INTERNATIONAL
Wilson Center
GIIN GLOBAL IMPACT INVESTING NETWORK
SCIENCE POLICY BUSINESS FORUM
iSAR32
IR INTEGRATED REPORTING
GLOBAL DATA COMMONS
AGEDI العالمية للبيانات البيئية مبادرة أبوظبي Abu Dhabi Global Environmental Data Initiative
GDI Global Development Incubator
ORGANIZATION OF AMERICAN STATES

GOVERNMENT PARTNERS

UNITED ARAB EMIRATES
MINISTER OF STATE FOR
ARTIFICIAL INTELLIGENCE OFFICE

الإمارات العربية المتحدة
مكتب وزير الدولة
للذكاء الاصطناعي

هيئة البيئة - أبوظبي
Environment Agency - ABU DHABI

County Government of Kisumu
Harbour of Prosperity

Fa'avae i le Atua Samoa

Lungsod ng Makati
1995
Pilipinas

dti
PHILIPPINES

Department of Foreign Affairs
Republika ng Pilipinas
Philippines

DEPARTMENT OF ENVIRONMENT
AND NATURAL RESOURCES –
BIODIVERSITY MANAGEMENT BUREAU

ACADEME PARTNERS

Anaheim University

L-Università ta' Malta

Strathmore UNIVERSITY

University of the Philippines
1908

De La Salle University
Manila

LSEED PROGRAM

ASIAN INSTITUTE OF MANAGEMENT

SILAY INSTITUTE

CIVIL SOCIETY PARTNERS

ROADMAP TO ZERO

Save the Children.

SOCIAL WATCH

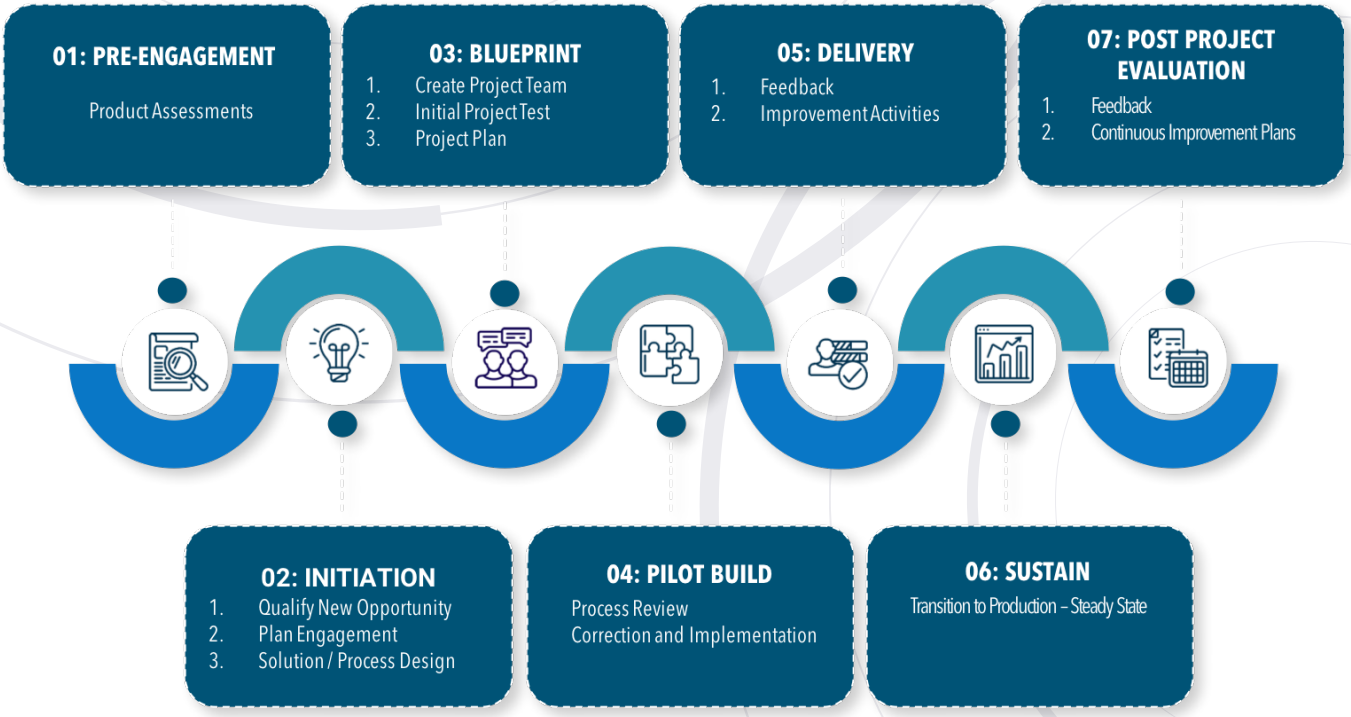
DELIVERING **AN ASSURED VALUE**

Assurance Solutions Delivery

Our partnership with client starts with a consultation on the requirements and specifications. Afterwards, we design solutions based on our understanding of our clients, context of the needed solution, specifications of the platform, and any identified gaps during the initial meeting. We then form a multi-disciplinary team of experts who would consistently coordinate with clients in the projection of the plan.

A pilot would then be built based on a series of process review and integration of improvements. After development, the tool or platform would be deployed. At the delivery phase, the pilot would be tested to elicit an experience and feedback required for the further development of the product. The transition to development, pilot and deployment, and feedback exchange would consistently take place until the agreed requirements with clients have been satisfied. Product finalization and go-live phase would proceed if all issues, concerns, and user feedback have been addressed.

The final phase of the engagement consists of a post project evaluation before complete closure. ADEC monitors and evaluates the performance of the product with regard to the set key performance indicators. Any feedback is then forwarded to the ADEC Project Team for continuous improvement, as part of the learning process mechanism.



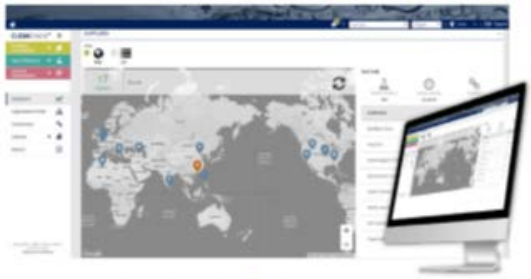
Products and Services

Our Company has a comprehensive and scalable suite of software that helps organizations in reducing negative impacts to the environment and society, maximizing efficiency – enabling business growth through monitoring and assurance, sustainable profitability, and empowered decision-making.

METRICSTRAC
AN ADEC INNOVATION

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.



CLEANCHAIN
AN ADEC INNOVATION

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.

Products and Services

CDPINSIGHTS
AN ADEC INNOVATION

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 designs, builds, and operates CDPInsights™, a multilingual, web-based application to complement and streamline CDP's existing online response system. ADEC utilizes CDPInsights™ 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.

FOODCHAIN
AN ADEC INNOVATION

CARBON FOOTPRINT AND IMPACT MONITORING

FOODCHAIN, an ADEC Innovation, is a unique strategic tool designed to help companies in the food services industry minimize their carbon footprint, lower their environmental impact, and reduce operational costs. The robust and user-friendly platform allows food service operators to calculate waste, water, and CO2e emissions, with the flexibility to track and monitor custom emissions.

ENVIRObility

COST-EFFECTIVE ENVIRONMENTAL RISK REPORTING

ENVIRObility delivers open environmental data innovatons to countries, cities, and businesses to encourage better decision-making, promote sustainable planning, and improve quality of life. Access to environmental data allows community leaders to protect local assets and improve resiliency while fostering sustainable economic development.

Our Portfolio

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, 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.

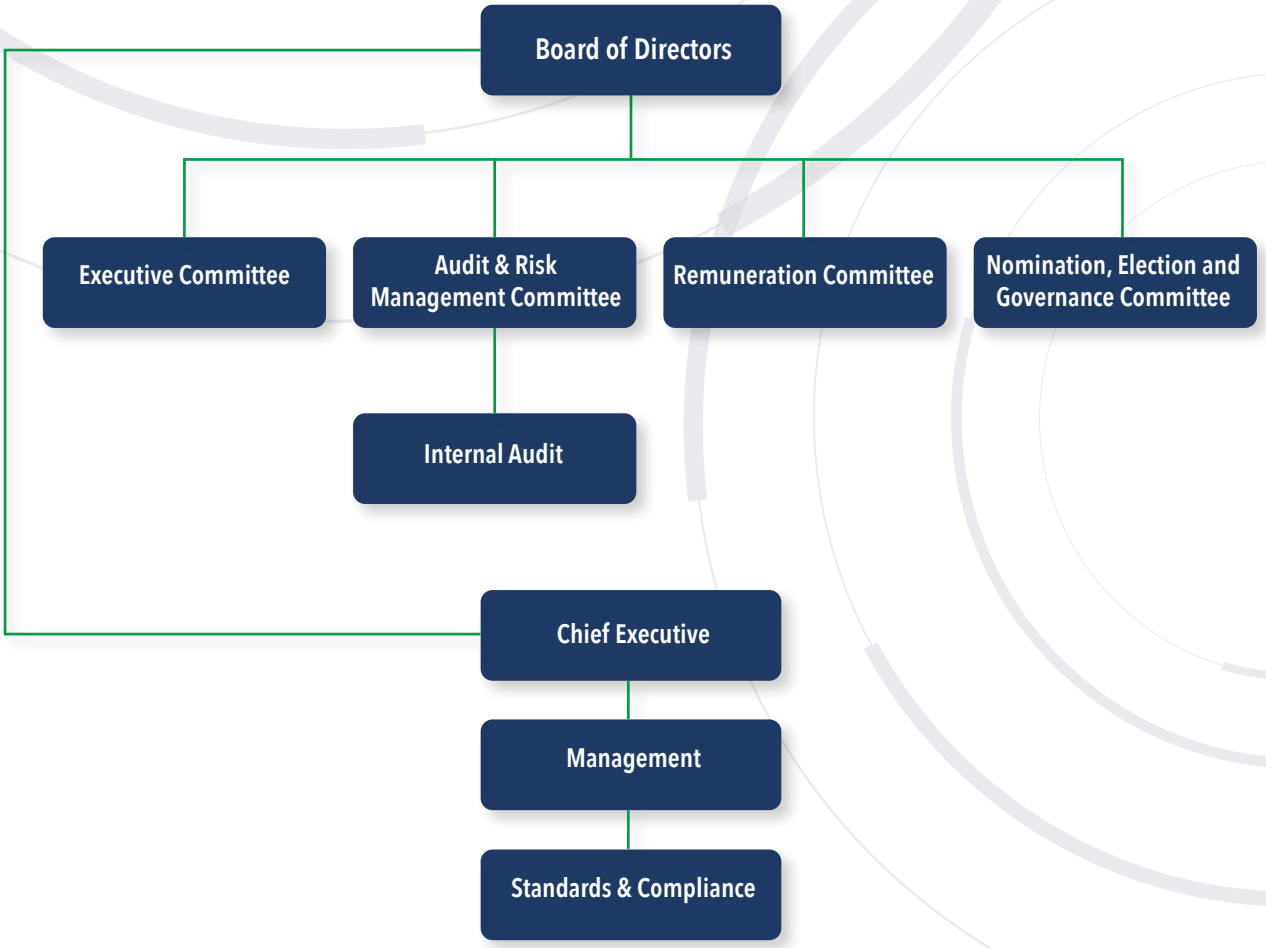
PRACTICING **GOOD GOVERNANCE**

Governance Structure

The Board of Directors has direct oversight of the overall business operations of ADEC Innovations, with support from the four core committees. The Chief Executive Officer (CEO) aligns the business of the company with the organization's vision with the assistance of the Senior Management. The Management oversees the work of each department and business unit to ensure a harmonious integration of the company with the general goals.

Internal Audit (IA) is an independent body which conducts an annual review of the company to ensure alignment and compliance. The Team does a regular round of checks and balances across all departments and companies under the ADEC Group. The standardization of operation through crafting of policies and procedures are done by the Standards and Compliance which directly reports to the Management. The complementary work and evaluation done by both parties – (1) the IA and (2) the Standards and Compliance keeps the commitment of the Company towards a fair, balanced and humane environment.

ADEC INNOVATION'S BOARD STRUCTURE



Board of Directors

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 (CFO) and Director of REDECS Green Holdings Corporation, JICA BPO Holdings Limited and ADEC Innovations. She is also a cofounder 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 Philippine Association of Multinational Companies Regional Headquarters, Incorporated (PAMURI) and an Ex-Officio of the American Chamber of Commerce of the Philippines (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 is composed of three members who are appointees of the Board of Directors. This committee serves as the adviser of the corporate officers in matters concerning the management and general affairs of the business. The executive committee may convene and act upon any decisions through majority voting by virtue of the Corporate By-Laws and Corporation Code of the Philippines.

NOMINATION, ELECTION AND GOVERNANCE COMMITTEE

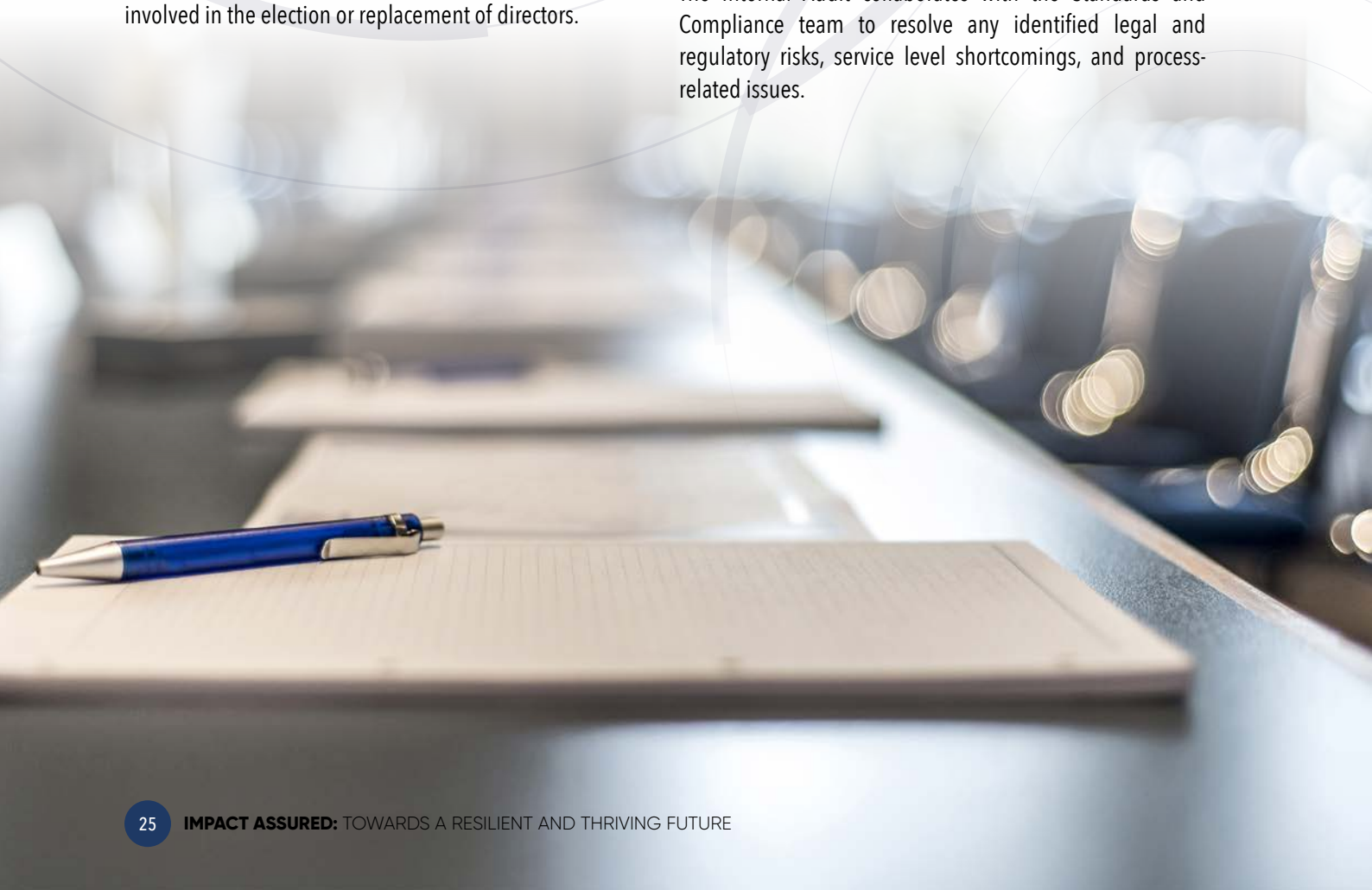
The nomination, election, and governance committee monitors the electoral and appointment process of the next leaders of the company, making sure that there is no conflict of interest. Candidates are carefully scrutinized by the committee based on the policies and set criteria - credentials, track records, performance, values and integrity. Eligible short-listed candidates are then forwarded to the Securities and Exchange Commission (SEC) and to all stockholders prior to the official elections. The committee assesses the effectiveness of the processes and procedures involved in the election or replacement of directors.

REMUNERATION COMMITTEE

The remuneration committee evaluates the remuneration package policy for the directors and officers to ensure transparency. The Chairman of the Board and two directors of the remuneration committee guarantee that the package is commensurate to the credentials and qualifications of the managers. In terms of the remuneration benefits given to the Chairman of the Board, a separate committee composed of two directors and headed by the Vice Chairman organizes the review to avoid any conflict of interest.

AUDIT AND RISK COMMITTEE

The audit and risk committee is an independent body that assesses any oversight on financial, internal control, audit, and compliance of all departments and business units in accordance to local and international (environment, information system and quality) standards. This multi-disciplinary committee composed of accountants, auditors, financial analysts, and legal professionals scrutinizes the engagements and business operation of the Company. The Internal Audit collaborates with the Standards and Compliance team to resolve any identified legal and regulatory risks, service level shortcomings, and process-related issues.



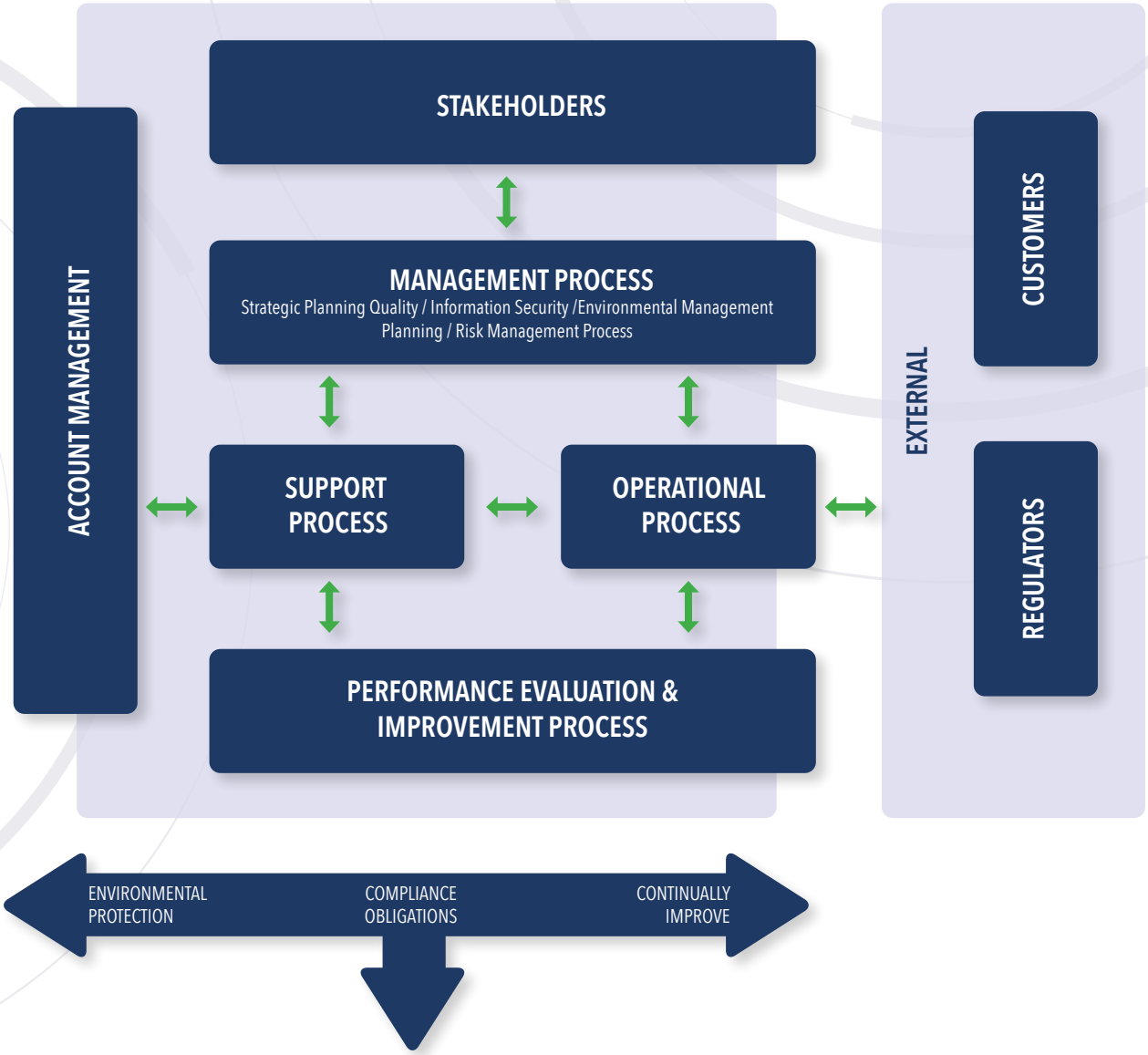
OUR **MANAGEMENT APPROACH**

Management System and Operation

The ADEC Management oversees the operation of the supporting entities on accounts, management process, support, operations, and performance evaluation. Compliance and commitment to the environment, regulatory laws, and continuous improvement are regularly sought by the Management as it engages with the stakeholders and offers its products and services to clients. Hence, we also maintain good relationships with our customers and abide by the laws in maintaining just transactions and operations.

An external rating agency conducts an annual review of the financial statement and stability of ADEC Innovations as part of the company's due diligence process. Please see attached Annex C for the ADEC Innovations Corporation audited financial report for 2019.

ORGANIZATIONAL SYSTEM

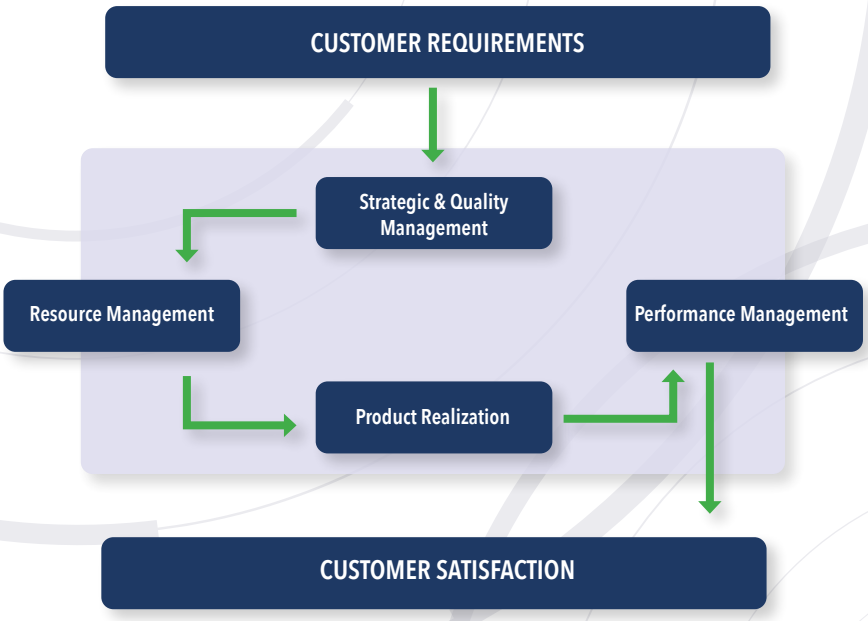


Business Operation and Controls

ADEC Innovations observes the highest standards when it comes to quality assurance of product delivery and services. A culture of excellence, innovation, and adaptability is embedded within the business ecosystem of the Company.

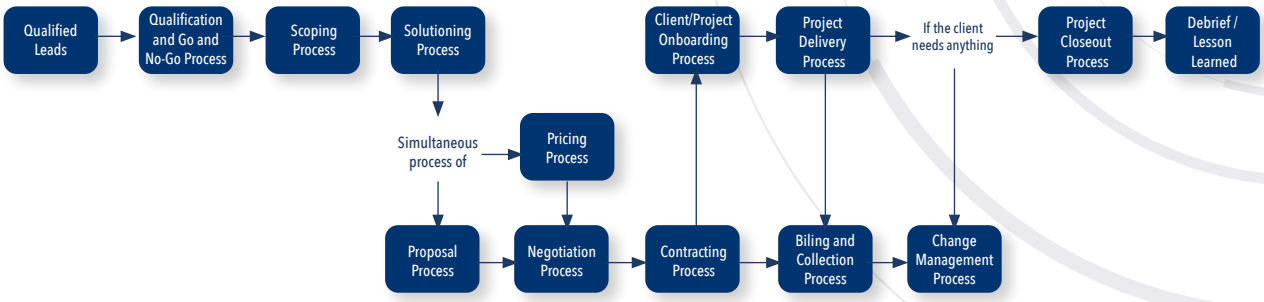
The product development and management start from the (1) evaluation of the requirements of the client through consultation; then (2) resource allocation including manpower and conduct of training; followed by the (3) development of the assurance solution tools, platform and/or services; and lastly, (4) deployment and performance evaluation. Product and Service delivery model from customer on-boarding to customer feedback is institutionalized within the organization to maintain the highest standard of product and service.

PROCESS AND MANAGEMENT FLOW



ADEC Innovations has a Lead to Order process framework which allows the integration of client's expectations and requirements during the development and improvement of products and services. The framework organizes the efforts of the management, project team, and support department together into the delivery system, thus bringing in more value and integrity to the assurance solutions.

LEAD TO ORDER PROCESS FRAMEWORK



MANAGING AND **MITIGATING RISKS**

Transparency through Relations

INVESTOR RELATIONS

ADEC Innovations carries in its portfolio a diverse set of tools and platforms utilized for assurance solutions. We have established a global thrust of sustainability and resiliency, helping organizations realize their own vision.

MEDIA RELATIONS

Our Company recognizes the significant role of the media in promoting transparency and accountability in our operations. Over the past years, regular media communication was established in various modes such as, but not limited to, media channels and online platforms. We have maintained a good reputation and established trust through this effective brand communication and regular articles that provide insight to our stakeholders.

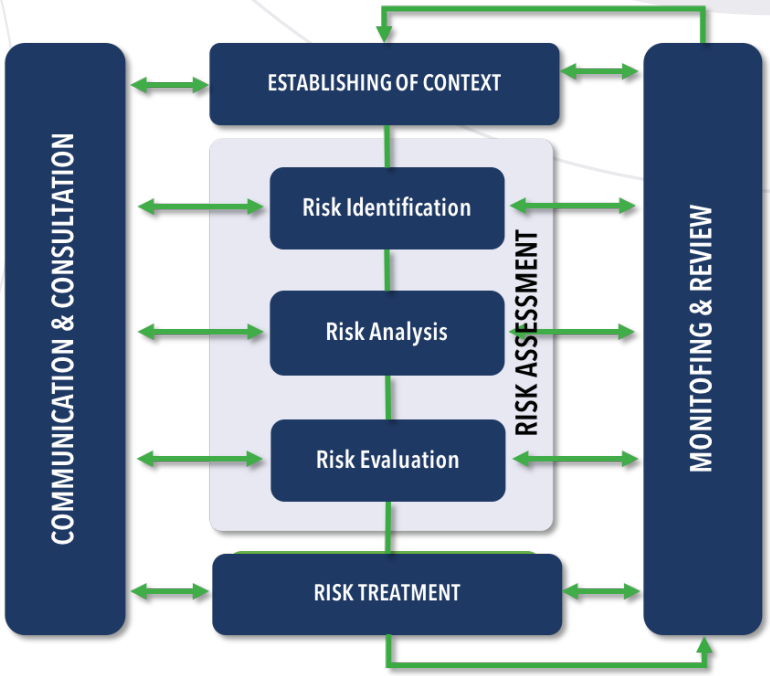
INTERNATIONAL RELATIONS

ADEC Innovations has built a global network of relations for the past years, dealing with various types of sectors – public, private and civil society. Such relationships allowed us to forge collaborative work and programmes that deliver value to our stakeholders. These strategic cooperations give us a broader perspective in identifying current and future trends relevant in delivering the needs of our market.

Risk Assessment

ADEC Innovations conducts a risk assessment to identify any potential risks and threats to the operation, safety, and environment across departments. Perceived gaps in the processes and systems are addressed and closed immediately with the help of management and employees. All offices of the ADEC Innovations Group of Companies, including ADEC Innovations Corporation, conform to the international guidelines (ISO 31000:2018 Risk Management). Consultation and monitoring form part of the Risk Management framework.

RISK MANAGEMENT STANDARD FRAMEWORK



Business Risks

The Company is exposed to financial, natural, technological competition, and information security risks. In relation to financial risks, the main types encountered for the past year include the market and credit risks. Our business is not involved in speculative financial trading of assets. The Company is not spared, however, from an economic crisis that may occur in its country of operation.

ADEC Innovations Corporation's risk management is with its parent company, in close coordination with the Board of Directors. The Company implements a Business Continuity Management Policy and conducts an annual review to manage, monitor, audit, and immediately address any identified potential risks.

The risks to which ADEC Innovations is exposed to are described below.

MARKET RISK

Foreign currency risk

ADEC's accounting records are reflected in Philippine pesos. Overseas sales from the United States, New Zealand, and Australia, and settlement of business transactions held outside of the Philippines or in different currency exposes the Company to foreign currency risks. Foreign gains and losses brought about by the year-end translation into the functional currency at the prevailing exchange rates are absorbed by the company, as presented in the statement of comprehensive income (Annex C).

Interest rate risk

ADEC Innovations has no financial instruments subjected to floating interest rate, except for cash in banks which earn minimal changes in interest rates. Otherwise, the interest rate risk is not material to the Company.

CREDIT RISK

Credit risk arises from the failure of a third party to discharge an obligation to the Company. ADEC Innovations is exposed to such kind of risk due to its financial instruments derived from the granting of advances to affiliated parties, recognition of receivables from services rendered, and deposits with banks.

ADEC is in good financial standing as none of the financial assets are secured by collateral or other credit enhancements. The credit risk for cash is considered negligible because our Company has partnered with reputable banks with high quality external credit ratings. Moreover, the cash in banks are insured by the Philippine Deposit Insurance Corporation (PDIC). Other mitigation measures for the credit risks include the regular monitoring of the Company's receivables and the timing of collections.

LIQUIDITY RISK

Our Company manages its liquidity risks by regularly monitoring the cash flows in various time bands, from daily to a 30-day projection. Long-term liquidity needs for a duration of six months to one year are assessed monthly. In 2019, the liquidity risks are under the financial instruments of trades and other payables, owed to a related party, liabilities, and security deposits.

NATURAL DISASTER RISK

The principal office of ADEC in the Philippines is exposed to natural hazards such as typhoons and earthquakes. The occurrence of extreme events may disrupt the business operation. To cover this risk, the Company has a Business Continuity Plan (BCP) which details the preparedness and response measures should an emergency, crisis, disaster or calamity occur. The BCP guides the Management in establishing a resilient business and lays the ground for building back better.

TECHNOLOGICAL COMPETITION RISK

In this age of technology and internet of things, market competition arises from the rapid development of tools and platforms, as well as with the exchange of information and processing and analysis of data. This fourth industrial revolution encourages businesses to become more agile and adaptive as we respond to the information gaps.

With a growing market competition on information and communications technology (ICT), ADEC marks its edge by offering scalable software solutions that ensure the compliance requirements of clients, paves the way for efficient operation, and addresses the sustainability gaps.

INFORMATION SECURITY RISK

ADEC's system is exposed to data security issues and breaches, which may possibly disrupt the overall 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, complaints, penalties, and other reputational damages.

ADEC has a department that acts on any foreseen risks to data and information security, providing mitigating measures to address or prevent them immediately. Our Company also engages the employees in protecting personal data and upholding non-disclosure agreements with regard to the confidentiality of the work and deliverables.

HEALTH AND ECONOMIC CRISIS

Since the emergence of the novel coronavirus (COVID-19) in December 2019 at Wuhan, China, it has then spread globally urging the World Health Organization (WHO) to declare it as a pandemic during the first quarter of 2020. As of reporting, the business is 95% operational, with modifications on previous work arrangements. Telecommuting practices were immediately mobilised to prevent spread of the virus in the workplace. The reliable estimate of the consequences to the financials and operations of the Company would depend on the duration and spread of the outbreak; impact to our customers, suppliers, and employees; and the effectiveness of the government programs.

Although ADEC has been exposed to the negative effect of COVID-19, the Company is confident that it will be able to recover back to normality state through the implementation of its BCP against this risks. To date, the company is gradually adapting to the new work arrangements guided by the new work procedures in place. ADEC remains steadfast with its commitment to its clients and stakeholders.

Internal Control Mechanism against Risks

Internal control mechanisms are in place to reduce, control, and mitigate potential risks at the earliest possible time in order to prevent any negative impacts to the people and environment, maintain operations across units, and ensure business continuity.

The Management collaborates to continuously improve the system and shield the Company against any form of potential risks. While the Executive Board oversees the internal control mechanisms, the Members of the Board convene to decide on major business concerns including the appointment of leaders, review of policies, and evaluation of programs for the employees.

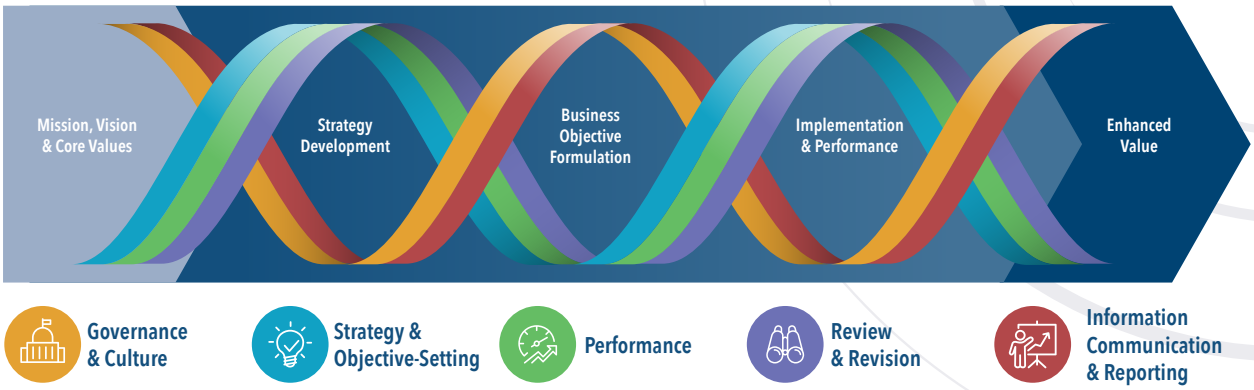
Independent from the Management, the Internal Audit (IA) head leads the internal evaluation of the organizational and operational controls, following the 2017 Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The ERM framework integrates risk management across the organization. Governance and culture serve as the foundations which guide the Board in performing oversight responsibilities. The IA Team analyzes the business context to formulate objectives and develop strategies. Foreseened scenarios are then evaluated by applying risk identification and assessment, and prioritization of risks. Review and revision come after, and followed lastly by reporting and communicating the findings to the Management and departmental heads.

Leadership in implementing the controls:

- Board oversees the management and supervision of the company.
- Management directly 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.

ERM COSO FRAMEWORK



THREE LINES OF DEFENSE

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

Level 1: Operations

The manager tracks the internal control, information technology, and application which form the first line of defense against risks and threats. A bottom-up approach is applied to risk management, starting from the operation of the business units, and expanding to the central processes such as production and legal actions. Risks are also controlled across the organizational hierarchy.

Level 2: Risk and Compliance

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 which involves Risk and Compliance.

Level 3: Internal Audit

The third line of defense provides independent assurance. Internal Audit represents the third line of defense, and provides assurance on the effectiveness of governance, risk management, and internal controls. It evaluates the efficiency 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 is bounded by the same certifications and accreditations of its affiliate company, AMDATEX. ADEC Innovations Group of Companies have established an integrated operational system on environmental management, information security, quality management, and ethical trade.

ISO 14001:2015, ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

ADEC is committed to safeguard the environment, conform to environmental guidelines, and embody the highest standards of sustainability. This commitment is exemplified by its employees and resonates across the departments, continuously making a positive impact to the environment through:

- Integration of environmental indicators in business profitability and sustainability;
- Compliance with all relevant environmental regulations and legislations;
- Management of environmental risks and programs including waste reduction and resource optimization;
- Environmental awareness and stakeholder engagement and capacity building;
- Management of use, storage, and disposal of hazardous materials;
- Development of appropriate environmental emergency preparedness and response protocols; and
- Consistent periodic review of environmental management including the evaluation of key metrics to sustain environmental compliance performance.

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

ADEC upholds data privacy including the protection of information assets. With this, the Company is keen in strictly implementing information security which is also actively promoted by the management and employees as they observe the:

- Preservation of confidentiality of all relevant information from internal and external unauthorized disclosures;
- Protection of the information integrity to retain accuracy and completeness;
- 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.

ISO 9001:2015, QUALITY MANAGEMENT SYSTEM (QMS)

ADEC is committed to provide quality and value, adding solutions for sustainability and impact assurance to its clients. Driven by its CERTIC values, the Company fulfills customer requirements based on agreed Service Level Agreement which includes:

- Meeting established and agreed upon service levels;
- Compliance with statutory and regulatory requirements, and conformance to international standards and best practices;
- Setting of quality objectives and performance indicators;
- Regular review of quality management system performance;
- Integration of risk-based thinking, ensuring achievement of objectives against potential operational risks;
- 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.

SEDEX MEMBER ETHICAL TRADE AUDIT (SMETA)

Sedex Member Ethical Trade Audit (SMETA) 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 outcomes for retailers and trading corporations. ADEC is one with SMETA which centers on health and safety, labor standards, environment, and business ethics.

Internal Audit

ADEC Innovations has an Internal Audit (IA) Team who acts as an independent figure, providing checks and balances, evaluation, and risk assessment to the governing body and senior management of the Company. The IA Team applies internationally-recognized guidelines on risk-based audit planning and performance assessment to enable effective and optimal operations. The IA Team strengthens the reliability and integrity of reporting processes, documentation, and feedback, allowing high percentage of adherence to laws, regulations, policies, procedures, and legal instruments. The IA system and procedures are anchored on the International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors and other related auditing disciplines and principles.

Standards and Compliance

The Standards and Compliance Department (SCD) is established to drive and sustain a culture of growth, improvement, commitment and innovation. The SCD drives the Company's compliance to ISO standards related to quality, information security, and environmental management.

The SCD ensures the improvement and effectiveness of the business system. An annual Management System Audit is conducted using risk-based methodology, with presentation of findings at the end of the process. Findings are discussed with the responsible heads and teams. The evaluation report is then presented to the management to detail the business risks, non-conformance, and action items as part of the recommendations.

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 portal 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 virtual tools, telephone, and emails or posts. Concerns are forwarded to the corresponding organizational entity for further evaluation and resolution. The matter is elevated to the Management, depending on the gravity and extent of the incident.

The IMS covers the organization's operations, services and product delivery. The IMS 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

Our Actions

ECONOMIC **PERFORMANCE**

CONFORMANCE TO LABOR LAWS

ANTI-BRIBERY AND ANTI-CORRUPTION

PROCUREMENT PROCESS

LOCAL SUPPLIER ALLOCATION AND ACCREDITATION

STABLE REVENUE

Conforming to Labor Laws

ADEC Innovations adheres to national laws and regulatory frameworks pertaining to labor and human rights, specifically the Labor Code and Corporate Code of the Philippines. Our company hones human capital by ensuring the welfare of employees; promoting gender equality, diversity and inclusion; and fostering developmental growth.

FAIR EMPLOYEE BENEFITS AND PACKAGES

Our Company implements a fair wage system and supports a work-life balance. The wage structure is commensurate to the credentials, professional background, educational attainment, performance and leadership potential of the employees. The wage reflects the competitive market range, above the nationally-accepted minimum rate, and considers the impact of inflation to the buying capacity of salary.

Employees enjoy a wide remuneration package which includes (1) a comprehensive health care coverage for them and one dependent; (2) social protection benefits and insurance; (3) annual leaves including parental leaves; (3) subsidized gym membership; and (4) 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).

EQUAL HIRING OPPORTUNITIES

The proportion of senior, mid-level managers, and junior-level employees is well-balanced to allow career growth, strategic transition, and productive environment. Equal opportunity is given to applicants, ensuring that there is gender equality, diversity, and inclusion in the hiring process. The hiring program is anchored on the strategic position of the Company, operational and financial capacity, and projected return on investment.

INSTILLING THE CODE OF DISCIPLINE

ADEC teaches the value of discipline and strictly promotes professionalism among the employees through a Code of Discipline. This policy provides the guidelines on proper decorum, and details the prohibitions and disciplinary

sanctions given to violators subject to just and fair investigation processes. Our Company introduces the Code of Discipline and walks the employees through the provisions of the policy through an onboarding session and orientation. The policy is also posted and readily accessible to the employees through the Employee Document and Management System (EDMS), an internal virtual portal and archive of ADEC Innovations where relevant policies and procedures are made available.

With the strict observance of the Code of Discipline, no grave violations on labor code has been reported in 2019. There was no significant fines and non-monetary sanctions imposed for non-compliance to labor and human rights laws over the past year.

UPHOLDING CHILDREN'S RIGHTS

ADEC has been keen in respecting the rights and life of children, hence abiding by the national labor laws and provisions on child protection. Our Company does not tolerate any operations including third party business and supply transactions that involve worse forms of child labor.

Zero Tolerance to Bribery and Corruption

ADEC Innovations upholds zero tolerance against acts of bribery and corruption. Our Company is serious in implementing fair practice, lawful engagement, and ethical business partnerships with our clients and stakeholders.

Our Company has an Anti-Bribery and Anti-Corruption Policy which provides the mandate for maintaining work integrity and discouraging intentions and actions that allow occasions of bribery and corruption. Employees are empowered to report unethical transactions and acts that may derail from the path of honesty, respect, transparency, and accountability of the company. This policy is aligned with the Global Code of Ethics and Business Conduct and the Global Procurement Policy.

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.

Prohibitions under the ADEC 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.

Promoting Best Procurement Practices

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.

Monitoring of the purchasing process and implementation.

Procurement practices of ADEC Innovations are grounded on ethics, ecological balance, social impact, and good governance. The practices are governed by a Global Procurement Policy which streamlines the purchasing and acquisition of materials, goods, and services across all ADEC offices, subsidiaries, affiliated parties, and suppliers. The policy and operating procedure ensures compliance to national regulations and international standards. It covers the guidelines for modernization, globalization, standardization, and end-to-end ethical purchasing.

ADEC has a procurement bidding committee who reviews the purchasing plan for goods and services amounting to half a million or more. Our Company conducts screening and performance evaluation of suppliers. Exhibiting high standards on procurement reduces the exposure of the company and its employees to forms of bribery and corruption, and promotes human rights as well.

In 2019, nineteen critical suppliers of the company were not able to undergo proper performance evaluation as per findings of the internal audit department. Corrective actions were immediately applied upon reporting of the incident. Controls were also put in place to mitigate potential similar occurrence. The operation returned back to normal, implementing stricter fine-tuning with regard to supplier evaluation and assessment.

Enabling the Local Suppliers

Since the global services support group of ADEC Innovations is located in the Philippines, about hundred percent of our products and services come from the local market, contributing to national economic growth. Local suppliers are screened based on a set of criteria - excellence, credibility, reputation, global service enthusiasm, and compliance to the Global Procurement Policy.

The established vendor and supplier accreditation and performance evaluation system are aligned with national policies and ISO international guidelines (ISMS and EMS), with the procedures regularly calibrated by the Internal Audit Team. Performance of suppliers is based on competitive pricing, quality of goods and services, prompt delivery, and responsiveness.

Bouncing Back, Stronger

ADEC Innovations' sustainability and assurance business has contributed to the overall growth and performance of the company, resulting to financial stability. Total assets of the company increased by 5.8 percent in 2019 compared to the previous year. The net cash generated from operating activities is two-million higher than the previous year, thereby increasing the net revenue at the end of the 2019 fiscal year. There is an almost 3.5 million increment in terms of gross profit compared to the 2018 final tally.

In the midst of rigid market competition and economic crisis, the Company has managed to bounce back from its previous low stature in 2018. Working towards sustainability and resilience has earned ADEC a tremendous growth for the past year, as reflected in the audited Financial Statement Report (Annex C). Our Company has remained liquid and continuous to be keen in safeguarding the human capital and financial resources as we bring more value to the global economic scale.

Our Actions

ENVIRONMENTAL **INITIATIVES**

SUPPLIER ENVIRONMENTAL ASSESSMENT

SUSTAINABILITY PROGRAMS

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

ADVOCACIES AND PARTNERSHIPS

Integrating Green Supplier Assessment

ADEC Innovations assures compliance to international environmental management standards through the application of a Supplier Assessment metrics. Suppliers and contractors are evaluated based on a set of key performance indicators. We support the compliance requirements of our clients by utilizing monitoring and evaluation tools and platforms.

Suppliers undergo the Environmental Management System (EMS) orientation prior to mobilization. Qualified providers of office and medical supplies, housekeeping products, construction materials, computers and peripherals, and pantry supplies are introduced to the environmental policies, waste management, sustainability programs, and other requirements under the EMS. Risks and potential impacts to the environment are recorded and declared in the Environmental Aspect and Impact Assessment registry for continuous monitoring of the company.

In 2019, two new suppliers were screened using the environmental criteria set by ADEC. A total of 18 existing and new suppliers combined were assessed for environmental impacts. Based on the findings of the Internal Audit, about less than one percent of them were foreseen to cause potential negative impact to the environment. As such, our Company acted upon immediate measures including a reassessment of their proposed service and operation, and recommended mitigating methods.

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.

Pursuing Sustainability

ADEC Innovations has established sustainability programs that advance environmental management, resource consumption optimization, and compliance. The Energy, Water, and Waste Management Programs of ADEC are in accordance with the ISO 14001:2015 EMS. The Environmental Management Representative (EMR) is assigned to facilitate these programs, monitor the progress, and conduct routine audits.

ENERGY SAVING INITIATIVES

Our Company has an Energy Management System (EnMS) enacted through an Energy Conservation Policy which aims to inculcate the culture of energy conservation among employees. Energy saving efforts of ADEC Innovations include the reassessment of light fixtures, posting of energy conservation reminders, and seeking accountability from each department in turning off the lights and air conditioning units. Any identified energy wastage is subjected to a disciplinary sanction. The policy is accessible through an online employee portal.

ENERGY SAVING INITIATIVES

- Optimization of used area for energy usage.
- Observation of energy conservation strategies.
- Computers on energy saving mode.
- Appropriate level of lighting and cooling.
- Established standard temperature setting.
- Use of energy efficient products.

ADEC tracks the energy expenditure of the facilities on a monthly basis. From 2017 to 2018, our Company has managed to significantly lessen the electricity consumption at a monthly average of 10,956 kilowatt hour (kWh) (Figure 1). A decrease of 14.7% compared to the previous annual consumption was achieved in 2019 (Figure 2).

REDUCING WATER CONSUMPTION

ADEC has a Water Management Policy that covers the proper water utilization within the office premises. Water conservation strategies include re-use of water in sanitation activities, domestic cleaning and gardening, inspection of water fixtures for leaks, and regular maintenance of the facilities.

Since 2017, lower water usage has been recorded by the company on a monthly basis, as reflected in Figure 3. Our Company managed to decrease the monthly average consumption to 66 cubic meters (cu.m.) in 2019, from 99 cu.m. in 2018. A savings of 33% or equivalent to an annual average of 33 cu.m. was achieved by the company this 2019 (Figure 4).

Water Management Policy's objective is to monitor and evaluate the overall supply, usage and consumption of water within the within the office premises and facilities of ADEC.

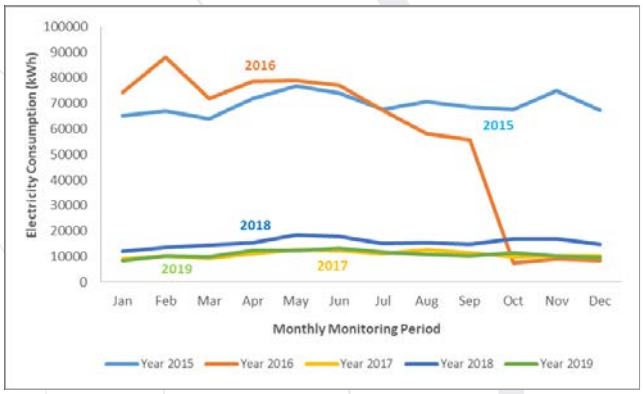


Figure 1. Monthly energy consumption in kWh (2015 to 2019).

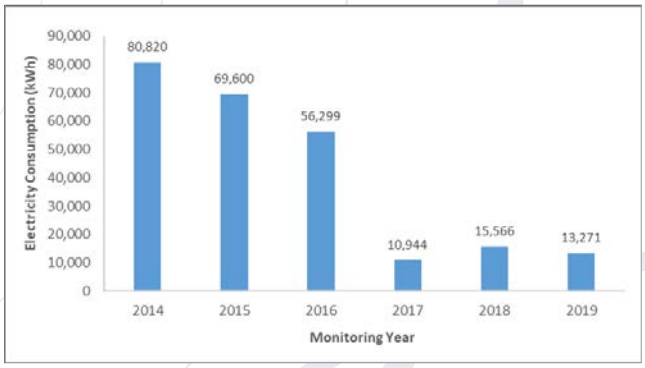


Figure 2. Average annual electricity consumption (2014 to 2019).

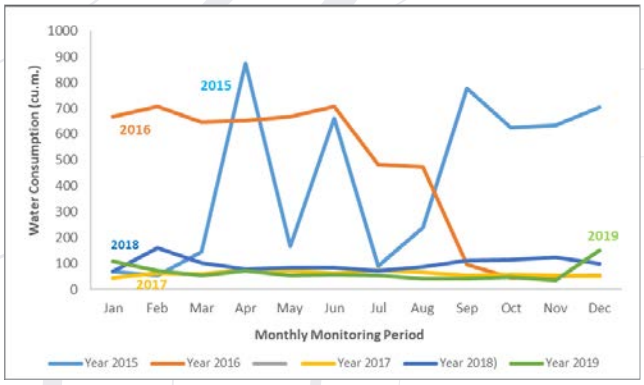


Figure 3. Monthly water consumption in cu.m. (2015 to 2019).

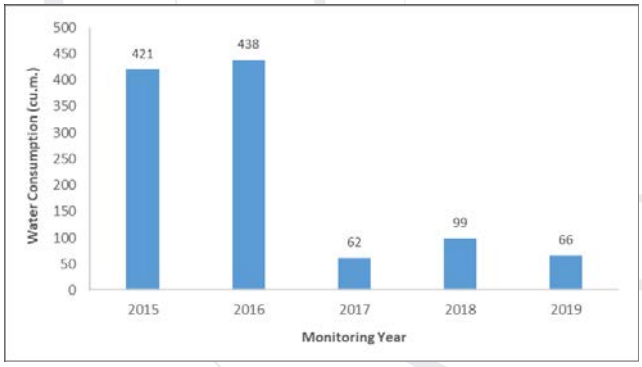


Figure 4. Average annual electricity consumption (2015 to 2019).

WASTE MANAGEMENT EFFORTS

Employees of ADEC Innovations participate in the waste management drive through waste reduction, recycling, and segregation. Observing the waste segregation policy and prohibition of littering are part of the Employee Code of Discipline.

Other waste management efforts of the company include the treatment of domestic liquid wastes from kitchen through grease traps and use of recycled sewage water in gardening. In 2019, a total of 793.4 cu.m. of wastewater discharged by the company and was treated in the centralized Sewage Treatment Plant of the Business Park.

ADEC EMS Core Team records the weight of non-hazardous wastes to monitor the waste generation of the company. A total of approximately 20,000 kgs of non-hazardous wastes was hauled by the government's Department of Environment and Natural Resources (DENR)-accredited third party in 2019. Our Company also practice reuse and recycling as part of the waste management program.

WASTE SEGREGATION

- BIODEGRADABLE
- NON-BIODEGRADABLE
- RESIDUAL

Maintaining Environmental Compliance

Our Company advances its commitment to sustainability and environmental stewardship by pursuing an efficient and compliant business operation. We adhere to environmental laws and regulations, and elevate our standard operating procedure in accordance to ISO 14001:2015 EMS. Procedures include the renewal of environmental permits; proper disposal and treatment of wastes; monitoring of utility consumption; maintenance of facilities; and ensuring the environmental soundness of the business operation, products, and services.

Two managers work together to deliver this environmental commitment – the EMR and the Pollution Control Officer (PCO). The EMR heads the EMS and regularly monitors the environmental performance of the Company, reporting the progress based on ADEC's established rating criteria. Hand-in-hand, the PCO facilitates the implementation of environmental safeguards and ensures compliance to national and local government policies as well as observing the 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 did not encounter any non-compliance with environmental laws and/or regulations in 2019.

Strengthening Environmental Partnerships

ADEC Innovations engages with various coalitions and multi-stakeholder organizations in advancing the UN SDGs. Our Company shares a vision of sustainability and resilience with governments and organizations in developing a platform for collaboration.

In 2019, Mr. James Donovan, the CEO of ADEC and Chairman of its non-profit arm, the Global CEO Alliance (GCEOA), was elected as one of the Board of Directors of Sister Cities International. Since 2017, GCEOA and ADEC have been supporting the vision and goals of Sister Cities International, particularly, the transformative capacity of local governments and cities in realizing global sustainability goals.

In the next two years, Mr. Donovan aims to share the organization's expertise in impact investing, data-driven sustainability initiatives, and assurance solutions to create actions addressing sustainable development through citizen diplomacy.

Within the same year, Mr. Donovan also became part of the Advisory Committee for UNEP's Global Environment Outlook for Business which aims to tackle the environmental challenges that hinder the growth of a sustainable business. Together with Mr. Donovan in the committee are key representatives from the international business organizations, including the World Business Council on Sustainable Development (WBCSD), World Economic Forum (WEF), Organization for Economic Co-operation and Development (OECD) and the International Chamber of Commerce (ICC).

Mr. Donovan has recognized the value of innovation and importance of data-driven solutions in closing the gap on sustainable development. With this, ADEC has partnered with UNDP through the BIOFIN in developing an online investment and biodiversity M&E platform. The engagement would help narrow down the 80% financing gap in implementing biodiversity projects in the Philippines.

ADEC believes that developing viable, environmentally-sound, and evidence-based solutions could drive a lasting assured impact to the current and future generations.

Our Actions

SOCIAL DEVELOPMENT

OCCUPATIONAL HEALTH, SAFETY, AND SECURITY

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

CUSTOMER SATISFACTION

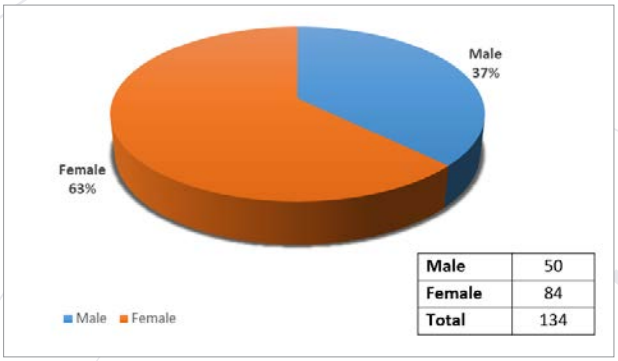
COMPLIANCE WITH DATA PRIVACY, SECURITY AND STORAGE

Sharing Equal Opportunities

ADEC Innovations hones the social and human capital, providing equal opportunities. Our Company advances gender equality, inclusion, and diversity in all departments. There is a total of 134 employees as of December 2019. Majority of the workforce is ccomposed of 63% women (Figure 5). The number of employees increased by 74%, from 77 the previous year, to 134 in 2019.

Largest percentage of women (Figure 6 and Figure 7) working in the company belong to the younger generation, aged below 30 years old. On the other hand, most men are older, above 30 to 50 years old. All have a regular, fulltime, and permanent tenure.

The Company prioritizes local hiring. Only one percent of the staff population is comprised of foreign managers. For the past year, no discriminatory incidents were raised to the grievance facility and top management of the company.



Male	50
Female	84
Total	134

Figure 5. ADEC Innovations staff composition (2019).

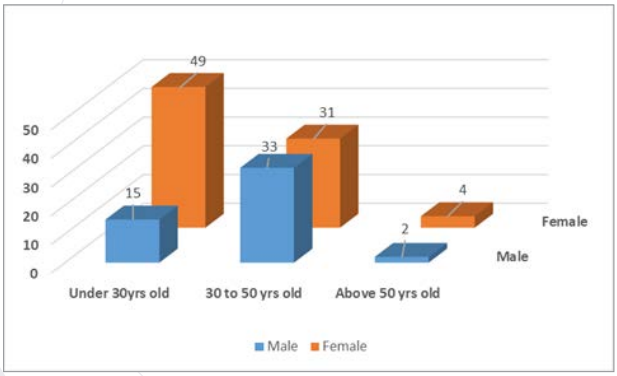


Figure 6. Number of employees by gender and age group (2019).

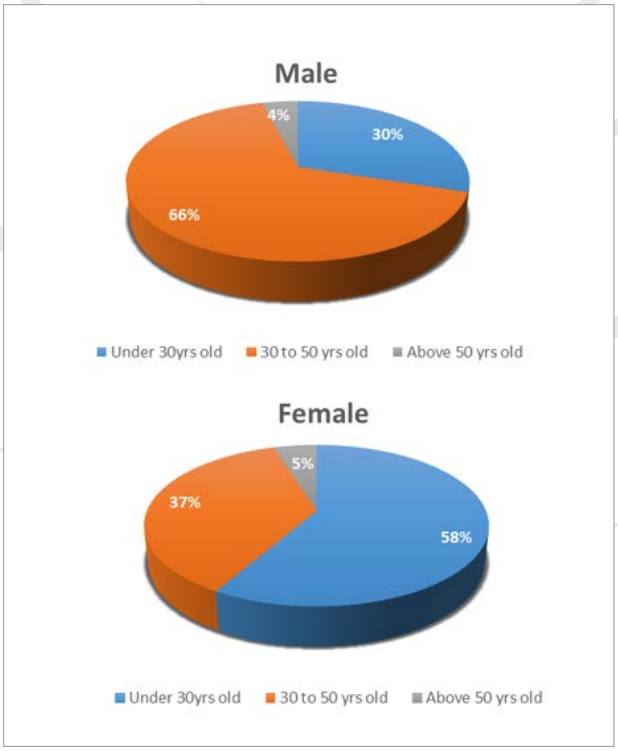


Figure 7. Percentage of employees by age bracket across gender (2019).

Making Safety, First

ADEC Innovations provides a healthy and safe work environment for its employees and non-employees within the facilities, preventing the occurrence of any illness and injury. Our Company has an occupational safety policy, supplemented with defined health, safety, and security procedures.

ADEC has established safe work practices to all employees. Leaders across departments have made safety an integral part of the management system, following safety, loss control, and risk management regulations and procedures. Employees are advised to immediately report any injuries and near-miss, as the Management perceives safety as a team effort.

Employees are entitled to a universal and comprehensive health benefits. The Company has an in-house clinic to attend to any incidents and immediate medical attention.
ADEC also enacts strict physical and security protocols for employees, third-party personnel, visitors or any individual who conducts business or are otherwise within the company premises. The security policy covers adequate control to physical access to facilities, proper identity checking, maintenance of security equipment, and reporting of security incidents and concerns.

In 2019, no major incidents and concerns on health, safety, and security were reported.

Harnessing the Potentials

MONITORING GROWTH AND PERFORMANCE

ADEC Innovations provides education, learning, and training based on the needs of employees. The Human Resources (HR) surveys the growth and performance of employees and conducts a needs analysis to determine the type of development required. Trainings range from systems orientation to leadership and life skills.

Trainings conducted in 2019 were all in-house. There was a total of 355 manhours rendered for the staff of ADEC. Majority of the training manhours were dedicated for the junior levels (75%), while the remaining was for senior leads and managers (25%). Trainings were mostly attended by females (69%), as reflected in the manhours consumed.

Development trainings offered in 2019 include (1) Business Writing; (2) Leadership; and (3) TEA (Thoughts, Emotions and Actions) Approach to Self-improvement. Content and structure of these trainings followed the Corporate Learning and Development Guidelines.

Employees undergo a regular departmental and annual performance and career development reviews. Each employee has a performance score card for the Management to monitor their growth and development in the Company.

Through the technical and development trainings, as well as performance evaluations, our employees are equipped with the required skills and knowledge. These development measures are important in bridging any gaps and honing the employees as productive partners of the Company.

FIRMING UP MANAGEMENT-EMPLOYEE CONNECTIONS

ADEC has various communication platforms to establish management-employee relationships and cultivate the social capital. Participation of employees is encouraged during town hall meetings where updates about the current status and trends of the company are provided by the CEO. Our Company welcomed the start of the year through ADEC Hour, a special Town Hall session, where the 2018 Corporate review, business strategies, and line-up of activities for 2019 were shared to the management and employees.

A grievance mechanism platform, the Improvement Management System (IMS), is also in place to promote transparency and accountability within the organization. In 2019, an additional avenue was launched by HR to allow the employees to communicate their concerns, issues and queries to the Company – the Bringing Colors To Life (BCTL) page, a Facebook private group account for Employees.

	Training Manhours (in-house)					
	Senior Level	%	Junior Level	%	Total	%
Male	24	28%	85	32%	109	31%
Female	63	72%	183	68%	246	69%
Subtotal	87	100%	268	100%	355	100%

Training manhours by gender and level (2019).

In 2019, only one incident reached the Management, but was then resolved immediately. Thus, the action reflects the active response and quick decision-making attribute of the leaders. Issues and concerns of employees are prioritized by the Management, as a dedicated HR Team addresses the comments and queries from employees through the IMS or BCTL page.

Employees are allowed to exercise their right to peaceful assembly. However, ADEC 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.


ADEC Hour


Service Awardees

RECOGNIZING SOCIAL CAPITAL

ADEC Innovations Group of Companies celebrate the commitment and perseverance of its employees through the Annual Service Awarding Ceremony. The award is given to employees who have shown an exemplary performance for the past 5 to 15 years of service to the company. The commitment awards this year coincided with the company-wide Christmas celebration held in December 2019.

This year, the mother company organized the Rock of ADEC Christmas Concert. It was attended by around 80% of employees from different sites in the Philippines. Everyone enjoyed a night of great live music, good food, bonding, and a rewarding break from a year's hard work.

ADEC holds various employee engagement events in order to establish a spirit of community and promote team building. Special events held in 2019 include the celebration of Chinese New Year, Sports Fest, Run for Impact, and tributes to fathers and mothers. Our Company also showcased the talents of employees through featured activities such as the Battle of the Bands (music competition) and Mr. & Ms. BCTL and PRIDE Queen Pageants.

Company-wide Christmas celebration

Run for Impact

Advancing Excellence and Quality

ADEC Innovations promotes excellence and quality in delivering the products and services to clients. Our products and services are subjected to User Acceptance Testing (UAT) for quality assurance control and assessment of client satisfaction. This is integrated in the agile development of software solutions and virtual sustainability tools and platforms. Part of our service includes a 90-day guarantee to our products, providing 24/7 customer support.

The feedback from our clients is of utmost importance to us. The feedback survey provides a rating of the client's satisfaction level and identifies the areas for improvement. It serves as a valuable tool in assessing our performance and setting the direction for the company. The outcome of the feedback mechanism provides fundamental inputs in the way we develop our products and services, therefore providing optimum experience to our clients worldwide.

The Company communicates and assists its clients and partners through the different medium 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 product concerns.

ADEC conforms to regulations and voluntary codes.

INDUSTRIES

- Automotive
- Banking
- Capital Markets
- Chemicals
- Cities
- Coalitions and Associations
- Communications and Media
- Consumer Goods and Services
- Energy
- Engineering
- Farming
- Freight and Logistics
- Governments
- Health
- Industrial Equipment
- International Organizations
- Insurance
- Life Sciences
- Manufacturing
- NGOs
- Natural Resources
- Public Service
- Retail
- Software and Platforms
- Travel
- Utilities

ASSURANCE AREAS

- Business Assurance
- Compliance Management
- Cyber security
- Data Management
- Development Programme
- Digital Assurance
- Fund Deployment
- Health Information
- Impact Capital
- Insurance
- Non-Financial Assurance
- Oceans Governance
- Public Governance
- Risk Management
- Safety and Environment Management
- SDG Data
- Sustainability Assurance
- Training
- Urban Development

Respect for Data Privacy

The intricate design of the ADEC Information System shields the company, its clients, and users from unauthorized access, damage, and loss. The data and information security measures are anchored on international guidelines (ISO/IEC 27001:2013) and the National Data Privacy Act. Compliance is strictly monitored, from creation, to transfer and data archiving.

As we respect the right to data privacy of our employees and clients, personal information are treated with confidentiality. Non-disclosure agreements with employees and clients are signed prior to deployment and project commencement, respectively.

The Management engages employees in conscientiously guarding personal and proprietary information. Our Company conducts data privacy training and orientation, corporate risk communication, and circulation of data privacy cautions.

In 2019, no complaints concerning breach of privacy were recorded. Likewise, there were no identified leaks, thefts, or losses of customer data over the past year.

Sustainability's future is in good hands. The message of global sustainability is beginning to be understood more sincerely by the future generation.

James Donovan
CEO, ADEC Innovations

OUR **VALUE**

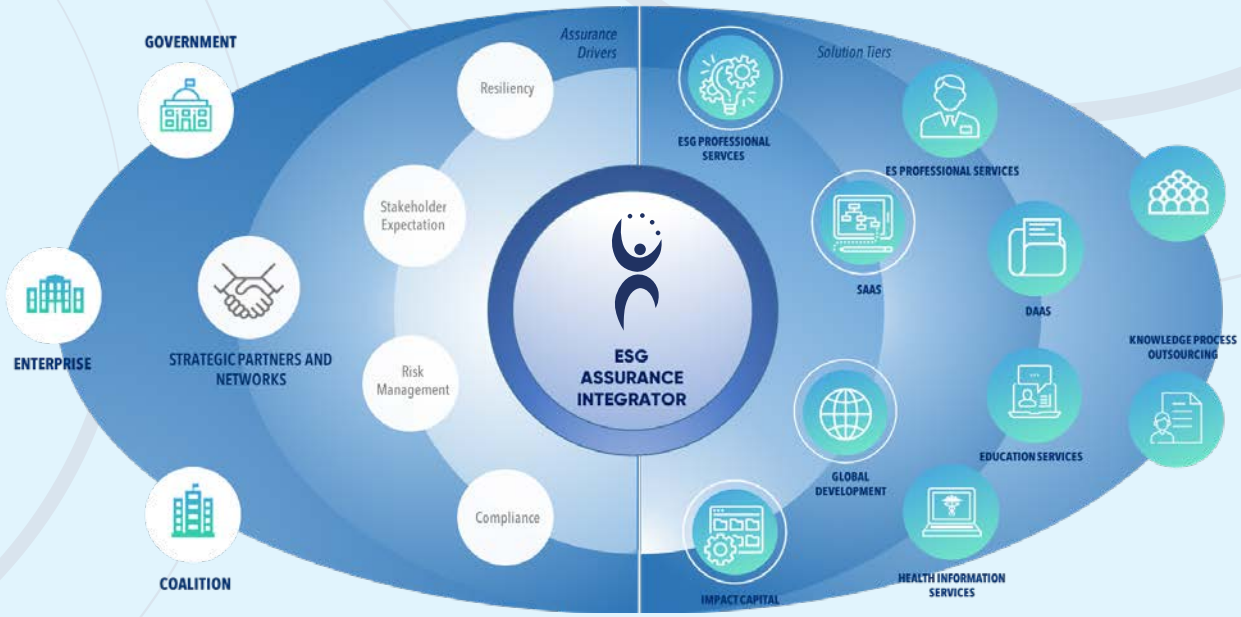
Investing in Co-Creation

ADEC Innovations continues to invest in ESG business, advancing sustainable development amongst stakeholders and partners. Our Company's long-term advocacy of creating a lasting impact on the environment, society, and economy has compelled us to revolutionize the big data and technology into a wide array of ESG assurance solutions. We support the vision of our partners in developing a sustainable impact through compliance, data management, risk management, green investments, urban development, and public governance. We aim to create an assured impact in these areas as we utilize the four core components of global assurance solutions:

Our broad spectrum of assurance solutions creates a valuable impact and builds an enabling environment for partners and clients. These ESG assurance offerings consist of ESG professional services to clients, developing software and data-as-a-service, growing the business and knowledge process outsourcing, providing education platforms and health information services, advancing global development through partnerships, and venturing on impact capital that drive (1) resiliency, (2) stakeholder engagement, (3) risk management, and (4) compliance.

We form strategic partnerships and networks with governments, enterprises, and coalitions that lead to sustainable pathways and assured impacts to the people and the planet.

$128.5B
8.4% ACGR*
ASSURANCE MARKET**



* *Annual Corporate Governance Report*
** *Projected Growth Rate of Business Assurance Market, Coherent Market Insights, 2019*

Driving the SDG Thrusts

The value creation of ADEC Innovations is anchored on its vision of honing global leadership in sustainable development. ADEC Innovations Corporation, together with the ADEC Group of Companies, pursue the United Nations' 17 Sustainable Development Goals (SDGs) across the four-core expertise. We also embody the sustainable practice areas, propelling organizations towards a resilient and thriving future.

SDG THRUSTS OF ADEC INNOVATIONS

Area of Expertise	Key Products and Services	Contributions to SDGs	SDGs Impacted (Direct & Indirect)
ESG+	ESG PROFESSIONAL SERVICES ES PROFESSIONAL SERVICES ESG SAAS / DAAS WORKFORCE SOLUTIONS IMPACT SOURCING	Reduces negative environmental and social impacts and maximizes operational efficiency through professional guidance and consultation, cost-effective environmental data reporting and outsourcing solutions.	
Technology	SOFTWARE-AS-A-SERVICE DATA-AS-A-SERVICE LEARNING TECHNOLOGY BESPOKE SOLUTIONS	Generate jobs and innovations for industries and cities by developing software architecture, managing data for monitoring and evaluation, promoting co-creation, facilitating social and independent learning through education tools, and integrating unique enterprise solutions.	
Global Development	GLOBAL CEO ALLIANCE ADEC FOUNDATION ADEC NGOS ADEC INNOVATIONS CSR	Leverage our networks and partnerships with multilateral organizations and institutions through the global engagements of our non-profit arms (ADEC Foundation and GCEOA), implementation of programs, diplomatic mission and impact investments.	
Impact Capital	IMPACT FUND MANAGEMENT INVESTMENTS MANAGED SERVICES		

ADEC Practice Areas

URBAN

Developing Urban solutions to build inclusive, resilient and sustainable communites in accordance to the UN Habitat's New Urban Agenda - Financing for Urban Development, Enhancing Urban Resilience to Climate Change and Disaster Risks

OCEAN

Providing solutions to the Legal, Institutional, and Mechanism of Implementation of Ocean Governance

COALITION

Empowering stakeholders, coalitions and gamechangers in developing a holistic approach and strategy to best management and sustainability practices through innovation and partnerships

HEALTH INFORMATION

Offering customizable and integrated solutions responsive to the dynmic requirements of the healthcare industry. Providing solutions that significantly improve the delivery of healthcare services on a larger scale

IMPACT CAPITAL

Supporting core players of Sustainable Development in properly addressing complex societal challenges towards impact generation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Advancing sustainability practices around the world and improving performance of clients through supply chain management, professional services, data management, chemicals and manufacturing, and software solutions

WORKFORCE

Providing services on Business Process Outsourcing, Professional Employment Outsourcing, Knowledge Process Outsourcing, Program Management, Knowledge Management and e-Learning and IT Outsourcing

TECHNOLOGY

Combining technology and experience in developing transformative innovation, covering software and data management solutions

EDUCATION

Co-creating innovative solutions and quality services that advocate capacity building through learning

Annex A

UNGC TEN PRINCIPLES CONTENT INDEX

ANNEX **A**

United Nations Global Compact Ten Principles Content Index

UNITED NATIONS GLOBAL COMPACT Ten Principles		COMMITMENTS in 2019	
		Cross reference to the Section	Page
HUMAN RIGHTS			
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	**ECONOMIC PERFRORMANCE:** CONFORMING TO LABOR LAWS	38 - 40
Principle 2	Businesses should ensure that they are not complicit in human rights abuses.	**ECONOMIC PERFRORMANCE:** CONFORMING TO LABOR LAWS	38 - 40
		SOCIAL DEVELOPMENT: HARNESSING THE POTENTIALS - Firming up Management-Employee Connections	49 - 50
LABOUR			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	**SOCIAL DEVELOPMENT:** HARNESSING THE POTENTIALS - Firming up Management-Employee Connections	49 - 50
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	**ECONOMIC PERFRORMANCE:** CONFORMING TO LABOR LAWS	38
Principle 5	Businesses should uphold the effective abolition of child labour	**ECONOMIC PERFRORMANCE:** CONFORMING TO LABOR LAWS - Upholding Children's Rights	38
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	**ECONOMIC PERFRORMANCE:** CONFORMING TO LABOR LAWS	38
		SOCIAL DEVELOPMENT: SHARING EQUAL OPPORTUNITIES HARNESSING THE POTENTIALS - Recognizing Social Capital	48 50
ENVIRONMENT			
Principle 7	Businesses are asked to support a precautionary approach to environmental challenges	**OUR ANCHORS IN REPORTING** GLOBAL SUSTAINABLE GOALS PARIS AGREEMENT BUSINESS VALUES	8 8 8
		BUSINESS CORE	12
		ABOUT ADEC: WHO WE ARE WHAT WE DO	9 9
		ENVIRONMENTAL INITIATIVES: STRENGTHENING ENVIRONMENTAL PARTNERSHIPS	46
		OUR VALUE INVESTING IN CO-CREATION DRIVING THE SDG THRUSTS ADEC PRACTICE AREAS	54 55 56
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	**ENVIRONMENTAL INITIATIVES**	41-46
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	**DELIVERING AN ASSURED VALUE**	19-22
ANTI-CORRUPTION			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	**PRACTICING GOOD GOVERNANCE:** BOARD COMMITTEES	25
		OUR MANAGEMENT APPROACH	26-27
		MANAGING AND MITIGATING RISKS	28-36
		ECONOMIC PERFORMANCE: CONFORMING TO LABOR LAWS ZERO TOLERANCE TO BRIBERY AND CORRUPTION PROMOTING BEST PROCUREMENT PRACTICES ENABLING THE LOCAL SUPPLIERS	38 39 39 40

Annex B

GRI 2016 **STANDARDS CONTENT INDEX**

ANNEX **B**

GRI 2016 Standards Content Index

	GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2019	
			Cross reference to the Section	Page
GRI 101: FOUNDATION	GRI 101: FOUNDATION 2016			
	101-1	Reporting Principles	**Our Anchors in Reporting:** Global Reporting Initiative - Reporting Principles	6
	101-2	Using the GRI Standards for sustainability reporting	**Our Anchors in Reporting:** Global Reporting Initiative - Reporting Principles	6
	101-3	Making claims related to the use of the GRI Standards	**Our Anchors in Reporting:** Global Reporting Initiative - Reporting Principles	6
GRI 102: GENERAL DISCLOSURES	GRI 102: GENERAL DISCLOSURES 2016			
	1. ORGANIZATIONAL PROFILE			
	102-1	Name of the organisation	**About ADEC:** Who We Are	9
	102-2	Activities, primary brands, products, and services	**About ADEC:** Who We Are What We Do	9 9
			Delivering an Assured Value: Products and Services	21
	102-3	Location of headquarters	**About ADEC:** Where We Are	10
	102-4	Location of operations	**About ADEC:** Where We Are	10
	102-5	Ownership and legal form	**Our Business Core:** Ownership	13
	102-6	Markets served	**About ADEC:** Who We Serve	11
			Social Development Advancing Excellence and Quality	51
	102-7	Scale of the organization	**Social Development** Sharing Equal Opportunities	48
	102-8	Information on employees and other workers	**Social Development** Sharing Equal Opportunities	48
	102-9	Supply chain	**Delivering an Assured Value:** Assurance Solutions Delivery	19
	102-10	Significant changes to the organization and its supply chain	**2019 Milestones**	4
			Delivering an Assured Value: Assurance Solutions Delivery	19
	102-11	Precautionary Principle or approach	**Our Anchors in Reporting**	7-8
			Our Business Core	13
	102-12	External initiatives	**2019 Milestones**	4
			Delivering an Assured Value: Our Portfolio	22
			Environmental Initiatives Strengthening Environmental Partnerships	46
	102-13	Membership of associations	**Establishing Trust and Partnerships:** Associations and Affiliations	14
	2. STRATEGY			
	102-14	Statement from senior decision-maker	**Message from the CEO**	2
	102-15	Key impacts, risks, and opportunities	**Managing and Mitigating Risks**	28-36

	GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2019	
			Cross reference to the Section	Page
GRI 102: GENERAL DISCLOSURES	**3. ETHICS AND INTEGRITY**			
	102-16	Values, principles, standards, and norms of behavior	**Our Anchors in Reporting**	7 - 8
			Our Business Core	12
	102-17	Mechanisms for advice and concerns about ethics	**Managing and Mitigating Risks:** Improvement Management	36
			Economic Performance: Conforming to Labor Laws - *Instilling the Code of Discipline*	38
			Economic Impacts: Zero Tolerance to Bribery and Corruption	41
			Social Development: Harnessing the Potentials - *Firming up Management-Employee Connections*	49 - 50
	4. GOVERNANCE			
	102-18	Governance structure	**Practicing Good Governance:** Governance Structure	23
	102-19	Delegating authority	**Practicing Good Governance:** Board of Directors Board Committees	24 25
	102-20	Executive-level responsibility for economic, environmental, and social topics	**Practicing Good Governance:** Board of Directors Board Committees	24 25
	102-21	Consulting stakeholders on economic, environmental, and social topics	**Our Anchors in Reporting:** Global Reporting Initiative - *Methodology*	6
	102-22	Composition of the highest governance body and its committees	**Practicing Good Governance**	23 - 25
	102-23	Chair of the highest governance body	**Practicing Good Governance:** Board of Directors	24
	102-24	Nominating and selecting the highest governance body	**Practicing Good Governance:** Board Committees	25
	102-25	Conflicts of interest	**Practicing Good Governance:** Board Committees	25
	102-26	Role of highest governance body in setting purpose, values, and strategy	**Practicing Good Governance:** Board Committees	25
	102-27	Collective knowledge of highest governance body	**Practicing Good Governance:** Board of Directors Board Committees	24 25
	102-28	Evaluating the highest governance body's performance	**Practicing Good Governance:** Board Committees	25
	102-29	Identifying and managing economic, environmental, and social impacts	**Practicing Good Governance:** Board Committees	25
			Managing and Mitigating Risks: Compliance	33 - 34
			Environmental Initiatives: Pursuing Sustainability Maintaining Environmental Compliance	42 - 44 45
	102-30	Effectiveness of risk management processes	**Managing and Mitigating Risks**	38 - 36
	102-33	Communicating critical concerns	**Managing and Mitigating Risks:** Improvement Management	36
			Social Development: Harnessing the Potentials - *Firming up Management-Employee Connections*	49 - 50
	102-34	Nature and total number of critical concerns	**Managing and Mitigating Risks:** Improvement Management	36
			Social Development: Harnessing the Potentials - *Firming up Management-Employee Connections*	49 - 50

	GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2019	
			Cross reference to the Section	Page
GRI 102: GENERAL DISCLOSURES	102-35	Remuneration policies	**Social Development:** Sharing Equal Opportunities	48
	102-36	Process for determining remuneration	**Practicing Good Governance:** Board Committees	25
	5. STAKEHOLDER ENGAGEMENT			
	102-43	Approach to stakeholder engagement	**Our Anchors in Reporting:** Global Reporting Initiative - *Methodology*	6
	102-44	Key topics and concerns raised	**Our Anchors in Reporting:** Global Reporting Initiative - *Methodology*	6
	6. 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	**Our Anchors in Reporting:** Global Reporting Initiative - *Scope and Limitations*	6
	102-47	List of material topics	**OUR ACTIONS** Economic Performance Environmental Initiatives Social Development	 37 41 47
	102-48	Restatements of information	**Our Anchors in Reporting:** Global Reporting Initiative	6
	102-49	Changes in reporting	**2019 Milestones**	4
			Our Anchors in Reporting: Global Reporting Initiative	6
	102-50	Reporting period	**Building a Resilient Future**	3
			Our Anchors in Reporting: Global Reporting Initiative - *Scope and Limitations*	6
	102-51	Date of most recent report	**Building a Resilient Future**	3
			Our Anchors in Reporting: Global Reporting Initiative	6
	102-52	Reporting cycle	**Building a Resilient Future**	3
			Our Anchors in Reporting: Global Reporting Initiative	6
	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	**Our Anchors in Reporting:** Global Reporting Initiative - *Reporting Principles*	6
	102-55	GRI content index	**ANNEX B: GRI 2016 STANDARDS CONTENT INDEX**	59 - 64
GRI 103: MANAGEMENT APPROACH	**GRI 103: MANAGEMENT APPROACH 2016**			
	103-1	Explanation of the material topic and its Boundary	**Our Anchors in Reporting:** Global Reporting Initiative - *Scope and Limitations and Methodology*	6
			OUR ACTIONS Economic Performance Environmental Initiatives Social Development	 37 41 47
	103-2	The management approach and its components	**OUR ACTIONS** Economic Performance Environmental Initiatives Social Development	 37-40 41 -46 47-52
	103-3	Evaluation of the management approach	**OUR ACTIONS** Economic Performance Environmental Initiatives Social Development	 37 - 40 41 - 46 47- 52

ANNEX **B**

	GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2019	
			Cross reference to the Section	Page
GRI 200: ECONOMIC TOPICS	GRI 201: ECONOMIC PERFORMANCE 2016			
	201-1	Direct economic value generated	**Economic Performance:** Bouncing Back, Stronger	40
			ANNEX C: ADEC FINANCIAL STATEMENT	65 - 114
	201-3	Defined benefit plan obligations and other retirement plans	**Economic Performance:** Conforming to Labor Laws - *Fair Employee Benefits and Packages*	38
			ANNEX C: ADEC FINANCIAL STATEMENT	65 - 114
	201-4	Financial assistance received from government	**Our Business Core:** Ownership	16
	GRI 202: MARKET PRESENCE 2016			
	202-2	Proportion of senior management hired from the local community	**Economic Performance:** Conforming to Labor Laws - *Equal Hiring Opportunities*	38
	GRI 203: INDIRECT ECONOMIC IMPACTS 2016			
	203-2	Significant indirect economic impacts	**Economic Performance:** Bouncing Back, Stronger	38
	GRI 204: PROCUREMENT PRACTICES 2016			
	204-1	Proportion of spending on local suppliers	**Economic Performance:** Enabling the Local Suppliers	40
	GRI 205: ANTI-CORRUPTION 2016			
	205-1	Operations assessed for risks related to corruption	**Economic Performance:** Zero Tolerance to Bribery and Corruption - *Promoting Best Procurement Practices*	39
	205-2	Communication and training about anti-corruption policies and procedures	**Economic Performance:** Zero Tolerance to Bribery and Corruption	39
	205-3	Confirmed incidents of corruption and actions taken	**Economic Performance:** Zero Tolerance to Bribery and Corruption	39
GRI 300: ENVIRONMENTAL TOPICS	GRI 302: ENERGY 2016			
	302-1	Energy consumption within the organization	**Environmental Initiatives:** Pursuing Sustainability - *Energy Saving Initiatives*	42 - 43
	302-4	Reduction of energy consumption	**Environmental Initiatives:** Pursuing Sustainability - *Energy Saving Initiatives*	42 - 43
	GRI 303: WATER AND EFFLUENTS 2018			
	303-1	Water withdrawal by source	**Environmental Initiatives:** Pursuing Sustainability - *Reducing Water Consumption*	43
	303-4	Water discharge	**Environmental Initiatives:** Pursuing Sustainability - *Waste Management Efforts*	44
	303-5	Water consumption	**Environmental Initiatives:** Pursuing Sustainability - *Reducing Water Consumption*	43
	GRI 306: WASTE 2020			
	306-2	Management of significant waste-related impacts	**Environmental Initiatives:** Pursuing Sustainability - *Waste Management Efforts*	44
	306-3	Waste generated	**Environmental Initiatives:** Pursuing Sustainability - *Waste Management Efforts*	44
	GRI 307: ENVIRONMENTAL COMPLIANCE 2016			
	307-1	Non-compliance with environmental laws and regulations	**Environmental Initiatives:** Maintaining Environmental Compliance	45
	GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016			
	308-1	New suppliers that were screened using environmental criteria	**Environmental Initiatives:** Integrating Green Supplier Assessment	42
	308-2	Negative environmental impacts in the supply chain and actions taken	**Environmental Initiatives:** Integrating Green Supplier Assessment	42

	GLOBAL REPORTING INITIATIVE 2016 GRI STANDARDS		COMMITMENTS in 2019	
			Cross reference to the Section	Page
GRI 400: SOCIAL TOPICS	GRI 401: EMPLOYMENT 2016			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	**Economic Performance:** Conforming to Labor Laws - *Fair Employee Benefits and Packages*	38
			Social Development: Sharing Equal Opportunities	48
	GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018			
	403-1	Occupational health and safety management system	**Social Development:** Making Safety, First	48
	403-4	Worker participation, consultation, and communication on occupational health and safety	**Social Development:** Making Safety, First	48
	403-6	Promotion of worker health	**Social Development:** Making Safety, First	48
	GRI 404: TRAINING AND EDUCATION 2016			
	404-1	Average hours of training per year per employee	**Social Development:** Harnessing the Potentials - *Monitoring Growth and Performance*	49
	404-2	Programs for upgrading employee skills and transition assistance programs	**Social Development:** Harnessing the Potentials - *Monitoring Growth and Performance*	49
	404-3	Percentage of employees receiving regular performance and career development reviews	**Social Development:** Harnessing the Potentials - *Monitoring Growth and Performance*	49
	GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016			
	405-1	Diversity of governance bodies and employees	**Social Development:** Sharing Equal Opportunities	48
	GRI 406: NON-DISCRIMINATION 2016			
	406-1	Incidents of discrimination and corrective actions taken	**Economic Performance:** Conforming to Labor Laws	38
			Social Development: Sharing Equal Opportunities	48
	GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016			
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	**Social Development:** Harnessing the Potentials - *Firming up Management-Employee Connections*	49 - 50
	GRI 408: CHILD LABOR 2016			
	408-1	Operations and suppliers at significant risk for incidents of child labor	**Economic Performance:** Conforming to Labor Laws - *Upholding Children's Rights*	38
	GRI 416: CUSTOMER HEALTH AND SAFETY 2016			
	416-1	Assessment of the health and safety impacts of product and service categories	**Social Development:** Advancing Excellence and Quality	51
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	**Social Development:** Advancing Excellence and Quality	51
	GRI 418: CUSTOMER PRIVACY 2016			
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	**Social Development:** Respect for Data Privacy	52
	GRI 419: SOCIOECONOMIC COMPLIANCE 2016			
	419-1	Non-compliance with laws and regulations in the social and economic area	**Economic Performance:** Conforming to Labor Laws	38
			Economic Performance: Zero Tolerance to Bribery and Corruption	39

Annex C

ADEC FINANCIAL **STATEMENTS**

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors
ADEC Innovations Corporation
(A Subsidiary of REDECS Green Holdings Corporation)
Unit 103, 10th Floor Legaspi Suites Bldg.
178 Salcedo St., Legaspi Village
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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

We draw attention to Note 20 in the notes to financial statements, which describes the likely negative impact of the business disruption as a result of the corona virus outbreak to the Company's financial condition and performance after the end of the reporting period. Our opinion is not modified in respect to this matter.

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.

- 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, 2019 required by the Bureau of Internal Revenue as disclosed in Note 22 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 233-090-319
PTR No. 8116537, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1762-A (until Aug. 5, 2022)
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)

May 6, 2020

ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018 (As Restated – see Note 2)
A S S E T S			
CURRENT ASSETS			
Cash	4	**P 4,195,975**	P 700,455
Trade and other receivables - net	5	**42,321,542**	44,450,232
Other current assets	6	**3,476,387**	1,325,289
Total Current Assets		**49,993,904**	46,475,976
NON-CURRENT ASSETS			
Investment in a subsidiary	7	**2,250,000**	2,250,000
Property and equipment - net	8	**65,218**	5,250
Security deposits	6	**-**	1,571,674
Deferred tax assets - net	13	**1,874,670**	731,816
Total Non-current Assets		**4,189,888**	4,558,740
TOTAL ASSETS		**P 54,183,792**	P 51,034,716
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	9	**P 15,112,731**	P 7,357,911
Due to a related party	14	**7,075,950**	7,066,051
Other current liabilities	16	**958,482**	242,830
Total Current Liabilities		**23,147,163**	14,666,792
NON-CURRENT LIABILITIES			
Post-employment benefit obligation	12	**611,039**	470,688
Security deposits	16	**-**	958,482
Total Non-current Liabilities		**611,039**	1,429,170
Total Liabilities		**23,758,202**	16,095,962
EQUITY			
Capital stock	15	**25,750,001**	25,750,001
Revaluation reserve	12	**324,116**	344,909
Retained earnings		**4,351,473**	8,843,844
Total Equity		**30,425,590**	34,938,754
TOTAL LIABILITIES AND EQUITY		**P 54,183,792**	P 51,034,716

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, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
SALE OF SERVICES	11, 14	**P 14,280,304**	P 8,146,350
COST OF SERVICES	10	**(7,602,752)**	(2,873,057)
GROSS PROFIT		**6,677,552**	5,273,293
OTHER OPERATING EXPENSES	10	**(15,835,628)**	(13,168,334)
OTHER OPERATING INCOME – Net	11	**3,828,409**	8,333,690
PROFIT (LOSS) BEFORE TAX		**(5,329,667)**	438,649
TAX INCOME (EXPENSE)	13	**837,296**	(866,836)
NET LOSS		**(4,492,371)**	(428,187)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Actuarial loss on remeasurements of post-employment benefit obligation	12	**(29,704)**	-
Tax income	13	**8,911**	-
	12	**(20,793)**	-
TOTAL COMPREHENSIVE LOSS		**(P 4,513,164)**	(P 428,187)

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, 2019 AND 2018
(Amounts in Philippine Pesos)

	Capital Stock (see Note 15)	**Revaluation Reserve** (see Note 12)	**Retained Earnings**	**Total**
Balance at January 1, 2019	P 25,750,001	P 344,909	P 8,843,844	P 34,938,754
Total comprehensive loss for the year	-	(20,793)	(4,492,371)	(4,513,164)
Balance at December 31, 2019	**P 25,750,001**	**P 324,116**	**P 4,351,473**	**P 30,425,590**
Balance at January 1, 2018	P 25,750,001	P 344,909	P 9,272,031	P 35,366,941
Total comprehensive loss for the year	-	-	(428,191)	(428,191)
Balance at December 31, 2018	P 25,750,001	P 344,909	P 8,843,844	P 34,938,754

See Notes to Financial Statements.

ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		**(P 5,329,667)**	P 438,649
Adjustments for:			
Unrealized foreign currency exchange loss (gains) - net		**1,997,743**	(2,071,182)
Interest income	4, 11	**(6,736)**	(4,887)
Depreciation	8	**4,705**	3,610
Loss on disposal of property and equipment	8	**1,381**	-
Impairment loss on trade receivables	5	**-**	279,086
Operating loss before working capital changes		**(3,332,574)**	(1,354,724)
Decrease (increase) in trade and other receivables		**184,588**	(398,780)
Increase in other current assets		**(874,894)**	(101,543)
Increase in trade and other payables		**7,754,820**	898,187
Decrease in other current liabilities and security deposits		**(242,830)**	(394,511)
Increase in post-employment benefit obligation		**110,647**	86,644
Cash generated from (used in) operations		**3,599,757**	(1,264,727)
Interest received		**6,736**	4,887
Cash paid for income taxes		**(1,177)**	(254,032)
Net Cash From (Used In) Operating Activities		**3,605,316**	(1,513,872)
CASH FLOWS FROM AN INVESTING ACTIVITY			
Acquisitions of property and equipment	8	**(66,054)**	(2,395)
CASH FLOWS FROM A FINANCING ACTIVITY			
Proceeds from advances obtained from a related party	14	**9,899**	8,754
EFFECT OF FOREIGN EXCHANGE RATES CHANGES ON CASH		**(53,641)**	40,019
NET INCREASE (DECREASE) IN CASH		**3,495,520**	(1,467,494)
CASH AT BEGINNING OF YEAR		**700,455**	2,167,949
CASH AT END OF YEAR		**P 4,195,975**	P 700,455

See Notes to Financial Statements.

ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(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.

On October 9, 2019, the Company's Board of Directors (BOD) approved change in the principal place of business of the Company from 26th Floor, Philippine AXA Life Centre, Sen. Gil Puyat Avenue, Makati City to Unit 103, 10th Floor Legaspi Suites Bldg., 178 Salcedo St., Legaspi Village, Makati City. The change in address was approved by SEC on December 13, 2019, however, it is yet to be approved by the Bureau of Internal Revenue (BIR). 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, 2019 (including the comparative financial statements as of and for the year ended December 31, 2018) were authorized for issue by the Company's BOD on May 6, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and 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 entity based on the criteria set by the SEC and as defined in the Philippine Financial Reporting Standard for Small Entities (PFRS for SEs). However, the Company has opted to avail the exemption to use PFRS, as provided under the Revised Securities Regulation Code Rule 68, in the preparation of its financial statements on the basis that it is a subsidiary of a company that is reporting and preparing financial statements in accordance with PFRS.

The financial statements have been prepared using the measurement basis 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.

In 2019, the Company restated its Investment in as Subsidiary and Trade and Other Payables accounts in the statement of financial position as of December 31, 2018 to recognize additional investment in a subsidiary amounting to P250,000 (see Note 7). Since the amount of restatement is not material, the management opted not to present a third statement of financial position.

The foregoing adjustments did not have a material impact on the Company's statement of comprehensive income, statement of changes in equity and on the statement of cash flows for the year ended December 31, 2018.

(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 2019 that are Relevant to the Company

The Company adopted for the first time the following PFRS, interpretation, amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty Over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Company's financial statement.

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation.* The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income. The application of these amendments had no significant impact on the Company's financial statements.

(iii) PFRS 16, *Leases.* The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

In addition, relative to the adoption of PFRS 16, the Company also applied the approved Philippine Interpretations Committee Questions and Answers (Q&A) 2019-12, *Determining the Lease Term under PFRS 16*. This Q&A aims to provide guidance in determining the lease term under the new leases standard. Such exercise may require significant judgment especially when the lease agreement contains an option to either extend or terminate the lease.

The Company's existing operating lease of office space as a lessee has a lease term of 12-months, subject to renewal upon mutual agreement with the lessor. Thus, the Company has adopted PFRS 16 using the short-term recognition exemption to not recognize right-of-use asset but to account for the lease expense on a straight-line basis over the lease term.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The new accounting policies of the Company as a lessee are disclosed in Note 2.11(a)(i), while the accounting policies of the Company as a lessor, as disclosed in Note 2.11(b), were not significantly affected.

(iv) IFRIC 23, *Uncertainty Over Income Tax Treatments*. This 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. The interpretation had no significant impact on the Company's financial statements.

(v) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, only PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*, which is effective from January 1, 2019, is relevant to the Company but had no significant impact on the Company's financial statements. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

(b) Effective in 2019 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, 2019 but are not relevant to the Company's financial statements.

PAS 28 (Amendments)	:	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

(c) Effective Subsequent to 2019 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following 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 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

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 a subsidiary of REDECS, which will present consolidated 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 and Measurement of Financial Assets

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, 2019, 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 SPPI on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, 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 expected credit losses (ECL).

The Company's financial assets at amortized cost is presented as Cash, Trade and Other Receivables, and Security Deposits in the statements 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) Impairment of Financial Assets

As of the end of reporting, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

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 ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL 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 ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(c) 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, which are non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are recognized at cost 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. These are subsequently charged to profit or loss as utilized or reclassified to another asset account if capitalizable.

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 initially recognized at cost and are subsequently 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 of 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 rendering of services

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(b)].

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

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Company has elected to account for short-term leases using the practical expedients instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

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.

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 or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

(b) Company as Lessor

Leases wherein the Company substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

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.

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 carry forward 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.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of zero coupon government bonds using the references rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed services.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also take into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Interest is reported as part of Other Operating Expense or Other Operating Income account in the statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity (i.e., Social Security System). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.16 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.17 Equity

Capital stock represents the nominal value of shares that have been issued.

Revaluation reserve comprises the accumulated actuarial gains and losses on remeasurements of post-employment benefit obligation, net of applicable tax.

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

2.18 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For lease of office space, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company did not include the renewal period as part of the lease term for lease of office space due to the lease having a one year, non-cancellable lease period subject to renewal upon mutual agreement of both parties.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(b) Determination of Timing of Satisfaction of Performance Obligations on Rendering of Services

The Company determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to the counterparties. The Company render services without the need of reperformance of other companies. This demonstrates that the counterparties simultaneously receive and consume the benefits of the Company's rendering of services as it performs.

(c) Determination of Transaction Price and Amounts Allocated to Performance Obligation

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third [e.g. value-added taxes (VAT)].

The transaction price is considered receivable to the extent of serviced rendered. Also, the Company uses the practical expedient in PFRS 15 to recognize revenue at the amount which it has the right to invoice. Management has determined that the amount of invoiced on a monthly basis corresponds directly to the value of the counterparty of the Company's performance at the end of each month.

(d) Determination of ECL on Trade and Other Receivables and Security Deposits

The Company uses a provision matrix to calculate ECL for trade and other receivables and security deposits. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Note 17.2.

(e) Distinction Between Operating and Finance Leases where the Company is a Lessor

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's assessment, lease agreements that the Company has entered into are all operating leases.

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 16.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 17.2.

(b) Estimation of Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 8. Based on management's assessment as at December 31, 2019 and 2018, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2019 and 2018 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 13.

(d) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized arising from Company's non-financial assets in 2019 and 2018 based on management's evaluation.

(e) Valuation of Post-employment Benefit Obligation

The determination of the Company's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 12.2(b).

4. CASH

Cash includes the following as at December 31:

		2019		2018
Cash on hand	**P**	**20,000**	P	20,000
Cash in banks		**4,175,975**		680,455
	P	**4,195,975**	P	700,455

Cash in banks generally earn interest based on daily bank deposit rates. Interest income earned is shown as part of Other Operating Income account in the statements of comprehensive income (see Note 11).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following as at December 31:

	Note		2019		2018
Trade receivables from:					
Related parties	14.1(b), 14.2(b)	**P**	**45,598,129**	P	46,585,331
Third parties			**153,182**		789,781
Other receivables	14.2(d)		**210,350**		795,304
			45,961,661		48,170,416
Allowance for impairment		**(**	**3,640,119)**	(	3,720,184)
		P	**42,321,542**	P	44,450,232

All of the Company's trade and other receivables have been reviewed for impairment. Certain trade receivables were found to be impaired using the provisional matrix and based on the related parties' ability to repay the outstanding balance upon demand at the reporting date taking into consideration historical defaults from the related parties as determined by the management; hence, adequate amounts of allowance for impairment have been recognized (see Note 17.2).

A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	Notes		2019		2018
Balance at beginning of year		**P**	**3,720,184**	P	3,441,098
Reversal due to collection	11.2	**(**	**80,065)**		-
Impairment losses	10		**-**		279,086
Balance at end of year		**P**	**3,640,119**	P	3,720,184

6. OTHER ASSETS

The composition of this account is shown below.

	Notes	2019	2018
Current:			
Security deposits	16.1	**P 1,854,366**	P 85,602
Creditable withholding tax		**1,199,816**	122,048
Deferred input tax		**412,205**	81,964
Prepaid expenses		**10,000**	689,808
Input VAT	22(b)	**-**	345,867
		P 3,476,387	P 1,325,289
Non-current –			
Security deposits	16.1	**P -**	P 1,571,674

7. INVESTMENT IN A SUBSIDIARY

On December 9, 2016, the Company entered into an agreement (the Agreement) to subscribe 2,250,000 shares from the proposed increase in authorized capital stock of ADEC KMC, a domestic corporation registered with SEC.

On January 30, 2017, the SEC approved such increase in authorized capital stock. Consequently, the Company paid P2.0 million for the subscription, thereafter. The Company's subscription represented 90% ownership interest in the 2,500,000 outstanding share of stock of ADEC KMC. Accordingly, ADEC KMC became a subsidiary of the Company in 2017 (see Note 1.1). The unpaid portion amounting to P0.3 million and is presented as Subscription payable under Trade and Other Payable account in the statements of financial position (see Note9).

ADEC KMC's place of incorporation which is its principal place of business is at Alabang Corporate Center, Km. 25, West Service Road Cupang, Muntinlupa City 1770.

The summarized financial information of ADEC KMC, as presented in its financial statements as of and for the year ended December 31 is presented below.

	2019	2018
Total assets	**P 36,165,750**	P 39,415,393
Total liabilities	**(50,699,789)**	(75,373,481)
Net profit for the year	**21,165,750**	5,881,367

As of December 31, 2019 and 2018, the Company's investment in a subsidiary is not impaired as the fair value of the subsidiary's net assets is sufficient to cover the interest of all its shareholders, including the Company.

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
December 31, 2019					
Cost	P 4,848,972	P 305,811	P 594,941	P 66,054	P 5,815,778
Accumulated depreciation and amortization	(4,848,972)	(303,895)	(594,941)	(2,752)	(5,750,560)
Net carrying amount	**P -**	**P 1,916**	**P -**	**P 63,302**	**P 65,218**
December 31, 2018					
Cost	P 4,848,972	P 308,401	P 594,941	P 532,686	P 6,285,000
Accumulated depreciation and amortization	(4,848,972)	(303,243)	(594,849)	(532,686)	(6,279,750)
Net carrying amount	P -	P 5,158	P 92	P -	P 5,250
January 1, 2018					
Cost	P 4,848,972	P 306,006	P 594,941	P 532,686	P 6,282,605
Accumulated depreciation and amortization	(4,848,972)	(299,911)	(594,571)	(532,686)	(6,276,140)
Net carrying amount	P -	P 6,095	P 370	P -	P 6,465

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2019 and 2018 is shown below.

	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 5,158	P 92	P -	P 5,250
Additions	-	-	66,054	66,054
Disposals	(1,381)	-	-	(1,381)
Depreciation charges for the year	(1,861)	(92)	(2,752)	(4,705)
Balance at December 31, 2019 net of accumulated depreciation and amortization	**P 1,916**	**P -**	**P 63,302**	**P 65,218**
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 6,095	P 370	P -	P 6,465
Additions	2,395	-	-	2,395
Depreciation charges for the year	(3,332)	(278)	-	(3,610)
Balance at December 31, 2018 net of accumulated depreciation and amortization	P 5,158	P 92	P -	P 5,250

The depreciation charges for the years ended December 31, 2019 and 2018 are presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 10).

The Company wrote-off certain office equipment with carrying amount of P1,381 in 2019. The resulting loss of the same amount is presented under Miscellaneous account under the Other Operating Expenses section in the 2019 statement of comprehensive income (see Note 10). Also, in 2019, the Company wrote-off its fully amortized leasehold improvements.

Fully depreciated and amortized property and equipment with a total cost of P5.7 million and P6.3 million are still used in operations in 2019 and 2018, respectively.

9. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	2019	2018 [As Restated - see Note 2.1(b)]
Trade payables	14.2(a)	**P 7,656,872**	P 4,629,661
Accrued expenses	14.2(c)	**3,441,024**	1,652,445
Salaries payable		**2,451,360**	114,362
Subscription payable	7	**250,000**	250,000
Other current liabilities	22(a)	**1,313,475**	711,443
		P 15,112,731	P 7,357,911

Accrued expenses include unpaid professional fees, rentals and utilities. Other current liabilities primarily consist of payroll-related liabilities and withholding taxes.

The carrying amount of trade and other payables, which are expected to be settled within the next 12 months from the end of the reporting period, is a reasonable approximation of their fair value.

10. COSTS AND OPERATING EXPENSES BY NATURE

The details of expenses by nature are shown below.

	Notes	2019	2018
Rentals	16.1	**P 7,889,023**	P 8,502,942
Overhead	14.2(a), 14.2(c)	**4,844,973**	724,704
Salaries and employee benefits	12.1	**4,665,011**	1,285,545
Outside services	14.2(a)	**2,757,779**	2,148,353
Membership dues		**1,492,160**	1,333,104
Utilities, light and communication		**666,163**	661,112
Repairs and maintenance		**440,250**	470,932
Professional fees		**356,000**	340,750
Taxes and licenses	22(f)	**151,239**	208,728
Travel and transportation		**46,122**	8,425
Interest cost	12.2(b)	**19,251**	15,707
Depreciation	8	**4,705**	3,610
Miscellaneous	5, 8	**105,704**	337,479
		P 23,438,380	P 16,041,391

These expenses are classified in the statements of comprehensive income as follows:

	2019	2018
Cost of services	**P 7,602,752**	P 2,873,057
Other operating expenses	**15,835,628**	13,168,334
	P 23,438,380	P 16,041,391

Shown below is the breakdown of cost of services for the years ended December 31.

	Note	2019	2018
Outside services	14.2(a)	**P 2,757,779**	P 2,148,353
Overhead	14.2(a), 14.2(c)	**4,844,973**	724,704
		P 7,602,752	P 2,873,057

11. SALE OF SERVICES AND OTHER OPERATING INCOME

11.1 Disaggregation of Revenues

The Company's disaggregated revenues from sale of services over time in 2019 and 2018 are as follows:

	2019	2018
Local	**P 11,362,914**	P 5,132,325
International	**2,917,390**	3,014,025
	P 14,280,304	P 8,146,350

11.2 Other Operating Income

Other operating income includes the following:

	Notes	2019	2018
Rent income	14.2(d), 16.2	**P 5,502,960**	P 5,843,009
Foreign exchange gain (loss) – net		**(1,761,352)**	2,485,794
Gain on reversal of impairment of receivables	5	**80,065**	-
Interest income from cash in banks	4	**6,736**	4,887
		P 3,828,409	P 8,333,690

12. EMPLOYEE BENEFITS

12.1 Salaries and Employee Benefits Expense

Details of salaries and employee benefits are presented below.

	Notes	2019	2018
Short-term employee benefits		**P 4,573,615**	P 1,214,608
Post-employment defined benefit	12.2(b)	**91,396**	70,937
	10	**P 4,665,011**	P 1,285,545

The amount of salaries and employee benefits expense is presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 10).

12.2 Post-employment Benefit Obligation

(a) Characteristics of the Defined Benefit Plan

Currently, the Company does not yet have a formal post-employment benefit plan. However, it follows the provisions of Republic Act (R.A.) No. 7641, *The Retirement Pay Law*, which is effectively an unfunded, noncontributory post-employment benefit plan covering all regular full-time employees, in recognizing its post-employment benefit obligation.

Under R.A. 7641, the normal retirement age is 60 with a minimum of five years of credited service. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuation is made in 2019 to update the post-employment benefit expense as the last actuarial valuation was made in 2017 which the management believes is still relevant in 2018 considering that there have been no significant changes in the Company's employment.

The amount of post-employment benefit obligation recognized in the statements of financial position amounted to P0.6 million and P0.5 million as of December 31, 2019 and 2018, respectively.

The movements in the present value of the post-employment benefit obligation recognized in the financial statements as of December 31, 2019 and 2018 are as follows:

	Notes		**2019**		2018
Balance at beginning of year		**P**	**470,688**	P	384,044
Current service cost	12.1		**91,396**		70,937
Interest cost	10		**19,251**		15,707
Remeasurements – actuarial gains due to:					
Experience adjustments			**24,413**		-
Changes in financial Assumptions			**5,291**		-
Balance at end of year		**P**	**611,039**	P	470,688

The components of amounts recognized in profit or loss and in other comprehensive income for the years ended December 31, 2019 and 2018 in respect of the post-employment defined benefit plan are as follows:

	Notes		2019		2018
Recognized in profit or loss:					
Current service cost	12.1	**P**	**91,396**	P	70,937
Interest expense	10		**19,251**		15,707
		P	**110,647**	P	86,644
Recognized in other comprehensive income:					
Actuarial loss due to:					
Experience adjustments		**P**	**24,413**	P	-
Changes in financial assumptions			**5,291**		-
Tax income	13		**(8,911)**		-
		P	**20,793**	P	-

The interest expense is included under Other Operating Expenses account in the statements of comprehensive income (see Note 10).

In determining the amount of the post-employment benefit obligation in 2019 and 2018, the following actuarial assumptions were used:

	2019	2018
Discount rate	**3.61%**	4.09%
Expected rate of salary increases	**2.00%**	2.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is one year for both males and females in 2019 and 2018. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Benefit Obligation

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Sensitivity Analysis

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2019 and 2018.

	Change in assumption	Impact on post-employment obligation	
		Increase in assumption	Decrease in assumption
December 31, 2019			
Discount rate	**100 bps**	**Decrease by 1.8%**	**Increase by 1.9%**
Salary increase rate	**100 bps**	**Increase by 1.9%**	**Decrease by 1.8%**
December 31, 2018			
Discount rate	100 bps	Decrease by 0.0%	Increase by 3.2%
Salary increase rate	100 bps	Increase by 0.0%	Decrease by 2.1%

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at end of the reporting period) has been applied as when calculating the pension liability recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change as compared to the previous years.

As at December 31, 2019, the Company is yet to determine how much and when to fund a post-employment benefit plan.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 1.8 years.

13. TAXES

The components of tax expense (income) as reported in the statements of comprehensive income are as follows:

	2019	2018
Reported in profit or loss:		
Current tax expense		
Minimum corporate income tax (MCIT) at 2%	**P 295,470**	P 226,313
Final tax at 20% and 15%	**1,177**	899
	296,647	227,212
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(1,133,943)**	639,624
	(P 837,296)	P 866,836
Reported in other comprehensive loss –		
Deferred tax income relating to origination of temporary differences	**(P 8,911)**	P -

A reconciliation of tax on pretax profit (loss) computed at the applicable statutory rate to tax expense (income) reported in profit or loss is presented below.

	2019	2018
Tax on pretax profit (loss) at 30%	**(P 1,598,900)**	P 131,595
Adjustment for income subjected to lower tax rates	**(844)**	(567)
Tax effect of unrecognized deferred tax asset on net operating loss carryover (NOLCO) and MCIT	**762,448**	735,808
	(P 837,296)	P 866,836

The net deferred tax assets relates to the following as at December 31:

	Statements of Financial Position		Statements of Comprehensive Income			
			Profit or Loss		Other Comprehensive Income	
	2019	2018	2019	2018	2019	2018
Deferred tax liabilities:						
Unrealized foreign currency exchange gain	**P -**	P 621,355	**(P 621,355)**	P 621,355	**P -**	P -
Rental receivable – PAS 17	**-**	61,599	**(61,599)**	-	**-**	-
	-	682,954	**(682,954)**	621,355	**-**	-
Deferred tax assets:						
Rental payable – PAS 17	**-**	(157,508)	**157,508**	63,413	**-**	-
Retirement benefit obligation	**(183,312)**	(141,207)	**(33,194)**	(25,993)	**(8,911)**	-
Impairment losses on trade receivables	**(1,092,035)**	(1,116,055)	**24,020**	(83,725)	**-**	-
Unrealized foreign currency exchange loss	**(599,323)**	-	**(599,323)**	64,574	**-**	-
	(1,847,670)	(1,414,770)	**(450,989)**	18,269	**(8,911)**	-
Deferred tax assets – net	**(P 1,874,670)**	(P 731,816)				
Deferred tax expense (income) – net			**(P 1,133,943)**	P 639,624	**(P 8,911)**	P -

The Company is subject to MCIT which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. In 2019 and 2018, the Company reported MCIT as the Company is in tax loss position on both years.

The details of the Company's unrecognized deferred tax asset as of December 31, 2019 and 2018 are as follows:

	Tax Base		Tax	
	2019	2018	**2019**	2018
NOLCO	**P 3,254,910**	P 1,698,318	**P 466,978**	P 509,495
MCIT	**521,783**	226,313	**295,470**	226,313
	P3,776,693	P 1,924,631	**P 762,448**	P 735,808

The details of the Company's NOLCO with their corresponding availment periods are as follows:

Year Incurred	Amount	Expired Balance	Remaining Balance	Valid Until
2019	P 1,556,592	P -	P 1,556,592	2022
2018	1,698,318	-	1,698,318	2021
	P 3,254,910	P -	P 3,254,910	

The details of the Company's MCIT with their corresponding availment periods are as follows:

Year Incurred	Amount	Expired Balance	Remaining Balance	Valid Until
2019	P 295,470	P -	P 295,470	2022
2018	226,313	-	226,313	2021
	P 521,783	P -	P 521,783	

In 2019 and 2018, the Company opted to continue claiming itemized deductions in computing for its income tax due.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholder, subsidiary, related parties under common ownership, Company's key management personnel and others as described below.

The summary of the Company's transactions and outstanding balances with its related parties is as follows:

Related Party Category	Note	Amount of Transactions 2019	Amount of Transactions 2018	Outstanding Balances 2019	Outstanding Balances 2018
Stockholder:					
Rendering of services	14.1(b)	**P 2,172,905**	P 2,218,034	**P 27,995,465**	P 28,489,560
Advances received (paid) - net	14.1(a)	**9,899**	8,754	**(7,075,950)**	(7,066,051)
Related Parties Under Common Ownership:					
Purchase of services	14.2(a)	**7,558,038**	2,831,389	**(7,656,872)**	(4,629,661)
Rendering of services	14.2(b)	**4,320,000**	4,320,000	**17,602,664**	18,095,771
Rental	14.2(d)	**382,019**	398,554	**38,896**	38,896
Accommodation of expenses	14.2(c)	**173,714**	120,583	**(463,040)**	(186,876)
Key Management Personnel –					
Compensation	14.3	**4,431,985**	1,080,000	**-**	-

All of the Company's receivables from related parties have been reviewed for indications of impairment. Based on management's assessment during the year, there are receivables from related parties, which are required to be impaired [see Note 17.2(b)]. Moreover, these receivables from related parties and advances from and payables to related parties are unsecured, noninterest-bearing and usually repaid in cash within 12 months.

The following are the details of such transactions:

14.1 Transaction with a Stockholder

(a) Advances of Funds

The Company obtains advances from ADEC primarily for working capital requirements. The outstanding balance of such advances is presented as Due to a Related Party in the statements of financial position.

The movements in the Due to a Related Party account are presented below.

	2019	2018
Balance at beginning of year	**P 7,066,051**	P 7,057,297
Additions	**9,899**	8,754
Balance at end of year	**P 7,075,950**	P 7,066,051

(b) Rendering of Services

Starting February 2011, ADEC engaged the Company to avail of the Company's different services. Services rendered are usually based on monthly service fees, as agreed between the parties, in addition to consulting services rendered. The transactions with ADEC amounted to P2.2 million in 2019 and 2018.

Revenues recognized from this transaction is included as part of Sale of Services account in the statements of comprehensive income.

The outstanding receivables from services rendered to ADEC as at December 31, 2019 and 2018 are presented as part of Trade receivables from related parties under the Trade and Other Receivables account in the statements of financial position (see Note 5).

14.2 Transactions with Related Parties Under Common Ownership

(a) Purchase of Services

The services provided by the Company to its customers are subcontracted with Amdatex Las Piñas Services, Inc. (ALPSI), which provides support services for software development, web services and other related services necessary to bring the Company's projects into completion. The cost of services recognized from these transactions is presented as part Cost of Services account in the statements of comprehensive income (see Note 10).

The outstanding payable as at December 31, 2019 and 2018 is presented as part of Trade payables under the Trade and Other Payables account in the statements of financial position (see Note 9).

(b) Rendering of Services

The Company and ALPSI also entered into a Management Service Agreement (MSA) in which the Company will provide ALPSI sustainability and environmental management program suitable to address the needs of ALPSI. The revenues recognized from these MSA services are shown as part of Sale of Services in the statements of comprehensive income. The outstanding receivable as of December 31, 2019 and 2018 are presented as part of Trade receivables from related parties under the Trade and Other Receivables account in the statements of financial position (see Note 5).

In 2013, the Company and FCS International, Inc. (FCS International) entered into a service agreement whereby the Company shall provide FCS International professional services including, but not limited to: telecommunications; management functions; marketing and design; research, reproduction and publications; IT support and infrastructure improvements; proposal team support; and, other similar or related activities. There were no services rendered to FCS International in 2019 and 2018. The outstanding receivable amounted to P16.8 million and P17.3 million and in 2019 and 2018, respectively, is presented as part of Trade receivables from related parties under the Trade and Other Receivables account in the statements of financial position (see Note 5). The movement in the outstanding balance was due to foreign currency translation adjustment.

(c) Accommodation of Expenses

Transactions with ALPSI also include accommodation of expenses such as utilities, supplies, repairs and other operating expenses incurred in relation to the services provided by ALPSI, which are to be reimbursed by the Company to ALPSI. These expenses are appropriately recognized either as part of Cost of Services or Other Operating Expenses in the statements of comprehensive income (see Note 10).

The outstanding payable as at December 31, 2019 and 2018 is presented as part of Accrued expenses under the Trade and Other Payables account in the statements of financial position (see Note 9).

(d) Rental of Office and Parking Space

In 2015, the Company renewed its non-cancellable lease agreement with Pharma KPO Corporation for the lease of an office space (see Note 16.2). The revenues recognized from the lease are included as part of Rent Income under Other Operating Income account in the statements of comprehensive income (see Note 11.2). The outstanding balance as at December 31, 2019 and 2018 is presented as part of Other receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

14.3 Key Management Personnel Compensation

The key management personnel received a total compensation amounting to P4.4 million and P1.1 million in 2019 and 2018, respectively.

15. CAPITAL STOCK

The details of the Company's capital stock as of December 31, 2019 and 2018 are shown below.

	Shares	Amount
Authorized – at P1 par value	100,000,000	P 100,000,000
Issued and outstanding	25,750,001	P 25,750,001

As at December 31, 2019 and 2018, the Company has three stockholders owning 100 or more shares each of the Company's capital stock.

16. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

16.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under a non-cancellable operating lease covering certain office space and facilities. In December 2015, the Company renewed its lease contract for its office space which has a term of four years, with renewal options, and includes an annual escalation rate of 5%. The lease contract for the office space expired in December 2019. Meanwhile, the Company renewed the lease contract for its parking space for eight months until August 2020. The Company was required to pay security deposits amounting to P1.6 million in connection with the said lease, which shall be applied against any lease payment default or damages the Company may cause on the leased premises, but shall be refunded at the end of the lease term in case no defaults or damage is caused upon by the Company. The deposits are recognized as Security Deposits under Current Assets section in the 2019 statement of financial position and under Non-current Assets section in the 2018 statement of financial position (see Note 6). As at December 31, 2019 and 2018, the Company has met all the requirements of the lease contract.

In October 2019, the Company entered into a new lease contract for its office space which has a term of one year, with renewal options with mutual agreements of both parties. The Company was required to pay a security deposit amounting to P0.1 million which is refundable at the end of the lease term. The deposit was recognized as Security Deposits under Current Assets section in the 2019 statement of financial position (see Note 6). As at December 31, 2019, the Company has met all the requirements of the lease contract.

The future minimum rentals payable under this non-cancellable operating lease amounts to P0.6 million and P8.3 million in 2019 and 2018, respectively.

Total rental expense from these operating leases amounting to P7.9 million and P8.5 million in 2019 and 2018, respectively, is presented as Rentals under Other Operating Expenses in the statements of comprehensive income (see Note 10).

16.2 Operating Lease Commitments – Company as Lessor

Starting July 2012, the Company became a lessor under a non-cancellable operating sublease covering certain office space and facilities [see Note 14.2(d)]. The sublease contract was renewed in December 2015, for a term of four years, with renewal options, and includes an annual escalation rate of 5%.

Moreover, in December 2015, the Company renewed another sublease agreement covering certain office space and facilities for a term of three years, with an escalation rate of 5% each year. In connection with the sublease, the Company received P0.7 million in 2014 and an additional P0.3 million in 2016 representing the security deposit which shall be refunded to the sublessee at the end of the lease contract. The lease contract ended on December 2019. The security deposit is presented as part of Other Current Liabilities in the 2019 statement of financial position and Security Deposits under the Non-current Liabilities section in the 2018 statement of financial position.

The future minimum rent receivables under these non-cancellable operating leases amounted to P4.6 million as of December 31, 2018. There was no outstanding lease agreement as a lessor as of December 31, 2019.

Total rent income from the operating leases amounting to P5.5 million and P5.8 million for the years ended December 31, 2019 and 2018, respectively, is shown as Rent income under Other Operating Income in the statements of comprehensive income (see Note 11).

16.3 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements because the possible outflow of economic resources as a result of present obligations is considered improbable or remote or the amount to be provided cannot be measured reliably.

Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Company's financial statements.

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The main type of risks are market risk and credit risk.

The Company's risk management is coordinated with its parent company in close cooperation with the BOD.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

17.1 Market Risk

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise from the Company's overseas sale of services which are primarily denominated in United States (U.S.) dollars. The Company also holds U.S. dollar-denominated cash in banks.

Foreign currency-denominated financial assets translated into Philippine peso at their respective closing rates amount to P47.4 million and P46.1 million as at December 31, 2019 and 2018, respectively. As of the same period, the Company has no outstanding financial liabilities denominated in foreign currency.

The sensitivity analysis of the Company's profit before tax arising from its financial assets and the U.S. dollar-Philippine peso exchange rate assumes a reasonably possible change in rate of +/-4.55% and +/-4.32% in 2019 and 2018, respectively. These percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months estimated at a 99% confidence level. If the Philippine peso has strengthened against the U.S. dollar, with all the variables held constant, the Company's loss before tax would have increased by P2.2 million and P2.0 million in 2019 and 2018, respectively. Conversely, if the Philippine peso has weakened by the same percentages during the same period, loss before tax in 2019 and 2018 would have decreased by the same amount.

(b) Interest Rate Risk

The Company has no financial instruments subject to floating interest rate, except for cash in banks, which historically has shown small changes in interest rates. As such, the Company's management believes that the interest rate risk is not material.

17.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk with respect to financial instruments arising from granting of advances to related parties, recognition of receivables from customers as a result of services rendered and placing of deposits with banks.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as at December 31, 2019 and 2018 as shown in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	**2019**	2018
Cash	4	**P 4,195,975**	P 700,455
Trade and other receivables	5	**42,321,542**	44,450,232
Security deposits	6	**1,854,366**	1,657,276
		P 48,371,883	P 46,807,963

The table above represents the carrying amounts of financial assets of the Company categorized as financial assets at amortized cost as of December 31, 2019 and 2018. None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

- *Receivables from Third Parties*

To measure the ECL, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from third parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on provision matrix for trade receivables from third parties as determined by the management. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the inflation rate to be the most relevant factors, and accordingly adjusts the loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2019 and 2018 was determined based on months past due, as follows for trade receivables from third parties:

	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
December 31, 2019						
Expected loss rates	**0%**	**0%**	**0%**	**0%**	**100%**	
Trade receivables – gross	P 10,683	P -	P -	P -	P 199,667	P 210,350
Other receivables – gross	153,182	-	-	-	-	153,182
Loss allowance	-	-	-	-	199,667	199,667
December 31, 2018						
Expected loss rates	**0%**	**0%**	**0%**	**15%**	**48%**	
Trade receivables – gross	P 57,596	P 360,000	P -	P -	P 377,708	P 795,304
Other receivables – gross	789,781	-	-	-	-	789,781
Loss allowance	-	-	-	-	181,300	181,300

- *Receivables from Related Parties*

The Company's trade receivables from related parties are repayable on demand and the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the related party's ability to repay the outstanding balance upon demand at the reporting date taking into consideration historical defaults from the related parties.

On that basis, the loss allowance as at December 31, 2019 and 2018 is as follows:

	Outstanding Balance	Internal Credit Rating*	Probability of Default	Loss Allowance
December 31, 2019				
Related parties:				
ADEC Solutions Ltd.	P 27,995,465	BB	0.78%	P 218,365
Michael Brandman Associates	16,796,264	B	19.18%	3,221,523
Amdatex Las Piñas Services, Inc.	806,400	A	0.07%	564
Total	**P 45,598,129**			**P 3,440,452**

	Outstanding Balance	Internal Credit Rating*	Probability of Default	Loss Allowance
December 31, 2018				
Related parties:				
ADEC Solutions Ltd.	P 28,489,560	BB	0.78%	P 222,219
Michael Brandman Associates	17,289,371	B	19.18%	3,316,101
Amdatex Las Piñas Services, Inc.	806,400	A	0.07%	564
Total	P 46,585,331			P 3,538,884

**The internal credit rating is based on the Standard and Poor rating wherein "A' is equivalent to Strong; "BB" for satisfactory; and "B' for watchlist.*

The Company mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from these customers and ensuring that collections are received within the agreed credit period.

(c) Security Deposits

Security deposits were provided by the Company to lessors in relation to lease agreements covering certain office facilities (see Note 16.1). The Company does not expect significant risk of collectability since refundable security deposit can be rolled forward every renewal of lease agreements.

17.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The following are the Company's maximum liquidity risks as at December 31, 2019 and 2018, and are shown under the current liabilities section in the statements of financial position.

	Notes	**2019**	2018
Trade and other payables	9	**P 13,589,287**	P 6,823,855
Due to a related party	14	**7,075,950**	7,066,051
Other current liabilities		**-**	242,830
Security deposits	16.2	**958,482**	958,482
		P 21,623,719	P 15,091,218

18. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

18.1 Carrying Amounts and Fair values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	Notes	2019 Carrying Amount	2019 Fair Values	2018 Carrying Amount	2018 Fair Values
Financial Assets					
At amortized cost:					
Cash	4	**P 4,195,975**	**P 4,195,975**	P 700,455	P 700,455
Trade and other receivables	5	**42,321,542**	**42,321,542**	44,450,232	44,450,232
Security deposits	6	**1,854,366**	**1,854,366**	1,657,276	1,657,276
		P 48,371,883	**P 48,371,883**	P 46,807,963	P 46,807,963
Financial Liabilities					
At amortized cost:					
Trade and other payables	9	**P 13,589,287**	**P 13,589,287**	P 6,823,855	P 6,823,855
Due to a related party	14	**7,075,950**	**7,075,950**	7,066,051	7,066,051
Other current liabilities and security deposits	16.2	**958,482**	**958,482**	1,201,312	1,201,312
		P 21,623,719	**P 21,623,719**	P 15,091,218	P 15,091,218

See Note 2.4 and 2.7 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 17.

18.2 Fair Value Hierarchy and Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

Financial assets and financial liabilities measured at fair value are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Management considers that due to short duration of the Company's financial assets, such as cash and receivables, and financial liabilities, such as due to a related party and trade and other payables, measured at amortized costs, their fair values as of December 31, 2019 and 2018 approximates their carrying amounts. Except for cash, which is classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

The fair value of the Company's security deposits which are classified under Level 3 are recognized at amortized cost using effective interest rate at the time of payment of the deposits. Such rate is derived from the interest rate of a zero coupon government bond, as published by BVAL, which has the same term to maturity approximating the term of the related lease contracts (see Note 6).

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

18.3 Offsetting of Financial Assets and Financial Liabilities

The Company has not set off financial instruments in 2019 and 2018 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis. As such, the Company's outstanding receivables from related parties amounting to P45.6 million and P46.6 million as of December 31, 2019 and 2018, respectively, and the Company's outstanding liabilities to related parties amounting to P15.2 million and P11.9 million as of December 31, 2019 and 2018, respectively, are stated at gross. However, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through the approval of both parties' BOD and stockholders (see Notes 5, 9 and 14).

19. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to stockholders by pricing its services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized below.

	2019	2018
Total liabilities	**P 23,758,202**	P 16,095,962
Total equity	**30,425,590**	34,938,754
Debt-to-equity ratio	**0.78 : 1**	0.46 : 1

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern'. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

While the disruption is currently expected to be temporary, management expect the suspension of businesses to negatively impact the Company's financial condition and results of operations. The Company is also exposed to the similar negative effect of COVID-19 in its foreign market, particularly that the Company's revenue transactions are significantly with companies domiciled outside the Philippines. However, the severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, impact on Company's customers, suppliers, employees, and the accessibility and effectiveness of government support programs to a group of customers, all of which are uncertain and cannot be predicted as of the date of the issuance of the Company's financial statements. Accordingly, management is not able to reliably estimate the impact of the outbreak on the Company's financial position and results of operation for future periods with respect to this matter. In support and compliance with the government measures to protect the welfare and interest of the Company's employees and stakeholders, including its counterparties, the Company has implemented safety measures and activated its business continuity procedures. Management believes that these measures can mitigate the further negative impact of the outbreak to the Company's business and to its financial condition and performance.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Company's financial statements as of and for the year ended December 31, 2019.

21. SUPPLEMENTARY INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

R.A. No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code), took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Company's financial statements.

22. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding page is the supplementary information which is required by the BIR under its existing Revenue Regulation (RR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Output VAT

In 2019, the Company declared output VAT on rendering of services as follows:

	Tax Base	Output VAT
Vatable services	P 17,631,110	P 2,115,733
Zero-rated services	747,167	-
	P 18,378,277	P 2,115,733

The Company's zero-rated VAT services were determined pursuant to Section 108 (B), *Zero-rated VAT on sale of services and use or lease of properties,* of the 1997 National Internal Revenue Code.

The tax base of the zero-rated services is included as part of Sale of Services while the vatable sales are included as part of either Sale of Services or Other Operating Income in the 2019 statement of comprehensive income. The tax bases for Sale of Services and Other Operating Income are based on the Company's gross receipts for the year; hence, may not be the same as the amounts reported in the 2019 statement of comprehensive income.

The outstanding output VAT amounting to P67,716 as at December 31, 2019 is presented under Other Current Liabilities account in the 2019 statement of financial position (see Note 9).

(b) Input VAT

The movements in input VAT in 2019 are summarized below.

Balance at beginning of year	P 345,867
Domestic purchase of services	1,305,006
Domestic purchases of goods other than capital goods	3,136
Applied against output VAT	(1,654,009)
Balance at end of year	P -

(c) Taxes on Importation

The Company did not have any importations in 2019.

(d) *Excise Tax*

The Company did not have any transactions in 2019 which are subject to excise tax.

(e) *Documentary Stamp Tax*

The Company paid P2,051 of documentary stamp tax (DST) in relation to the lease agreement entered by the Company in 2019.

(f) *Taxes and Licenses*

Details of taxes and licenses are as follows:

Business permits	P	125,830
Community tax certificate		6,092
DST		2,051
Annual registration		500
Others		16,766
	P	151,239

The amount of taxes and licenses is presented as part of Other Operating Expenses in the 2019 statement of comprehensive income (see Note 10).

(g) *Withholding Taxes*

Details of total withholding taxes for the year ended December 31, 2019 are shown below.

Compensation and employee benefits	P	1,136,627
Expanded		538,674
	P	1,675,301

The Company has no income payments that are subject to final withholding tax.

(h) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2019, the Company does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

ADEC INNOVATIONS
WHERE IMPACT MATTERS

Contact Information:
ADEC Innovations Corporation
Unit 103, 10th Floor Legaspi Suites Bldg.
178 Salcedo St., Legaspi Village
Makati City, Philippines
Telephone: +63 (02) 8775.0632

Contact Person:
Michelle Tan
Head, Global Development
michelle.tan@adec-group.com

www.adec-innovations.com