2020 Sustainability Report

ELEVATING AMBITION towards COLLECTIVE ACTION

ADEC INNOVATIONS

IMPACT ASSURED

About the Cover

Success hinges on collaboration.

Industry leadership will be key to identifying partnership opportunities for collective action on challenges we cannot solve on our own. The cover highlights our bold ambitions to elevate our own company's and that of our stakeholder's response towards this shifting narrative of increased demand for transparency and accountability. ADEC Innovations, cast light on our partners' efforts to build better economic and environmental resiliency in order to achieve recovery and long-term value.

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.

About the Report

The 2020 Sustainability Report of ADEC Innovations provides a comprehensive view of our company's Environmental, Social and Governance (ESG) performance alongside its financial sustainability. Our Sustainability framxework was carefully designed and reviewed periodically to ensure a net-positive impact of our company and its operations to our people, community we operate in and the planet.

Our Sustainability Report is a testament of our company's long-term commitment to responsible governance to our internal and external stakeholders. Moreover, our company's sustainability framework reflects our value creation process on how we develop our product and services with the thought of helping close the Sustainable Development gaps in accordance to the United Nations 2030 Agenda—this serves as our Sustainability Blueprint and bold vision in shaping a sustainable and resilient future.

REPORTING SCOPE

This 2020 Sustainability Report aims to disclose ADEC Innovations Corporation Philippines financial and non-financial performance covering January 1, 2020-December 31, 2020.

REPORTING STANDARDS

This report is guided by United Nations Global Compact Ten Principles and Global Reporting initiative. For more information abut the framework used please refer to:

www.unglobalcompact.org
www.globalreporting.org

NOTE ON FORWARD LOOKING STATEMENTS

This report may contain company's plans, objectives, medium and long term goals which may be deemed as forward looking statements. Results and outcomes may vary depending on the factors that may affect our operations in the succeeding months.

FEEDBACK

We welcome feedback and inquiries to help us improve our future reporting. You may email your for feedback to the email addresses below:

info@adec-innovations.com
michelle.tan@adec-group.com

MESSAGE FROM THE CEO

Dear Fellow Stakeholders,

The year 2020, has been a pivotal year not only to our company but for everyone. It has been saddled by health and planetary crises and the scale of challenge seems insurmountable. Faced with the challenges, ADEC strengthened our level of commitment to our customers and communities. We had to balance the need to service our customers while ensuring safety of our employees.

Amidst the challenges, I am truly proud about our company. We rose above the occasion and remain steadfast to our strategic goals and sustainability commitments. We knew more than ever that our portfolio of assurance products and services will be crucial for our stakeholders to bounce back better. Our innovative mindset in the organization enabled us not only to survive but thrive during this time of economic uncertainty. We attribute this to our balanced and diverse portfolio that helps mitigate the severity of pandemic's impact. We also owe it to our people—their unrelenting commitment to our core values. They are our frontliners in every sense of the word.

We are in an unprecedented moment that demands concerted action by businesses, governments and civil society to build an equitable, resilient and sustainable future for people and the planet. The shift toward stakeholder capitalism will be accelerated and amplified, and the focus on Environmental, Social and Governance will be the key to competitiveness and sustained success for businesses moving forward. We will continue to co-create scalable solutions and invest in high-impact markets to support our growth strategy and be part of this change. This is our unwavering commitment to sustainability.

All challenges presents opportunities, we look forward to 2021 with a transformative mindset—a chance to ELEVATE OUR AMBITION TO DRIVE COLLECTIVE ACTION.

And lastly, to our customers and partners we appreciate your continued trust and confidence.

All challenges presents opportunities, we look forward to 2021 with a transformative mindset—a chance to **ELEVATE OUR AMBITION TO DRIVE COLLECTIVE ACTION.**

James M. Donovan
Chief Executive Officer
ADEC Innovations Corporation

OUR BUSINESS CORE

VISION & MISSION STATEMENT

We are a global leader in ESG Assurance Solutions

We co-create innovative ESG assurance solutions to optimize business performance, ensure resiliency and sustainability.

WE COMMIT TO BE A TRUSTED ESG ASSURANCE PROVIDER

Over the years, we learned that VALUE-BASED companies are built to last. These are the companies that focus on long-term value creation and ESG measures—which means working in a much more transparent environment.

We will continue to be part of this fundamental shift in a much-needed systemic change in moving towards Stakeholder Capitalism—that will enable our clients manage physical and transitional risk towards a net-positive economy.

Core Values

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.

2020 MILESTONE

March 2020
Establishment of ADEC Innovations Malta

ADEC Innovations Co. Ltd., registered in Kalkara, Malta, is the latest member of the ADEC Innovations group. Established in March 2020. It will house identified functions of the Global Middle Office which intends to support the ADEC Headquarters on standards and compliance policies, finance, research and development, and project management.

June 2020
PROSE AWARD FOR ADEC INNOVATIONS CEO

Data and Knowledge is an integral part of the United Nations Environment Programme's (UNEP) sixth Global Environment Outlook (GEO-6), the chapter articulates the potential value of data and knowledge in conducting environmental assessments and taking actions on its outcomes.

In recognition of its significant contribution on Environmental Science, the Association of American Publishers, through the 2020 Professional and Scholarly Excellence (PROSE) Awards, recognized UNEP's sixth Global Environment Outlook (GEO-6) for its extraordinary merit in the field of scholarly publishing.

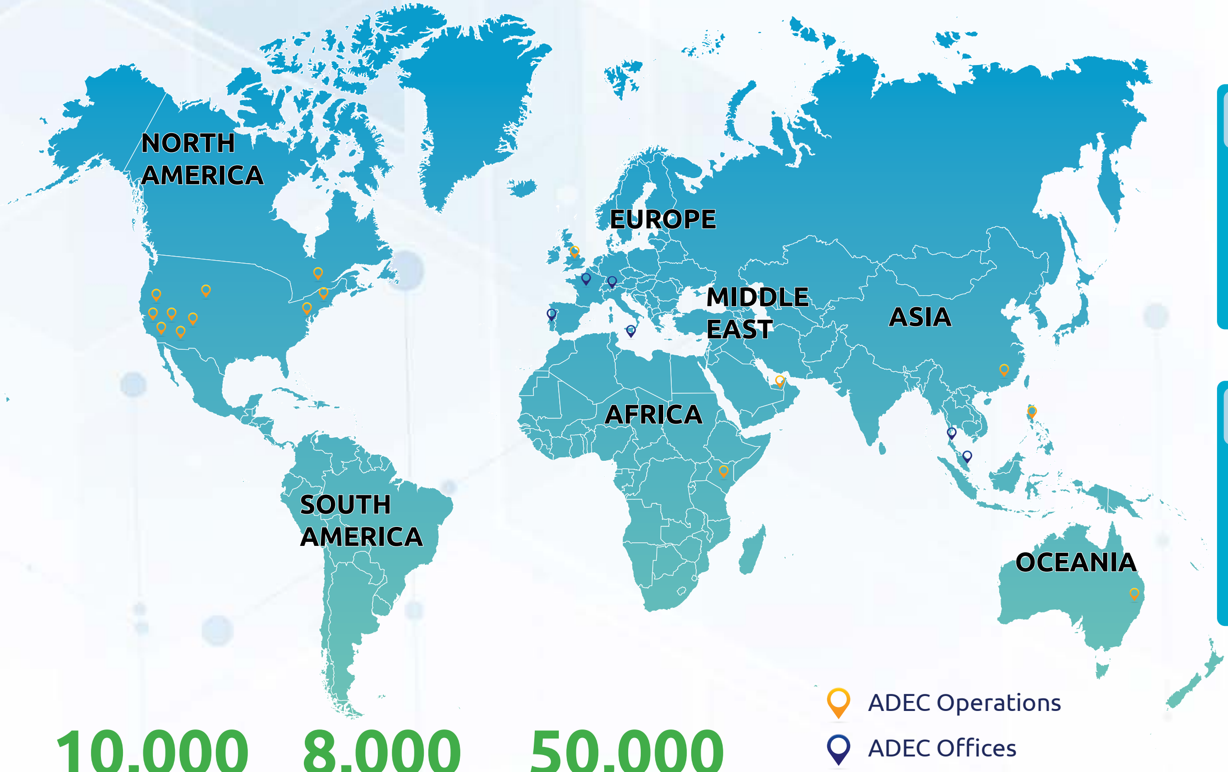
Donovan, along with Head of Global Development Michelle Tan, were among the lead authors for the twenty-fifth chapter of GEO-6, which explored "Future Data and Knowledge Needs".

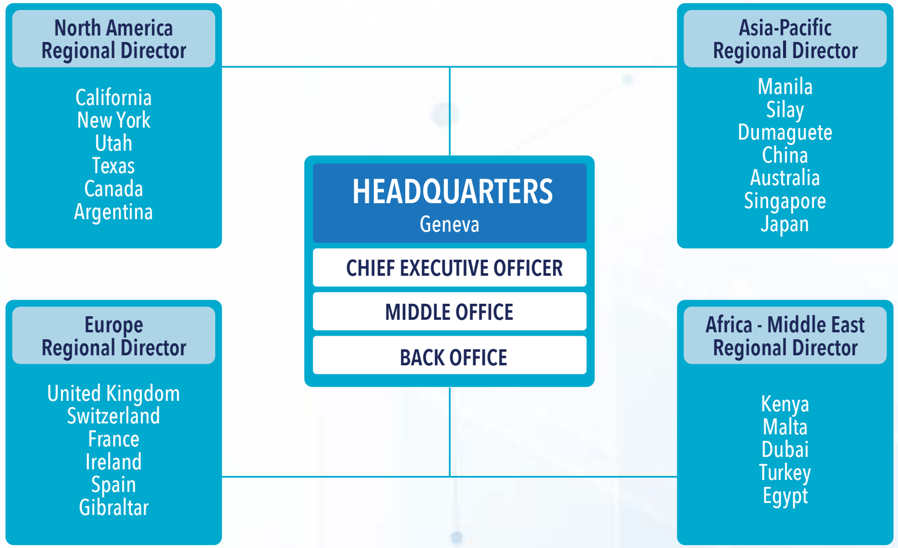
Building upon the insights explored in GEO-6, Donovan, along with his co-contributors, are now working towards defining the future of GEO in the coming months.

November 2020
Establishment of ADEC Geneva, Switzerland

ADEC Innovations Geneva, was identified to be the HQ and front office of the company's ADEC Assurance division. This is a strategic move for the company to bring our product and services to a wider market and efficiently follow the market trends on ESG in the EU region.

Where We Are





10,000
Clients

8,000
Projects

50,000
Active Users of our solutions

From our first and biggest location in the Philippines, the company in 2020 shifted its headquarters to Geneva, Switzerland to be at closer proximity to our market. This also allows us to follow relevant ESG trends quickly to adapt our product and services to a one that is fit-for-purpose. We will continue to expand our geographic footprint to diversify locations and deliver to our commitments.

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.

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 enterprises 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.

ADEC ASSURANCE

PROFESSIONAL SERVICES	TECHNOLOGY	WORKFORCE
ESG Professional Services ADEC INNOVATIONS ESG SOLUTIONS	Learning Technology ADEC INNOVATIONS KNOWLEDGE MANAGEMENT	ESG Workforce / Impact Sourcing American Data Exchange SMARTER DATA BETTER RESULTS ADEC Solutions-USA ADEC preview solutions ADEC CHINA ADEC KENYA ADEC INNOVATIONS HEALTHCARE PharmaKPO Knowledge Process Outsourcing ADEC PHILIPPINES
ES Professional Services FIRSTCARBON SOLUTIONS™	Bespoke Solutions ADEC INNOVATIONS IT OUTSOURCING	
ESG Software-as-a-Service ADEC INNOVATIONS ESG SOLUTIONS	Software-as-a-Service ADEC INNOVATIONS IT OUTSOURCING	
ESG Data-as-a-Service ENVIROSITE Corporation	Data-as-a-Service ADEC INNOVATIONS IT OUTSOURCING	

About ADEC

WHO WE SERVE

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

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.

Government

ADEC Innovations partners with governments to co-create solutions that support s formulation and effective governance on areas of climate action and economic planning, urban development, service delivery and impact assessments.

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.

BUILDING FOR GREATER IMPACT

Startup

JICA
ADEC Solutions

1996

2008

2019

2020 and Beyond

Future ADEC

ADEC ESG Assurance
ADEC Impact Capital

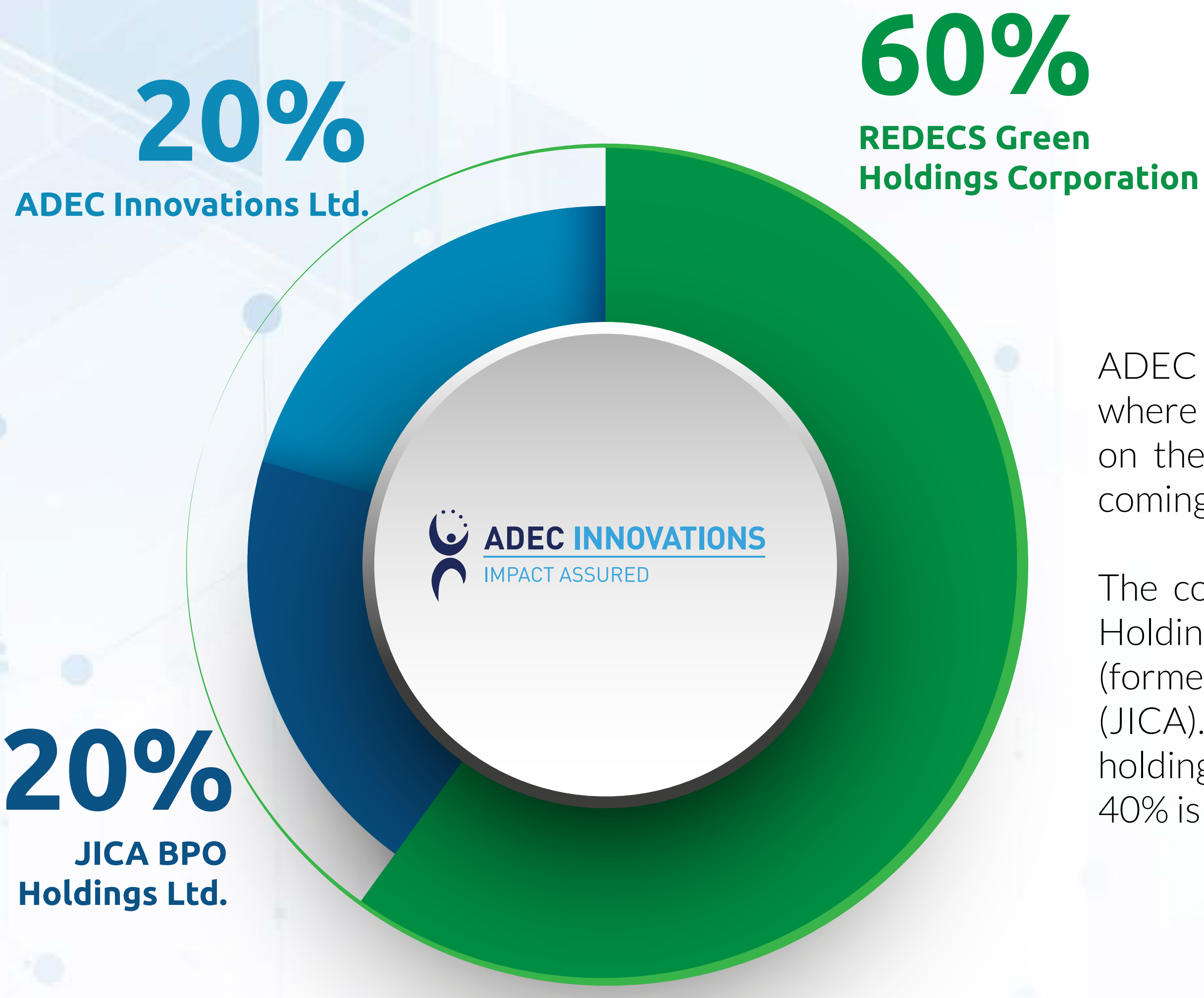
Growth Years

ADEC USA
ADEC Australia
ADEC China
ADEC Singapore
ADEC Kenya
ADEC Portugal
ADEC Dubai
AMDATEX

ADEC Education
ADEC HIM
ADEC ITO
FirstCarbon Solutions
ADEC ESG
Envirosite
PharmaKPO
ADEC Ascentify

ADEC Innovations continue to reinvent itself from its foundation. We have continued to strengthen our portfolio to enhance our absorptive capacity to service the ever-dynamic demands of ESG solutions. We are strongly positioned to 2021 and beyond to deliver ESG assurance and bridge development capital to tangible high-impact investments.

Ownership



ADEC Innovations is a privately-owned corporation, where capitalization is coming from the entities listed on the diagram above. None of the capitalization is coming from government agencies.

The company is strongly backed by REDECS Green Holdings Corporation (REDECS), ADEC Innovations (formerly ADEC Solutions, Limited) JICA BPO Holdings (JICA). REDECS remained to be the parent company holding 60% of majority shares, while the remaining 40% is equally distributed to ADEC and JICA at 20%.

Building Trust and Fostering Strong Partnerships

We continuously build bridges to relevant networks that will help us drive impact. We remain to be active in our industry and business affiliations to keep abreast on industry trends and key issues that will affect our delivery mechanisms to our stakeholders.

ASSOCIATION OR AFFILIATION	STATUS
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
World Free Zone Association	Active Member
United Nations Environment Assembly (UNEA) Stakeholders Group	Accredited
United Nations Economic and Social Council	Accredited
United Nations Environment Business and Industry Major Group	Chair
Sister Cities International	Board of Directors
SiterCities International Kenya, Samoa and Philippines	Country Representative
United Nations Environment Global Environment Outlook for Business	Advisory Board
United Nations Economic Council for Europe – PPP Division	Advisory Board

ENGAGEMENT MODALITIES

Regular Channels of Engagements

1. Membership
2. Special Events, conference and forums
3. Speaking Engagement
4. Face-to-face Meeting

Our Approach

Participation of the company and/or its CEO and other key representative are carefully evaluated to identify alignment with the business goals and objectives of the company

Results

Awareness of ADEC's impact on industry we operate in. It also helps us promote responsible business as we continue to elaborate ESG value to the private sector and local governments.

Shared-value from our industry affiliations helps us drive a common purpose—INCLUSION, SUSTAINABILITY AND ECONOMIC DEVELOPMENT.

Accreditation

As we strengthen and build on our business goals, we acknowledge the relevance of keeping checks and balance on how we operate our business. We continue to align aspects of our operations against global standards and best practice. This adds additional layer of governance and allow us to continuously improve our procedures and operating guidelines.

- ISO/IEC 27001:2013 Information Security Management System (ISMS)
- ISO 14001:20 Environmental Management System (EMS)
- ISO9001:2015 Quality Management System (QMS)
- Sedex Member Ethical Trade Audit (SMETA)

Recognition

2020 PROSE AWARD FOR ADEC INNOVATIONS CEO

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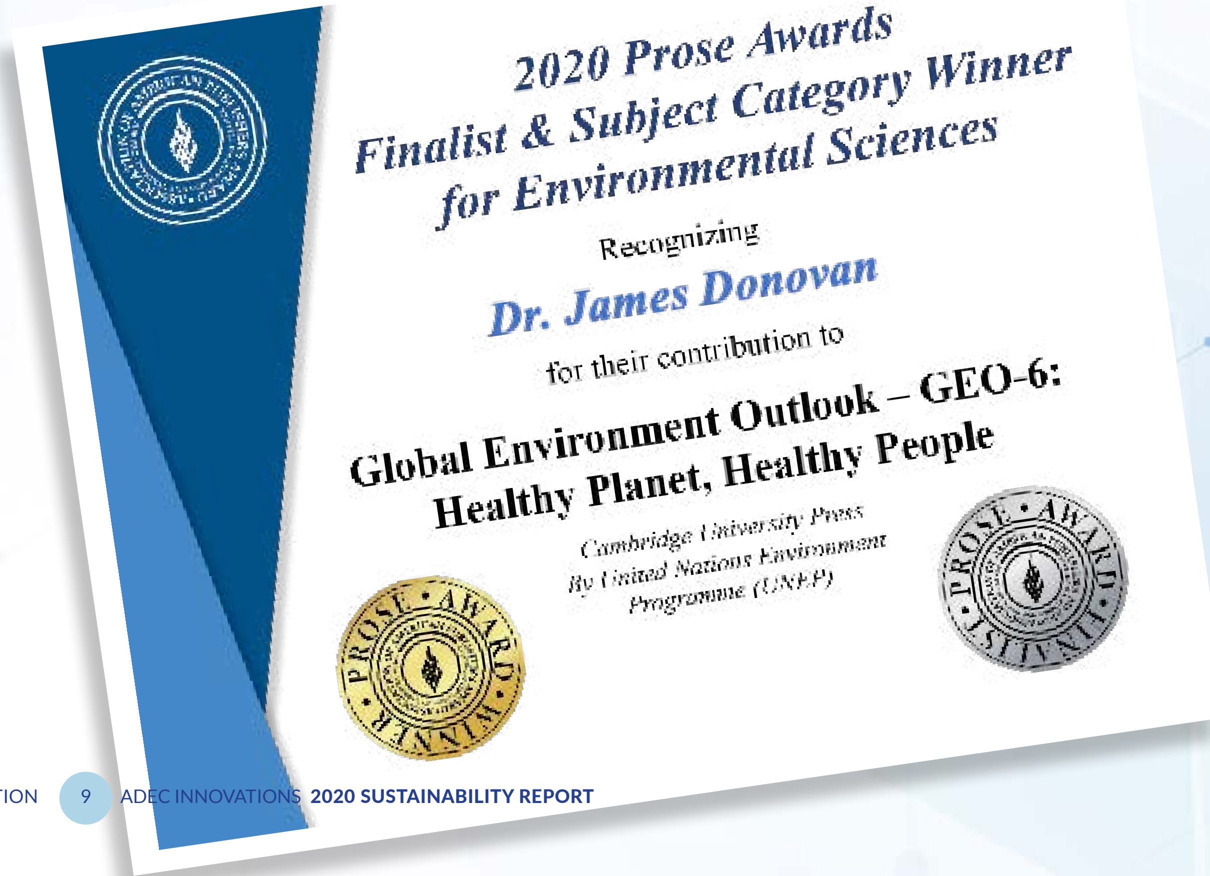


Recognition

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

Development and Sustainability programmes require multi-stakeholder cooperation to deliver value. ADEC continues to be a trusted partner of multi-lateral and international Inter-governmental association providing secretariat support and backstop local programme implementation. We also partner with academia and research institution and local governments to strengthen our delivery mechanisms.

UN AGENCY PARTNERS

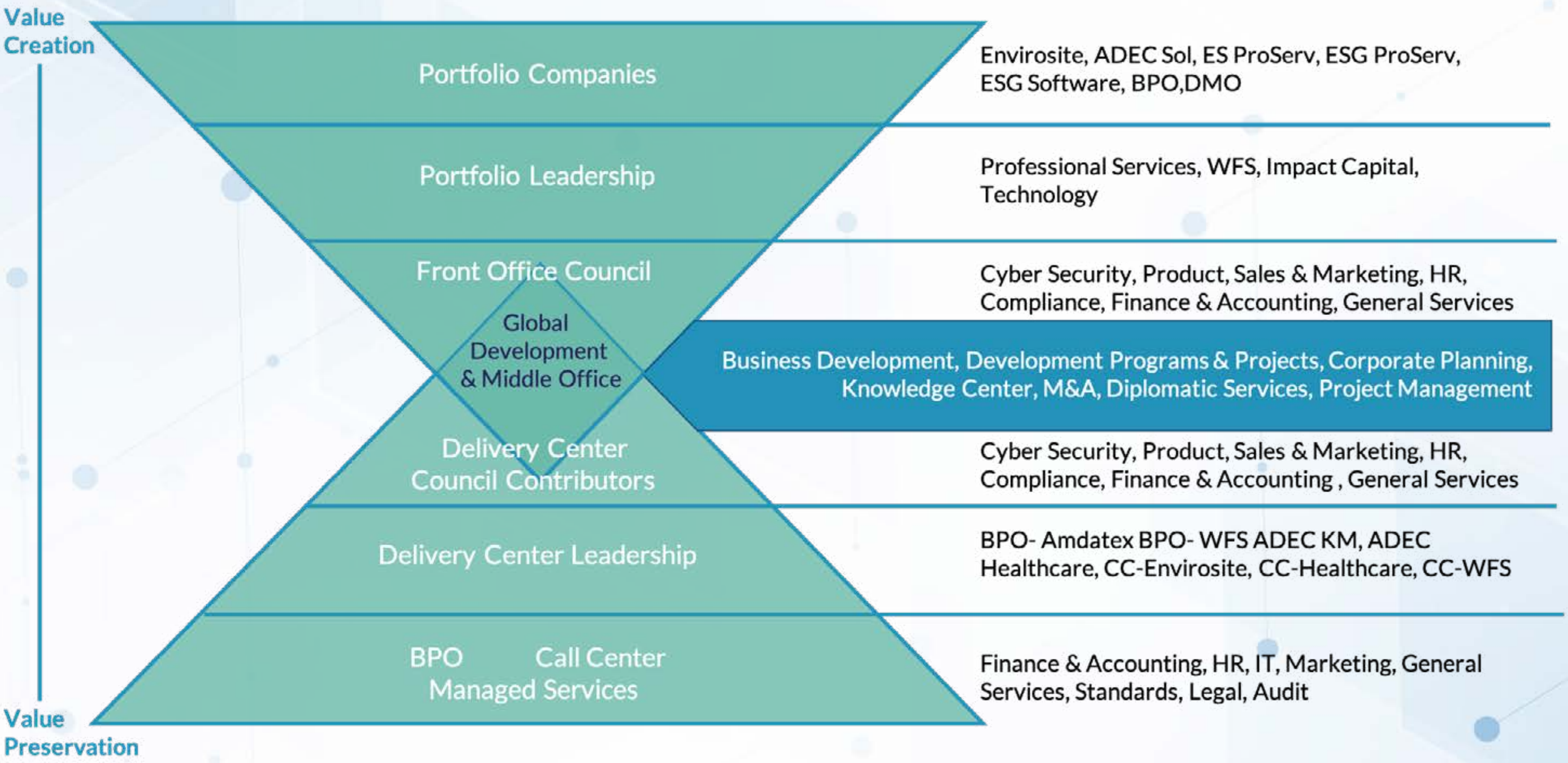
INSTITUTIONAL PARTNERS

GOVERNMENT PARTNERS

ACADEME PARTNERS

CIVIL SOCIETY PARTNERS

Our Value Creation Model



Professional Services

Our team comprises a pool of experts focused on providing advice on the design and delivery of solutions in the critical areas of sustainable development such as health, education, energy, and climate change.

ESG PROFESSIONAL SERVICES

ADEC Environmental, Social and Governance (ESG) Solutions deliver fully integrated, cost-effective industry expertise, business process & data management, and software services to ensure we meet your ever-evolving ESG needs and help you improve sustainability performance, gain unprecedented insights, optimize resource use, and drive operational efficiencies.

Our ESG consulting services provide the insight and guidance you need to analyze, disclose, and take action to improve your ESG strategy and performance.

ES PROFESSIONAL SERVICES

In an ever-changing regulatory and sustainability environment, we understand the challenges you face. Our highly qualified environmental specialists, energy management consultants, and technical experts deliver integrated, industry-specific solutions that move your project forward—so that you can focus on what matters.

With a full complement of environmental services, we work with you to:

ESG Software as-a-Service

We provide customizable and scalable software and IT solutions that address the needs of our clients, combined with industry knowledge, technology expertise, and unique architecture.

We offer a seamless suite of solutions that helps you achieve your goals including software and data management for transparency and measuring key sustainability metrics within your organization and across your supply chain.

ESG Data-as-a-Service

Data is key to connecting profitability and sustainability, as it provides you the insight necessary to make informed business decisions.

ADEC ESG Data-as-Service helps you make this connection by gathering, aggregating, standardizing, uploading, and managing data—providing expertise along the way to identify data gaps, and implementing process efficiencies to streamline the entire data collection and management process.

Technology Solutions

We co-create and develop tools and platforms that promote operational efficiency, facilitate social or independent learning, and help make informed decisions.

METRICSTRAC

MetricsTrac, an ADEC Innovation, delivers a suite of Environmental, Social, and Governance (ESG) applications that can obtain measurements on sustainability metrics, which allows for better decision-making, and improved sustainability performance, management solutions, investor attraction, and return on investment (ROI). It is a highly scalable, customizable, and robust software-as-a-service (SaaS) that helps organizations and communities reduce their operational costs while improving their sustainability performance.

CLEANCHAIN

Tracing your chemical supply chain from chemical producers to textile and apparel suppliers is a complicated and data intensive task. Combining audit and testing information adds another level of complexity in addition to assessing the impacts of the chemicals used in your manufacturing process. CleanChainTM, an ADEC Innovation, aligns with your current processes and provides the information and insights needed to manage your unique and complex MRSL compliance processes and eliminate the discharge of hazardous chemicals.

Technology Solutions

KNOWLEDGE MANAGEMENT

ADEC Innovations Knowledge Management (ADEC KM) is the learning solutions segment of ADEC Innovations. ADEC KM applies its L&D expertise in pedagogy, instructional design, technology, and project management in providing first-rate, customized and scalable learning solutions via our Solutions Framework. We make use of enabling tools and technologies to develop meaningful content and provide quality service.

eLearning Content Development / Digitization

We develop meaningful, interactive multimedia eLearning content to fully engage your learners for maximum retention. Using rapid authoring tools, we build eLearning Modules (eLM)s from the ground up, or from existing instructor presentations, manuals, work instructions, and other materials.

Online Systems Solutions

Learning Management Solutions

We provide you with a Learning Management System (LMS) that gives your trainers / educators and learners access to learning resources, anytime, anywhere and everywhere. Our systems developers can design, configure and set up an LMS aligned to your objectives and standards, ready to be integrated into your existing Information Systems.

Community of Practice Portal

Our system development team sets up a Community of Practice (CoP) Portal to provide your organization or institution with a venue where users can share their insights on relevant topics and current trends, and engage in the process of collective learning.

Linguistic Solutions

Global Languages

Our Global Languages team enables your learners to acquire the valuable skill of speaking a foreign language via online synchronous classes or face-toface (F2F) lessons. Using the latest technologies, our certified, experienced, native-speaking language teachers from around the world provide customized and interactive Mandarin, Spanish, Nihongo, French and English language lessons.

Accent Neutralization

We help learners of English-as-a-second-language to reduce their native language accents through our Accent Neutralization training program. This program, which focuses on drills in phonetics, intonation, word liaisons and impromptu discussions, is available either online or face-to-face, and is customizable to suit individual client needs, time and resources.

Workforce Solutions

We provide a wide range of back-office support from various strategic global offices. Our workforce and outsourcing solutions let you effectively manage cost in your organizational support and non-core activities. With this, we help you free up valuable time and resource that allow you to focus on core strengths and strategic activities.

AMDATEX

Amdatex is ADEC Innovations' leading-edge member company in busines process management. Amdatex leverages ADEC Innovations' data management and technological resources to bring customized outsourcing solutions that help organizations streamline their processes to focus on their core strengths and competencies.

ADEC SOLUTIONS – USA

ADEC Solutions USA is another business process management part of ADEC Innovations which offers Document Management Services, Online Archiving and Retrieval, Customer Experience Services, Rebate Processing and Fulfillment, Business Process Services, and Application Development.

ADEC PREVIEW SOLUTIONS

ADEC Preview serves the documents scanning, capture, and archiving requirements of the Australian and New Zealand markets. We specialise in providing a vast range of document outsourcing services, including medical records scanning for the healthcare industry, seeking new ways to achieve high performance by reducing costs.

ADEC CHINA

ADEC China is a global distribution center of ADEC Innovations providing services on data management, technology service, knowledge management, and business process outsourcing assistance. ADEC China assists organizations in their transformation and upgrading by improving the learning and development of other organizations, and providing them with global data management and logistics office services.

Workforce Solutions

ADEC KENYA

ADEC Kenya is headquartered in Nairobi, Kenya spearheading ADEC's Impact Sourcing Hub on providing quality Data Services to our clients worldwide. Launched in 2014, ADEC Kenya is an expert in bringing cost-effective Data Solutions globally. We provide high quality data capture, data entry, and validation services.

ADEC INNOVATIONS HEALTHCARE

ADEC Innovations Healthcare offers customizable and integrated solutions responsive to the dynamic requirements of the healthcare industry. We provide solutions that significantly improve the delivery of healthcare services on a larger scale. The broad range of their portfolio serves all facets of the healthcare revenue cycle from enrollment to more complex medical coding and claims processing, including analytics as well as other knowledge process management services for the health industry.

PHARMAKPO

An emerging leader in the knowledge process outsourcing (KPO) industry, Pharma KPO is anchored on its proven leadership in the global outsourcing business and provides its partners with a broad range of solutions that are aimed at reducing costs while optimizing business performance.

ADEC PHILIPPINES

A managed services and IT outsourcing provider based in Manila, ADEC Philippines is a member of ADEC Innovations. We offer a wide array of online tools, resources and professional consulting services to help you achieve your business goals. We also design, develop and implemens software technologies required for effective development and training of business processes for optimising back office functions.

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.

Globally Accessible Information System and Technology Platform

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

Integrated Software and Data Bureau

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

Large Scale Business and Knowledge Processing

ADEC Innovations is regarded as one of the leading experts in the functional requirements of the CDP (formerly known as the Carbon Disclosure Project). As CDP's global scoring partner since 2010, ADEC 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.

Products and Services

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 CO_2e 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.

Materiality Assessment - Our Value Roaadmap

DRIVERS

Megatrends
Compliance
Resiliency
Sustainability
Stakeholder
Expectations

VISION

Global leader in ESG solutions

MISSION

Co-create innovative **ESG assurance** solutions to optimize business performance, ensure resiliency and sustainability.

CORE VALUES

Customer Focus, Excellence, Respect, Teamwork, Integrity, Commitment

PURPOSE

Accelerate focus on ESG for competitiveness and sustained business value.

SUSTAINABILITY PRINCIPLES

Leadership, Impact at Scale, Focus, Programs, Partnerships

SUSTAINABILITY STATEMENT

Leading a transformative path that strengthen ours and that of our stakeholder's ESG commitment to create a meaningful impact and responsible growth

RISK MANAGEMENT

Risks that impacted ADEC's operations in 2020 were addressed. Mitigation were further strengthened and continue to be part of the management's strategic discussions.

MATERIALITY ASSESSMENT

Economic Performance, Environmental, Social Development, Governance

AREA OF EXPERTISE	KEY PRODUCTS & SERVICES	COMPANIES	SDGS IMPACTED (DIRECT + INDIRECT)
Professional Services	ESG PROFESSIONAL SERVICES ES PROFESSIONAL SERVICES GLOBAL DEVELOPMENT PS	FIRSTCARBON SOLUTIONS™ ADEC INNOVATIONS	
Technology	SOFTWARE-AS-A-SERVICE DATA-AS-A-SERVICE LEARNING TECHNOLOGY BESPOKE SOLUTIONS ESG SAAS / DAAS GLOBAL DEVELOPMENT SAAS/DAAS	ADEC INNOVATIONS ADEC INNOVATIONS ADEC INNOVATIONS Ascentify	
Workforce Solutions	WORKFORCE SOLUTIONS IMPACT SOURCING HEALTH INFORMATION KNOWLEDGE PROCESS	American Data Exchange ADEC preview ADEC Solutions-USA ADECKENYA™ ADECCHINA™ ADECPHILIPPINES™ ADEC INNOVATIONS PharmaKPO	
Impact Capital & CSR	IMPACT FUND MANAGEMENT INVESTMENTS MANAGED SERVICES GLOBAL DEVELOPMENT PROGRAMMES ADECNGOS PHYSICAL SCHOOLS	ADECFOUNDATION GCEDA ADECIMPACTCAPITAL	

Our Governance

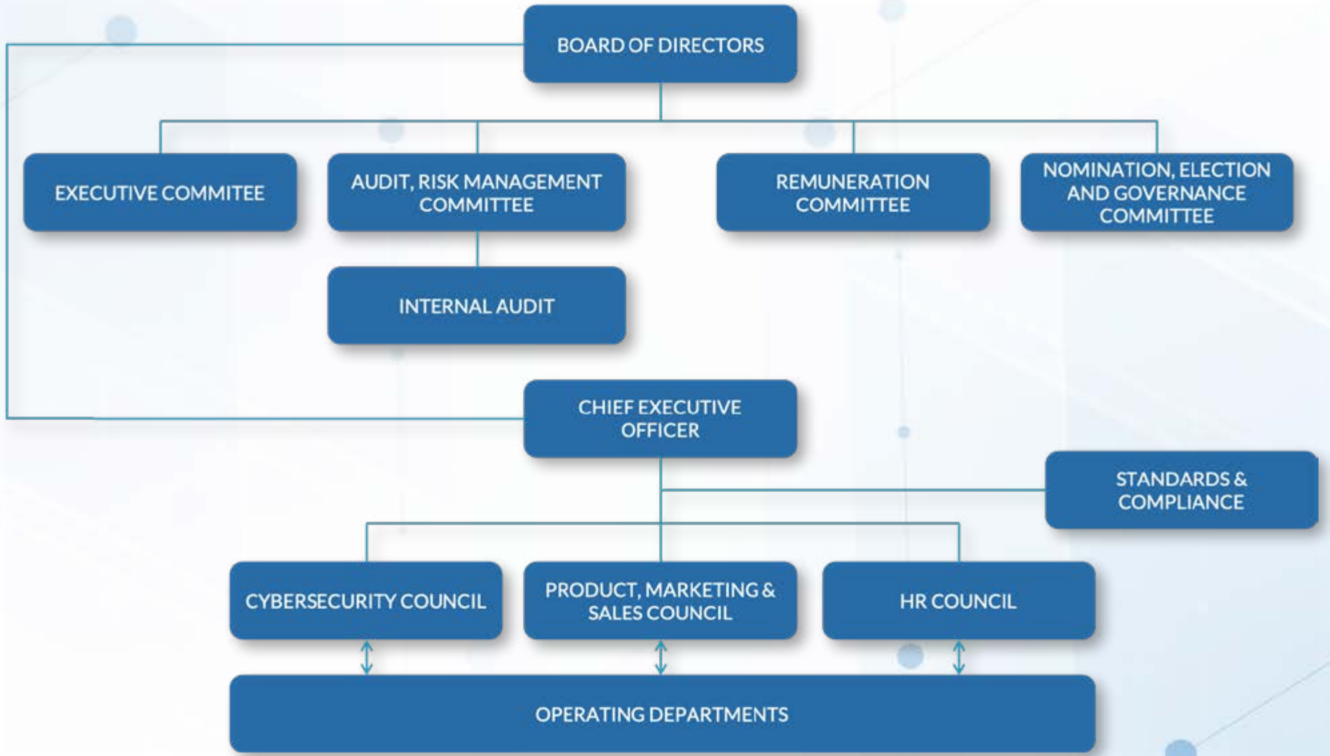
TONE FROM THE TOP

The pandemic revealed multitude fractures in our society. It presents both challenge and opportunity on how we strengthen not only our response but also our over all business in general. In this light, ADEC Innovations renews its commitment to the Highest Standard of Corporate Governance and will continue to do so to help our employees overcome this challenge.

Strong corporate governance is fundamental to ADEC's operations and delivery of product and services. It has been and always will be the pillar anchored on transparency, accountability, integrity, fairness and professionalism. Our governance system encapsulates both our internal and external framework. This together with our internal control mechanism set the foundation for a robust governance system at par with global standards and frameworks.

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.

GOVERNANCE STRUCTURE



Our Governance

ROLES AND RESPONSIBILITIES

The Board, Executive Committee together with management work hand in hand in fostering a culture of good corporate governance. Each segments has their own responsibility in ensuring adequate mechanisms and structures are in place in all aspect of the operations and that policy and controls are implemented effectively.

Board Function

ADEC Innovations board has the overall responsibility in maintaining adherence to the company's governance framework. Provides guidance to the executive committee and management to ensure long-term success of the organization. More information about the Board can be found on the next page.

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.

Internal Audit (IA)
An independent body which conducts an annual review of the company to ensure alignment to best practice and standards and compliance with the company's policy frameworks.

Chief Executive Officer (CEO)
The CEO work together in synergy with the management councils with defined strategic and decision making capacity to align strategic objectives of the business and its operational operational aspects. The CEO coordinates closely with the operating departments to discuss business performance and issues critical to the operations and growth of the company. Such reporting are being rolled-up to the Board and Committees for further guidance and direction.

Standards and Compliance
Standards and Compliance is a division within the organization that develops, implements and manage compliance programs of the company in accordance to the identified best practice .

CYBERSECURITY COUNCIL

The Cybersecurity Council in the organization is composed of key business unit leaders who ensures the rights of individuals to privacy and confidentiality of their personal information; ensure the security of critical ICT infrastructures including information assets of the company and its employees.

PRODUCT, SALES AND MARKETING COUNCIL

Product, Marketing and Sales Council is the organized to discuss investment of the company related to the development of new product lines and services. It ensures alignment of the resources to the over all goals of the company. Furthermore, marketing and sales initiatives is discussed during regular meetings to elaborate on the marketing strategies and sales efforts for the existing product and service lines.

HR COUNCIL

The council has representation from various departments responsible for creating and/or monitoring values-based systems and policies to ensure compliance to local labor laws and certain best practices relating to its Employees. HR council's mandate is to provide guidance to ADEC's Recruitment & selection processes, performance management, learning & development, succession planning, compensation and benefits, human resources information systems.

Performance Assessment
Company's Board, Committees and Individual member composition and capacity is annually reviewed to measure performance and assess the effectiveness of its board and governance practices. Assessment outcomes allow the company to identify gaps and strengthen governance mechanisms.

Training of Directors
ADEC Innovations place high regard to continues learning of its directors. The company allots budget for the training and certification of its members. Directors are actively engaged to the Institute of Corporate Directors (ICD) to be at par with the current governance practices and increase global competitiveness.

Director Compensation
Remuneration Committee's main function is to Identify remuneration package and submit to the Board for review and approval. The committee ensures fairness in its processes and ensures compensation is consistent to the company's culture and strategy.

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.

Our Strategic Management Framework

Our strategic management framework guides ADEC Innovations' business operations. It is a testament of our commitment to consistency and standard delivery of our product and services across the globe. Our framework underscores our north-star—our sustainability commitments and ensures that strategic objective, our products and services, execution and implementation remains consistent with our vision and mission.

Our Solutions and Service Delivery Framework

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 identification of the product/service alignment to the company's mission and vision.

STRATEGY, exclusionary guidelines are being followed to ensure that product and service is geared towards solving a societal problem and will not compromise the company's responsible commitments. Each concept framing and product/service proposal is being brought to the Council for further review and evaluation before resources are allocated to proceed.

FEASIBILITY, business case will now be developed and to further define the scope of the solution and how it will contribute to the company's bottom line. This helps the company prioritize relevant projects that will keep the company competitive and valuable in the market.

INITIATION, technical working groups relevant to the project will be gathered to identify resource requirement and lay the foundation to commence the development. Timings and milestones agreeable to the client is formulated to ensure that customers/clients are involved in the process.

IMPLEMENTATION, communication and risk management plans are being developed to ensure timelines and seamless delivery of the solution. Regular business meetings are conducted to communicate milestone progress and issues that may affect the overall quality of the product/service.

DELIVERY, transition support are in place by means of product training and manuals to equip clients prior to project close out.

ADEC PRODUCT AND SERVICE DELIVERY FRAMEWORK

Enterprise Risk Management Framework

Risk Assessment

ADEC Innovations conducts regular 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 Enterprise Risk Management 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.

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.

Enterprise Risk Management Framework

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. ADEC established the product, market and sales council to ensure that solutions being offered in the market are up to date with emerging technologies to remain relevant.

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

The pandemic has significantly affected the economy. ADEC quickly implemented business continuity plans that are already in place to quickly adapt to telecommuting arrangements and minimize disruptions in our operations. Internal policies and work procedures were quickly reviewed to adapt to this new work arrangements to mitigate potential risk associated with remote work arrangements. Moreover, health protocols were heightened to ensure that critical workforce required to visit the company premises are protected and safe.

Internal Control Mechanism Against Risk

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.

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

Internal Control Mechanism Against Risk

STANDARDS AND BEST PRACTICES

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

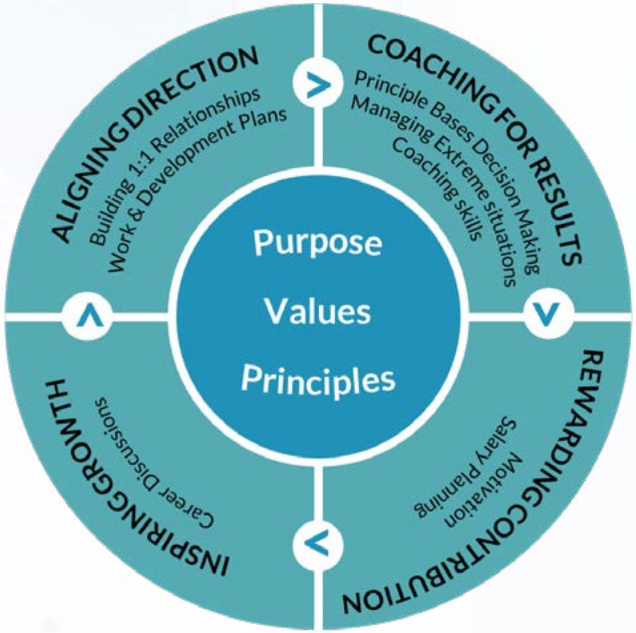
The Standards and Compliance Department (SCD) is established to drive and sustain a culture of growth, improvement, commitment and innovation. The SCD drives the Company's compliance to ISO standards related to quality, information security, and environmental management.

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 Framework

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.

Our Actions

ECONOMIC PERFORMANCE

CONFORMANCE TO LABOR LAWS

ANTI-BRIBERY AND ANTI-CORRUPTION

PROCUREMENT PROCESS

LOCAL SUPPLIER ALLOCATION AND ACCREDITATION

STABLE REVENUE

Conformance to Labor Laws

OUR IMPACT

Cognizant of the Sustainable Development Goals, SDG 10,5, 8 and 1 has been the cornerstone of our labor practices. As we integrate our sustainability commitment into our organization strategy, we always look at the impact we bring to narrow SDG gaps in our business practice.

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 PACKAGE

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 places high-regard on discipline and professionalism in the workplace. An institutionalized Code of Discipline (COD) is part of our new hire onboarding process. It guides our employees 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 have been reported in 2020. 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 employ children in our workforce nor engage with third-party party partners and vendors who employs children along the supply chain.

Our Actions

ENVIRONMENTAL INITIATIVES

SUPPLIER ENVIRONMENTAL ASSESSMENT

SUSTAINABILITY PROGRAMS

COMPLIANCE WITH
ENVIRONMENTAL REGULATIONS

ADVOCACIES AND PARTNERSHIPS

Fair Business Transaction and Managing Conflicts of Interest

OUR IMPACT

FAIR TRADE PRACTICE

ADEC adopted the Anti-Bribery and Corruption Policy, which requires the directors and employees to conduct business in accordance with the highest standards of ethics, honesty, accountability, and good governance. ADEC does not tolerate any form of bribery or corruption. Directors, officers, and employees are prohibited from taking advantage of their positions in the company to derive personal gain or profit directly or indirectly.

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. The members of the Board conduct fair business transactions with the company and ensure that personal interest does not result into biased Board decision. All directors are expected to act ethically all the time, notify promptly of any material facts or potential conflict of interest and take appropriate corrective action. Employees are expected to actively manage their personal affairs and avoid any situation or business endeavors arising from association, interest or relationship that may lead to conflict or potential conflict between their personal interest and that of the company.

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.

Moreover, 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 by means of an assessment questionnaires to disclose relevant aspects of their business operation that may compromise the company's ethical purchasing conduct. 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 2020, suppliers of the company has undergone routine audit and no material findings was found which is deemed to be non-compliant with the company's procurement policies and procedure.

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

Fair Business Transaction and Managing Conflicts of Interest

ENABLING LOCAL ECONOMY

ADEC acknowledges our suppliers as critical partners in our business. We are guided by the company's procurement policies benchmarked on responsible sourcing to manage our impact down to our supply chain. In 2020, our roster of suppliers presents a hundred per cent local sourcing. This directly attributes to local economic growth and job creation to community where our supplier operates. Local suppliers are screened based on a set of criteria - excellence, credibility, reputation, global service enthusiasm, and compliance to the Global Procurement Policy.

Selected 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.

Sustainability commitment does not end with us, responsibility transcends down to our supply chain.

OUR COMMITMENT TO A GREENER ECONOMY

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.

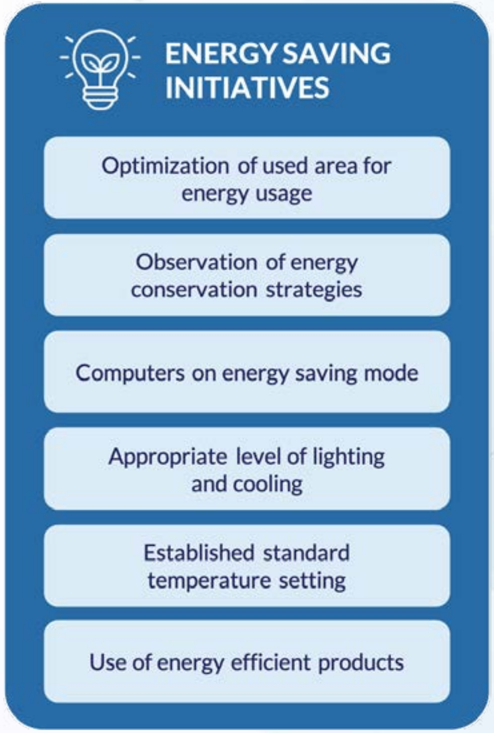
Suppliers undergo the Environmental Management System (EMS) orientation prior to accreditation. Qualified providers of office and medical supplies, housekeeping products, construction materials, computers and peripherals, and pantry supplies are introduced to the environmental policies, waste management, 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.

INSTITUTIONALIZING OUR RELENTLESS PURSUIT OF SUSTAINABILITY

Our commitments must be translated into actions, we established sustainability programs that advanced 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. We have dedicated an Environmental Management Representative (EMR) to facilitate the implementation and monitor progress of our sustainability programs.

ENERGY CONSERVATION INITIATIVES

ADEC acknowledges the importance of energy conservation; we have established an Energy Management System (EnMS) as our commitment to this cause. This helps us reduce electricity cost and more importantly raise conservation awareness among our employees—one that communicates not only cost reduction but its greater effect to the environment. Energy saving efforts of ADEC Innovations includes reassessment of light fixtures, posting of energy conservationreminders, and seeking accountability from each department in turning off the lights and air conditioning units. Energy conservation policy of the company is accessible to all employees for further guidance.



Fair Business Transaction and Managing Conflicts of Interest

The company created a company-wide campaign, despite the telecommuting arrangements during Earth Hour. Promoting Earth Hour helps raise awareness on the green-house-gas emissions associated with electricity use. This promotes our advocacy not only within the company but to the household of our employees as well.

2020 ELECTRICITY REPORT

ADEC monitors our energy expenditure of the facilities on a monthly basis. Significant drop on the electricity consumption can be seen during the month of April when telecommuting arrangements was implemented by the company. This results into a drop of about 42% electricity consumption equivalent of 108,606 kWh from the monthly average of about 260,000 kWh. The 2020 overall consumption also registered steep drop on electricity consumption—47% drop from 2019. The work-from-home arrangements and continuous implementation of our energy conservation programs attribute to the reduction of 1,568,420 kWh for 2020 compared to 2019.

Our combined efforts on effective implementation of work from home arrangements and energy conservation initiatives not only contributed on our energy savings but also help us cut our greenhouse gas emissions by 77 Metric Tons. That equates to the carbon emissions of 8,661 gallons of gasoline consumed, 7,561 gallons of diesel consumed and 9.3 household's electricity consumption for one year.

2020 ELECTRICITY CONSUMPTION BY MONTH (in kWh)

2019 VS 2020 ELECTRICITY CONSUMPTION (in kWh)

2020 REDUCTION ON ELECTRICITY CONSUMPTION

IMPACT

Savings : Php 14.7 Million

Greenhouse Gas Avoided : 77 Metric Tons

16.7 Passenger vehicles driven for one year

193,434 Miles driven by an average passenger vehicle

Emissions equivalent

8,661 gallons of gasoline consumed

7,561 gallons of diesel consumed

14 homes' electricity use for one year

0.425 railcars' worth of coal burned

85,071 pounds of coal burned

178 barrels of oil consumed

WATER EFFICIENCY DRIVE

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. The significant decline on water consumption is also attributable to the work-from-home arrangements where less employees are required to come to the office for work. Consumption has been reduced by 63% compared to the previous year equivalent to 506 cu. m. in total water consumption savings.

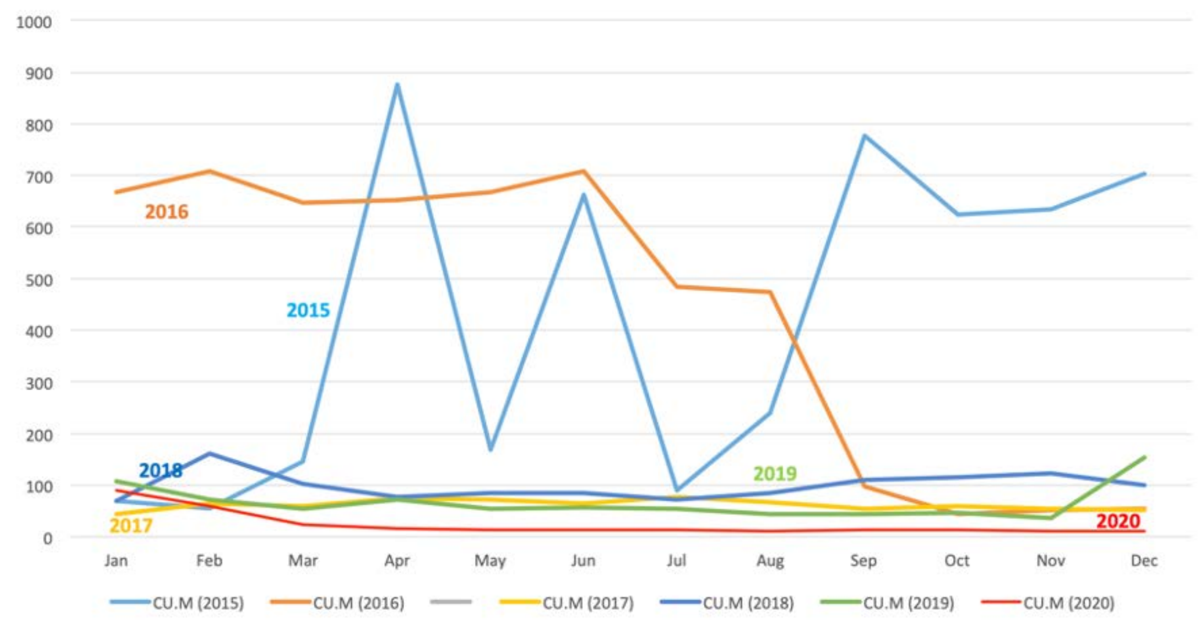
WASTE MANAGEMENT EFFORTS

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. 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 2020, a total of 356 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 11,000 kgs of non-hazardous wastes was hauled by the government's Department of Environment and Natural Resources (DENR)-accredited third party in 2020. Our Company also practice reuse and recycling as part of the waste management program.

WATER CONSUMPTION 2015 TO 2020



ENVIRONMENTAL GOVERNANCE BEYOND COMPLIANCE— OUR BRAND PROMISE

As a responsible corporation, ADEC believes that Sustainable Development is fundamental in managing our business. As we deliver sustainability and assurance solutions to our client managing our own business impacts is of utmost importance. ADEC is driven to develop solutions that promotes environmental, social and governance accountability. As the world transition to a net-zero economy we will remain steadfast in improving our products and services to help our clients to navigate in this responsible shift.

As the world transition to a net-zero economy we will remain steadfast in improving our products and services to help our clients to navigate in this responsible shift.

PARTNERING FOR SUSTAINABILITY

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 2020, ADEC participated at United Nations Human Settlements Programme (UN HABITAT) World Urban Forum 2020 in Abu Dhabi. The forum circled around UN Habitat's New Urban Agenda (NUA). NUA is a set of commitments adopted in 2016 serving as a new vision for sustainable cities and municipalities.

During the forum, ADEC signified its commitment in supporting UN Habitat's program of SDG Cities. The programme aims equip local governments with necessary tools and capacity to move towards a sustainable governance.

Our Actions

SOCIAL DEVELOPMENT

OCCUPATIONAL HEALTH, SAFETY, AND SECURITY

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

CUSTOMER SATISFACTION

COMPLIANCE WITH DATA PRIVACY, SECURITY AND STORAGE

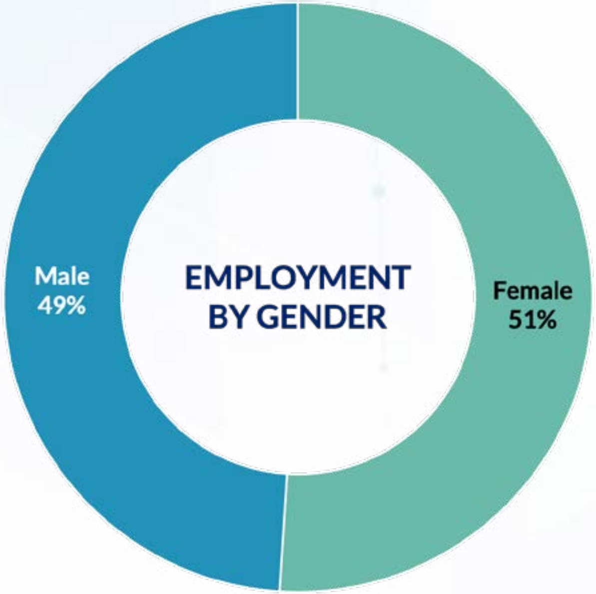
OUR IMPACT

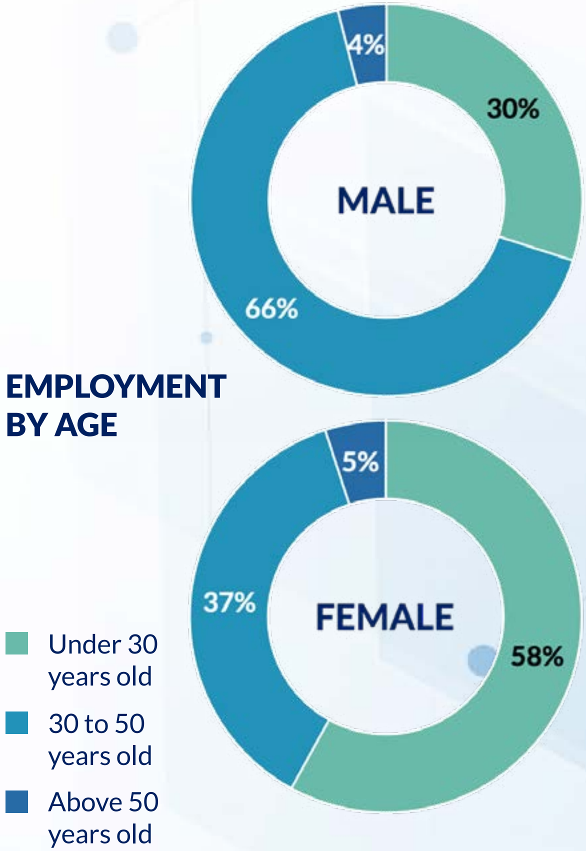
The Covid-19 pandemic further highlights that our employees are our front-liners. They are the cornerstone our business success over the years. Faced with a challenging environment in 2020, we, at ADEC, intensified our level of commitment to our customers and communities. We had to balance the need to service our clients while ensuring the safety of our employees. We have to quickly mobilize work form home arrangements and implement our business continuity plans to prevent disruptions to service our clients. For critical workforce, we have put in place heightened safety protocol in accordance to the recommendations of the government. This ensures the safety of our employees as they perform their duties. Health and safety were the topmost concern and uninterrupted service is the goal. The company deployed means of transformation in areas allowed by the government to travel. Furthermore, accommodation and relevant allowance to cover incidental cost associated with the pandemic were provided.

Change and transformation. The pandemic's disruptive nature caught most organization unprepared. Many sought fast-track recovery to adopt a more stringent corporate environment. Our years of Business Continuity Planning and quick implementation that is anchored to our core values of excellence served as our compass in navigating and adapting to the new normal.

EMPLOYEE DEMOGRAPHICS

ADEC Innovations hones the social and human capital, providing equal opportunities. Our company advances gender equality, inclusion and diversity in all departments. There are a total of 102 full-time employees for the reporting company ADEC Innovations Corporation. Forty-nine percent of which are male and fifty-nine percent are females. Majority of our female workforce are under 30 years old and about 37% are among 30-50 year old age groups with 5% are at the over 50 age group. Majority of our male workforce on the other hand are about 66% in the 30-50 year old age group, 30% under 30 years old and about 4% in the 50 age group.
INSERT EMPLOYMENT BY GENDER chart





Equity for Social Development

SAFETY IS PARAMOUNT TO OUR OPERATIONS

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 2020, there instance of audit observation of minor non-conformance to safety protocols for visitors and supplier coming in the facilities. Quick disciplinary actions were quickly implemented and re-assessment of policy procedures were conducted.

INVESTING IN OUR PEOPLE

Despite virtual work arrangements the company find ways in harnessing the skills of our employees. We continue to find ways albeit virtual to deliver capacities needed that will enhance the skills of our employees. In 2020, we have completed a total of 352 man-hours of training. All the trainings were conducted in-house. Training man-hours are mostly directed to junior level employees. Our female employees in proportion to our overall employment demographics mostly attended these trainings.

Development trainings offered in 2020 are mostly capacity building towards our employees (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.

CONNECTING BEYOND BORDERS

ADEC endeavors to maintain strong communication lines between its leadership, management and employees despite telecommuting arrangements. Virtual town hall meetings were organized in 2020 as a channel to report company progress in 2019. New normal interventions, employee issues and challenges were given an audience during these town hall meetings. As we move to Digital Age, ADEC optimizes the use of digital platform to connect and engage our employees through social media. We have to quickly establish a new means of communication to empower and boost morale of our employees in these challenging times.

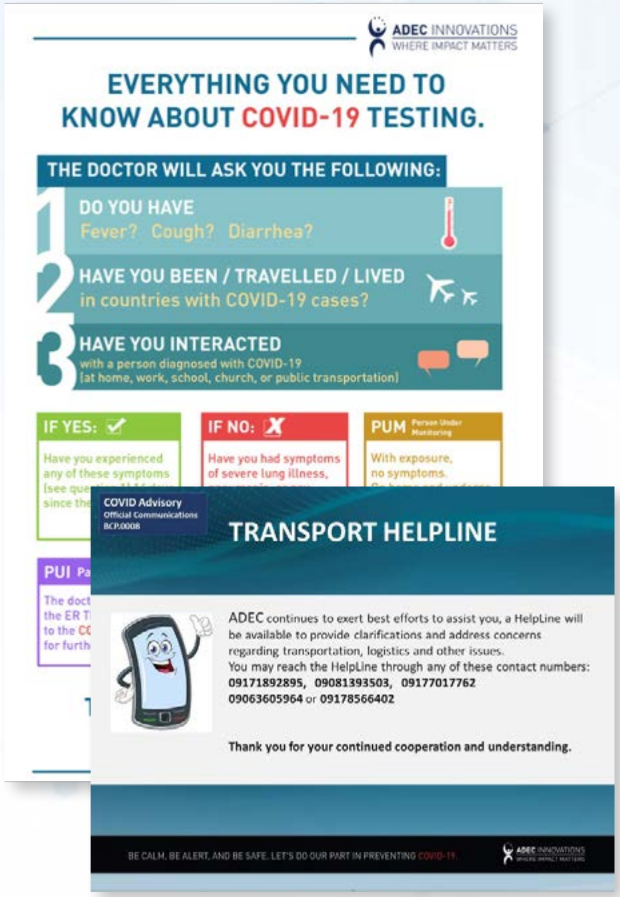
A grievance mechanism platform, the Improvement Management System (IMS), is also in place to promote transparency and accountability within the organization. In 2020, we continued communicating via social media private group account Bringing Colors To Life (BCTL) page. This has now become a vibrant exchange community within our employees where updates and relevant information were shared.

Gender	Senior Level	%	Junior Level	%	Total	%
Male	43	39%	80	33%	**123**	**31%**
Female	67	61%	162	67%	**229**	**69%**
subtotal	110	100%	242	100%	**355**	**100%**

Equity for Social Development

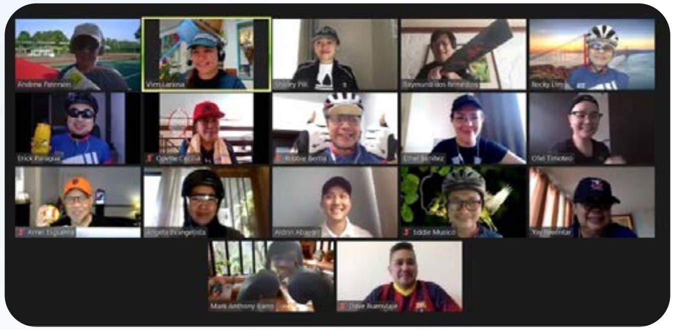
This channel has proven to be effected in information dissemination particularly on the onset of the pandemic.

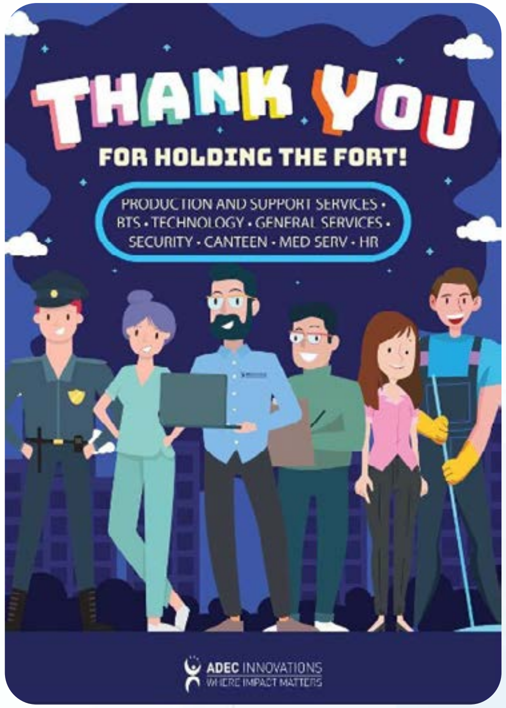
Employees are allowed to exercise their right to peaceful assembly. However, ADEC prohibits unlawful acts that elicit rebellion amongst co-workers and cause damage to properties. Personnel are also refrained from using the Company resources for personal interest, as stipulated in the Code of Discipline.



OUR VERY OWN FRONTLINERS KEPT US HERE

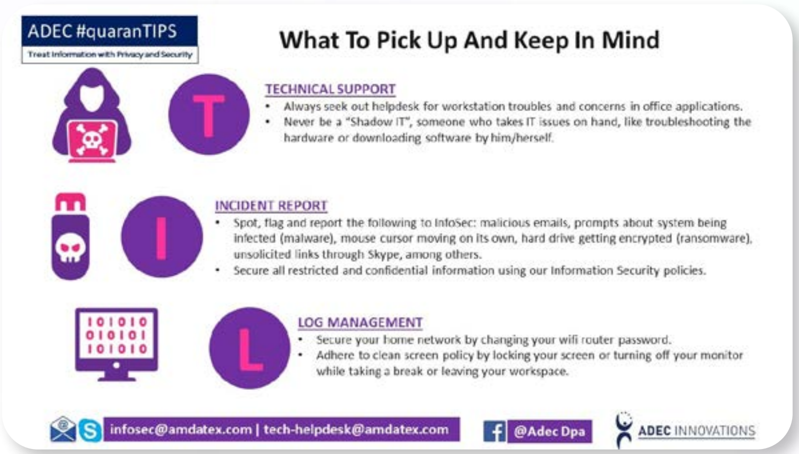
We owe it to our people that despite the new dynamics their commitmentis unrelenting. The company recognizes our emplyees hard work and continues to hold virtual employee engagement opportunities using available channels.





RESPECT FOR DATA PRIVACY

In 2020, when we moved towards a hybrid model of physical and work from we remain adherent too Data Privacy Act (DPA), ensuring all confidential items related to our employees and customers are handles accordingly. Data privacy trainings are conducted for all employees to guarantee awareness and implementation of our data measures. The company launched #quaranTIPS to raise awareness on how employees can uphold DPA. 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 2020, there were no reported of data breach nor reports of ADEC system has been compromised.



ADEC INNOVATIONS

IMPACT ASSURED

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

FOR BIR FILING

Financial Statements and Independent Auditors' Report

ADEC Innovations Corporation

December 31, 2020

ADEC INNOVATIONS

ADEC Innovations Corporation
Unit 103 10F Legaspi Suites,
178 Salcedo St., Makati City
info@adec-philippines.com
+63 2 8775 0632

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **ADEC INNOVATIONS CORPORATION** (the Company) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company are complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Carolina S. Esguerra
Chief Financial Officer

Vicente P. Reventar
Chairman of the Board

Danilo R. Bautista
Treasurer

Signed this _____ day of 25 MAR 2021 2021.

SUBSCRIBED and **SWORN** to before this 14th day of April 2021 in Muntinlupa City, the abovenamed signatories presenting to me the following:

Name	Proof of Identification	Place & Date Issued
CAROLINA ESGUERRA	Passport No. P1819886B	1 Jun 19/DFA NCR South
DANILO R. BAUTISTA	Passport No. P7132222A	9 May 18/DFA Manila
VICENTE P. REVENTAR III	TIN 107-276-468	

NOTARY PUBLIC

ATTY. MARIA GRACIELA SURATOS
NOTARY PUBLIC for Muntinlupa City
Comm. No. NC-20-017 up to Dec. 31, 2021
Roll of Attorneys No. 53502
IBP Lifetime No. 018184, 11/10/2017, PPLM Chapter
PTR No. 3985758 on Jan. 20, 2021, Muntinlupa City
Add: 7F Alabang Corp. Ctr., Km. 25 West Svc Rd. Cupang Munt.
MCLE Compliance No. VI-0015927

Doc. No. 223;
Page No. 046;
Book No. XVI;
Series of 2021.

P&A
Grant Thornton

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Certified Public Accountants to Accompany Income Tax Return

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

We have audited the financial statements of ADEC Innovations Corporation (the Company) for the year ended December 31, 2020, on which we have rendered the attached report dated March 25, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO

By: James Joseph Benjamin J. Araullo
Partner

CPA Reg. No. 0111202
TIN 233-090-319
PTR No. 8533220, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 1762-A (until Aug. 5, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-039-2018 (until Nov. 26, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 25, 2021

P&A Grant Thornton

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

T +63 2 8988 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, 2020 and 2019, 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, 2020 and 2019, 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.

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, 2020 required by the Bureau of Internal Revenue as disclosed in Note 20 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. 8533220, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 1762-A (until Aug. 5, 2022)
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BIR AN 08-002511-039-2018 (until Nov. 26, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 25, 2021

ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
A S S E T S			
CURRENT ASSETS			
Cash	4	**P 8,015,331**	P 4,195,975
Trade and other receivables - net	5	**66,521,078**	42,321,542
Other current assets	6	**5,199,937**	3,476,386
Total Current Assets		**79,736,346**	49,993,903
NON-CURRENT ASSETS			
Investment in a subsidiary	7	**2,250,000**	2,250,000
Property and equipment - net	8	**109,517**	65,218
Deferred tax assets	13	**6,545,077**	1,874,671
Total Non-current Assets		**8,904,594**	4,189,889
TOTAL ASSETS		**P 88,640,940**	P 54,183,792
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	9	**P 28,331,573**	P 15,112,731
Due to a related party	14	**7,040,057**	7,075,950
Security deposits	16	**958,482**	958,482
Total Current Liabilities		**36,330,112**	23,147,163
NON-CURRENT LIABILITY			
Post-employment benefit obligation	12	**18,114,221**	611,039
Total Liabilities		**54,444,333**	23,758,202
EQUITY			
Capital stock	15	**25,750,001**	25,750,001
Revaluation reserve	12	**(3,146,989)**	324,116
Retained earnings		**11,593,595**	4,351,473
Total Equity		**34,196,607**	30,425,590
TOTAL LIABILITIES AND EQUITY		**P 88,640,940**	P 54,183,792

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, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
SALE OF SERVICES	11, 14	P 70,349,908	P 14,280,304
COST OF SERVICES	10	(54,360,597)	(7,602,752)
GROSS PROFIT		15,989,311	6,677,552
OTHER OPERATING EXPENSES	10	(11,801,319)	(15,835,628)
GAIN ON REVERSAL OF IMPAIRMENT OF TRADE RECEIVABLES	5	3,319,990	80,065
OTHER INCOME (CHARGES) – Net	11	(2,404,345)	3,748,344
PROFIT (LOSS) BEFORE TAX		5,103,637	(5,329,667)
TAX INCOME	13	2,138,485	837,296
NET PROFIT (LOSS)		7,242,122	(4,492,371)
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligation	12	(4,958,721)	(29,704)
Tax income	13	1,487,616	8,911
	12	(3,471,105)	(20,793)
TOTAL COMPREHENSIVE INCOME (LOSS)		P 3,771,017	(P 4,513,164)

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, 2020 AND 2019
(Amounts in Philippine Pesos)

	Capital Stock (see Note 15)	Revaluation Reserve (see Note 12)	Retained Earnings	Total
Balance at January 1, 2020	P 25,750,001	P 324,116	P 4,351,473	P 30,425,590
Total comprehensive income (loss) for the year	-	(3,471,105)	7,242,122	3,771,017
Balance at December 31, 2020	**P 25,750,001**	**(P 3,146,989)**	**P 11,593,595**	**P 34,196,607**
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

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, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		P 5,103,637	(P 5,329,667)
Adjustments for:			
Unrealized foreign currency exchange loss - net		3,382,574	1,997,743
Gain on reversal of impairment of trade receivables	5	(3,319,990)	(80,065)
Depreciation	8	45,295	4,705
Interest income	4	(13,144)	(6,736)
Loss on disposal of property and equipment	8	-	1,381
Operating profit (loss) before working capital changes		5,198,372	(3,412,639)
Decrease (increase) in trade and other receivables		(23,987,404)	264,653
Decrease (increase) in other current assets		(2,006,550)	498,344
Increase in trade and other payables		13,740,625	7,754,820
Decrease in security deposits		-	(242,830)
Increase in post-employment benefit obligation		12,544,461	110,647
Cash generated from operations		5,489,504	4,972,995
Interest received		13,144	6,736
Cash paid for income taxes		(1,283,089)	(1,374,415)
Net Cash From Operating Activities		4,219,559	3,605,316
CASH FLOWS FROM AN INVESTING ACTIVITY			
Acquisitions of property and equipment	8	(89,594)	(66,054)
CASH FLOWS FROM FINANCING ACTIVITIES	14		
Repayments made to a related party		(35,893)	-
Proceeds from advances obtained from a related party		-	9,899
Cash From (Used in) Financing Activities		(35,893)	9,899
EFFECT OF FOREIGN EXCHANGE RATES CHANGES ON CASH		(274,716)	(53,641)
NET INCREASE IN CASH		3,819,356	3,495,520
CASH AT BEGINNING OF YEAR		4,195,975	700,455
CASH AT END OF YEAR		P 8,015,331	P 4,195,975

See Notes to Financial Statements.

ADEC INNOVATIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(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).

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.

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).

On October 9, 2019, the Company's Board of Directors (BOD) approved the 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 and Bureau of Internal Revenue (BIR) on December 13, 2019 and July 21, 2020, respectively. 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 Impact of Coronavirus Disease Pandemic on the Company's Business

The coronavirus disease (COVID-19) pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Company's business operations.

The following are the impact of the COVID-19 pandemic to the Company's business:

- temporary slowdown of operations from March to May 2020;
- cessation of certain processes from April to May 2020 such as disbursements due to travel restrictions hindering routing of documents; and,

- additional administrative expenses were incurred to ensure health and safety of its employees and customers such as frequent disinfection of facilities.

In response to this matter, the Company has taken the following actions:

- implemented cost savings measures such as reduction in rent and janitorial expenses;
- implemented work from home arrangements;
- immediately adopted online processes to adhere to the current situation; and,
- improved collection efforts to manage the Company's cash flows.

Based on the actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

1.3 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2020 (including the comparative financial statements as of and for the year ended December 31, 2019) were authorized for issue by the Company's BOD on March 25, 2021.

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 Presentation 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. 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.

(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 2020 that are Relevant to the Company*

The Company adopted for the first time the revised conceptual framework and the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting.* 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. The application of the revised conceptual framework had no significant impact on the Company's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* 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. The application of these amendments had no significant impact on the Company's financial statements.

(iii) PFRS 7 (Amendments), *Financial Instruments: Disclosures,* and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform.* The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Company's financial statements.

(b) Effective in 2020 that is not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2020, only PFRS 3 (Amendments), *Business Combinations – Definition of a Business*, is not relevant to the Company's financial statements.

(c) Effective Subsequent to 2020 but not Adopted Early

There are amendments and improvements to existing standards effective for annual periods subsequent to 2020, 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) PFRS 16 (Amendments), *Leases – COVID-19 Related Rent Concessions* (effective June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Company:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities.* The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The improvement merely removes potential for confusion regarding lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments*), Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

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 2.11).

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

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.

(i) 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. The Company's financial assets are classified and measured at amortized cost.

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

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are 'solely for payment of principal and interest' 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 (presented under Other Current Assets) in the statement of financial position.

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

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

(ii) 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* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss Given Default* – It 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 or effect of any credit enhancement.

- *Exposure at Default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) 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.

(b) 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 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.

(c) *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.

2.5 Other Assets

Other 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.

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 2.11).

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:

Computer equipment	3 years
Office equipment	3-5 years
Furniture and fixtures	5 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 2.11).

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 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.

2.8 Revenue and Expense Recognition

Revenue arises mainly from rendering of IT enabled services, primarily to foreign markets and clients.

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. The significant judgements used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(b).

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

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.

2.9 Leases

The Company accounts for its leases as follows:

(a) Company as Lessee

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.

(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.

2.10 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.

2.11 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.

2.12 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 current tax 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.

2.13 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 Income (Charges) 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 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.

2.14 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.

2.15 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.

2.16 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 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.

(b) 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.

(c) *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.

(d) *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.

(e) *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 2.7 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 behaviour (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, 2020 and 2019, 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, except for unrecognized as at December 31, 2020 and 2019, 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 2.11). 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 2020 and 2019 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:

		2020		2019
Cash on hand	**P**	**20,000**	P	20,000
Cash in banks		**7,995,331**		4,175,975
	P	**8,015,331**	P	4,195,975

Cash in banks generally earn interest based on daily bank deposit rates. Interest income earned is shown as part of Other Income (Charges) – Net in the statements of comprehensive income (see Note 11.2).

5. TRADE AND OTHER RECEIVABLES

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

	Note		2020		2019
Trade receivables from:					
Related parties	14.1(b), 14.2(b)	**P**	**57,074,668**	P	45,598,129
Third parties			**956,230**		153,182
Other receivables	12.2(b), 14.2(d), 14.2(e)		**8,810,309**		210,350
			66,841,207		45,961,661
Allowance for impairment			**(320,129)**		(3,640,119)
		P	**66,521,078**	P	42,321,542

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 2020 and 2019 is shown below.

		2020		2019
Balance at beginning of year	**P**	**3,640,119**	P	3,720,184
Reversal due to collection		**(3,319,990)**		(80,065)
Balance at end of year	**P**	**320,129**	P	3,640,119

The reversal of allowance due to collection is presented as Gain on Reversal of Impairment of Trade Receivables in the statements of comprehensive income.

6. OTHER CURRENT ASSETS

The composition of this account is shown below.

	Note	2020	2019
Security deposits	16.1	**P 1,854,366**	P 1,854,366
Creditable withholding tax		**1,438,600**	1,199,816
Deferred input tax		**1,051,188**	412,204
Prepaid expenses		**482,391**	10,000
Input VAT		**373,392**	-
		P 5,199,937	P 3,476,386

Security deposits pertain to rental deposits and utility deposits.

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. 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 Note 9).

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.

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.

	2020	2019
Total assets	**P 26,889,563**	P 36,165,750
Total liabilities	**(25,071,030)**	(50,699,789)
Net profit for the year	**16,351,774**	21,165,750

As of December 31, 2020 and 2019, 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 2020 and 2019 are shown below.

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
December 31, 2020					
Cost	P 4,917,265	P 305,811	P 594,941	P 87,355	P 5,905,372
Accumulated depreciation and amortization	(4,850,110)	(304,374)	(594,941)	(46,430)	(5,795,855)
Net carrying amount	**P 67,155**	**P 1,437**	**P -**	**P 40,925**	**P 109,517**
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
January 1, 2019					
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

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2020 and 2019 is shown below.

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P -	P 1,916	P -	P 63,302	P 65,218
Additions	68,293	-	-	21,301	89,594
Depreciation charges for the year	(1,138)	(479)	-	(43,678)	(45,295)
Balance at December 31, 2020 net of accumulated depreciation and amortization	**P 67,155**	**P 1,437**	**P -**	**P 40,925**	**P 109,517**
Balance at January 1, 2019, net of accumulated depreciation and amortization	P -	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 -	P 1,916	P -	P 63,302	P 65,218

The depreciation charges for the years ended December 31, 2020 and 2019 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. There was no similar transaction in 2020.

Fully depreciated and amortized property and equipment with a total cost of P5.7 million are still used in operations both in 2020 and 2019.

9. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	2020	2019
Trade payables	14.2(a)	**P 13,447,661**	P 7,656,872
Salaries payable	14.3	**8,157,047**	2,451,360
Accrued expenses	14.2(c)	**1,537,673**	3,441,024
Subscription payable	7	**250,000**	250,000
Other current liabilities		**4,939,192**	1,313,475
		P 28,331,573	P 15,112,731

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	2020	2019
Salaries and employee benefits	12.1	**P 56,159,807**	P 4,665,011
Outside services	14.2(a)	**7,720,250**	2,757,779
Rentals	16.1	**646,338**	7,889,023
Professional fees		**500,635**	356,000
Utilities, light and communication		**296,803**	666,163
Repairs and maintenance		**154,954**	440,250
Overhead	14.2(a)	**124,564**	4,844,973
Taxes and licenses		**102,504**	151,239
Membership dues		**92,847**	1,492,160
Depreciation	8	**45,295**	4,705
Supplies		**29,686**	17,579
Interest cost	12.2(b)	**22,059**	19,251
Travel and transportation		**10,075**	46,122
Miscellaneous	8	**256,099**	88,125
		P 66,161,916	P 23,438,380

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

	2020	2019
Cost of services	**P 54,360,597**	P 7,602,752
Other operating expenses	**11,801,319**	15,835,628
	P 66,161,916	P 23,438,380

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

	Notes	2020	2019
Direct labor	12.1	**P 46,515,783**	P -
Outside services	14.2(a)	**7,720,250**	2,757,779
Overhead	14.2(a), 14.2(c)	**124,564**	4,844,973
		P 54,360,597	P 7,602,752

11. SALE OF SERVICES AND OTHER INCOME (CHARGES)

11.1 Disaggregation of Revenues

The Company's disaggregated revenues from sale of services over time in 2020 and 2019 are as follows:

	Notes	2020	2019
International	14.1(b)	**P 57,208,701**	P 2,917,390
Local	14.2(b)	**13,141,207**	11,362,914
		P 70,349,908	P 14,280,304

11.2 Other Income (Charges) – Net

Other income (charges) – net includes the following:

	Notes	2020	2019
Foreign exchange loss – net		**(P 2,430,601)**	(P 1,761,352)
Interest income from cash in banks	4	**13,144**	6,736
Rent income	14.2(d), 16.2	**-**	5,502,960
Miscellaneous income		**13,112**	-
		(P 2,404,345)	P 3,748,344

12. EMPLOYEE BENEFITS

12.1 Salaries and Employee Benefits Expense

Details of salaries and employee benefits are presented below.

	Notes	2020	2019
Short-term employee benefits		**P 50,870,103**	P 4,573,615
Post-employment defined benefit	12.2(b)	**5,289,704**	91,396
	10	**P 56,159,807**	P 4,665,011

The amounts of salaries and employee benefit expense are allocated as follows:

	Note		2020		2019
Cost of services		**P**	**46,515,783**	P	-
Other operating expenses			**9,644,024**		4,665,011
	10	**P**	**56,159,807**	P	4,665,011

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 approximately one-half month of final monthly basic salary per year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

In 2020 and 2019, the Company engaged an independent actuary to conduct an actuarial valuation of the Company's post-employment defined benefit obligation in accordance with PFRS. The cost of the defined benefit plan is determined by applying the projected unit credit method taking into account factors such as salary projection rates and discount rates.

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

	Notes		2020		2019
Balance at beginning of year		**P**	**611,039**	P	470,688
Current service cost	12.1		**94,259**		91,396
Interest cost	10		**22,059**		19,251
Transfer to the plan:					
Shouldered by Company	12.1		**5,195,445**		-
Receivable from related parties	5, 14.2(e)		**7,232,698**		-
Remeasurements – actuarial loss (gain) due to:					
Experience adjustments			**6,104,767**		24,413
Changes in financial assumptions		**(**	**1,146,046)**		5,291
Balance at end of year		**P**	**18,114,221**	P	611,039

In 2020, certain employees from related parties under common ownership were transferred to the Company. Accordingly, the related post-employment benefit obligation amounting to P12.4 million was transferred to the Company. An amount of P5.2 million was shouldered by the Company while the remaining P7.2 million is a receivable from related parties under common ownership [see Notes 5 and 14.2(e)].

The components of amounts recognized in profit or loss and in other comprehensive income for the years ended December 31, 2020 and 2019 in respect of the post-employment defined benefit plan are as follows:

	Notes	**2020**	2019
Recognized in profit or loss:			
Current service cost	12.1	**P 5,289,704**	P 91,396
Interest expense	10	**22,059**	19,251
		P 5,311,763	P 110,647
Recognized in other comprehensive income:			
Actuarial loss (gain) due to:			
Experience adjustments		**P 6,104,767**	P 24,413
Changes in financial assumptions		**(1,146,046)**	5,291
		P 4,958,721	P 29,704

Current service cost and interest expense is presented as part of Salaries and employee benefits and Interest cost, respectively, under Other Operating Expenses in the statements of comprehensive income (see Note 10).

In determining the amount of the post-employment benefit obligation in 2020 and 2019, the following actuarial assumptions were used:

	2020	2019
Discount rate	**3.95%**	3.61%
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 2020 and 2019. 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 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, 2020 and 2019.

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2020			
Discount rate	**+/-1.00%**	**(P 2,908,293)**	**P 3,640,023**
Salary growth rate	**+/-1.00%**	**3,677,625**	**(2,983,990)**
December 31, 2019			
Discount rate	+/-1.00%	(P 10,904)	P 11,378
Salary growth rate	+/-1.00%	11,447	(11,179)

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, 2020, 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 18.1 years.

13. TAXES

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

	2020	2019
Reported in profit or loss:		
Current tax expense		
Regular corporate income tax (RCIT) at 30%	**P 1,563,656**	P -
Minimum corporate income tax (MCIT) at 2%	**-**	295,470
Final tax at 20% and 15%	**2,432**	1,177
Application of MCIT	**(521,783)**	-
	1,044,305	296,647
Deferred tax income relating to origination and reversal of temporary differences	**(3,182,790)**	(1,133,943)
	(P 2,138,485)	(P 837,296)
Reported in other comprehensive income –		
Deferred tax income relating to origination of temporary differences	**(P 1,487,616)**	(P 8,911)

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

	2020	2019
Tax on pretax profit (loss) at 30%	**P 1,531,091**	(P 1,598,900)
Adjustment for income subjected to lower tax rates	**(1,511)**	(844)
Tax effects of:		
Transfer of retirement benefit obligation from related parties under common control	**(2,169,809)**	-
Application of net operating loss carryover (NOLCO)	**(976,473)**	-
Application of MCIT	**(521,783)**	-
Unrecognized deferred tax asset on NOLCO and MCIT	**-**	762,448
Tax income	**(P 2,138,485)**	(P 837,296)

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

	Statements of Financial Position		Statements of Comprehensive Income			
			Profit or Loss		Other Comprehensive Income	
	2020	2019	2020	2019	2020	2019
Deferred tax assets:						
Retirement benefit obligation	(P 5,434,266)	(P 183,312)	(P 3,763,338)	(P 33,194)	(P 1,487,616)	(P 8,911)
Unrealized foreign currency exchange loss	(1,014,772)	(599,323)	(415,449)	(599,323)	-	-
Impairment losses on trade receivables	(96,039)	(1,092,036)	995,997	24,020	-	-
Rental payable – PFRS 16	-	-	-	157,508	-	-
	(6,545,077)	(1,847,671)	(3,182,790)	(450,989)	(1,487,616)	(8,911)
Deferred tax liabilities:						
Unrealized foreign currency exchange gain	-	-	-	(621,355)	-	-
Rental receivable – PFRS 16	-	-	-	(61,599)	-	-
	-	-	-	(682,954)	-	-
Deferred tax assets	(P 6,545,077)	(P 1,874,671)				
Deferred tax income – net			(P 3,182,790)	(P 1,133,943)	(P 1,487,616)	(P 8,911)

The Company is subject to RCIT which is computed at 30% of gross income net of allowable deductions, as defined under the tax regulations or to MCIT, whichever is higher. In 2019, the Company reported MCIT as the Company is in tax loss position.

The Company's unrecognized deferred tax asset as of December 31, 2019 amounted to P976,473 and P521,783 for NOLCO and MCIT, respectively. In 2020, the unrecognized deferred tax asset was subsequently applied.

The details of the Company's NOLCO are as follows:

Year Incurred	Amount	Applied	Remaining Balance
2019	P 1,556,592	P 1,556,592	P -
2018	1,698,318	1,698,318	-
	P 3,254,910	P 3,254,910	P -

The details of the Company's MCIT are as follows:

Year Incurred	Amount	Applied	Remaining Balance
2019	P 295,470	P 295,470	P -
2018	226,313	226,313	-
	P 521,783	P 521,783	P -

In 2020 and 2019, the Company opted to continue claiming itemized deductions in computing for its income tax due.

As of the date of the issuance of the Company's 2020 financial statements, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill is yet to be enacted into a law. The CREATE Bill aims to lower certain corporate taxes and rationalize tax incentives given to certain taxpayers. When enacted, based on the Bicameral Committee's approved version, the effective RCIT and MCIT rate applicable to the Company from January 1, 2020 to June 30, 2020 will be 30% and 2%, respectively and from July 1, 2020 to December 31, 2020 will be 25% and 1%, respectively. Pending the enactment of the CREATE Bill, the Company used the prevailing RCIT and MCIT rate of 30% and 2%, respectively, as of December 31, 2020 in determining its current and deferred taxes in its 2020 financial statements. If the CREATE Bill is enacted into law before the filing of the Company's annual income tax return (ITR), current income tax expense and income tax payable as presented in the annual ITR would be lower as compared to the amount presented in the 2020 financial statements. In addition, the recognized net deferred tax assets as of December 31, 2020 would be remeasured at 25% in the 2021 financial statements. This will result in a decline in the recognized deferred tax asset in 2020 by P1.1 million and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in applicable financial reporting standard.

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 2020	Amount of Transactions 2019	Outstanding Balances 2020	Outstanding Balances 2019
Stockholder:					
Rendering of services	14.1(b)	**P 57,208,701**	P 2,172,905	**P 55,461,868**	P 27,995,465
Advances received (paid) - net	14.1(a)	**(35,893)**	9,899	**(7,040,057)**	(7,075,950)
Related Parties Under Common Ownership:					
Purchase of services	14.2(a)	**7,720,250**	7,558,038	**(13,447,661)**	(7,656,872)
Rendering of services	14.2(b)	**4,320,000**	4,320,000	**1,612,800**	17,602,664
Rental	14.2(d)	**-**	382,019	**-**	38,896
Accommodation of expenses	14.2(c)	**5,775**	173,714	**-**	(463,040)
Transfer of employees	14.2(e)	**8,497,132**	-	**8,497,132**	-
Key Management Personnel – Compensation	14.4	**3,716,000**	4,431,985	**4,206,138**	2,337,075

All of the Company's receivables from related parties have been reviewed for 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.

	2020	2019
Balance at beginning of year	**P 7,075,950**	P 7,066,051
Repayments	**(35,893)**	-
Additions	**-**	9,899
Balance at end of year	**P 7,040,057**	P 7,075,950

(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 P2.1 million and P2.2 million in 2020 and 2019, respectively.

In addition, ADEC engaged the Company for its support services starting May 2020. The transactions with ADEC for support services amounted to P55.1 million in 2020.

Revenues recognized from these transactions are included as part of Sale of Services in the statements of comprehensive income (see Note 11.1).

The outstanding receivables from services rendered to ADEC as at December 31, 2020 and 2019 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 in the statements of comprehensive income (see Note 10).

The outstanding payable as at December 31, 2020 and 2019 is presented as Trade payables under the Trade and Other Payables account in the statements of financial position (see Note 9).

(b) Rendering of Services

The Company also entered into a Management Service Agreement (MSA) with ALPSI, 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, 2020 and 2019 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 2020 and 2019. The outstanding receivable amounted to P16.8 million in 2019 and is presented as part of Trade receivables from related parties under the Trade and Other Receivables account in the 2019 statement of financial position (see Note 5). The outstanding balance was fully collected in 2020.

(c) Accommodation of Expenses

Transactions with ALPSI also include accommodation of common 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 plus a markup of 5%. 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, 2020 and 2019 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 lease contract for the office space expired in December 2019. The revenues recognized from the lease are included as part of Rent Income under Other Income (Charges) – Net in the 2019 statement of comprehensive income (see Note 11.2). The outstanding balance as at December 31, 2019 is presented as part of Other receivables under the Trade and Other Receivables account in the 2019 statement of financial position (see Note 5). There is no outstanding balance as of December 31, 2020.

(e) Transfer of Employees

In 2020, certain employees from related parties under common ownership were transferred to the Company. Accordingly, the receivable related to withholding taxes on compensation amounting to P1.3 million and the related post-employment benefit obligation amounting to P7.2 was transferred to the Company (see Notes 5 and 12.2).

14.3 Key Management Personnel Compensation

The key management personnel received a total compensation amounting to P3.7 million and P4.4 million in 2020 and 2019, respectively. The outstanding payable as at December 31, 2020 and 2019 is presented as Salaries payable under the Trade and Other Payables account in the statements of financial position (see Note 9).

15. CAPITAL STOCK

The details of the Company's capital stock as of December 31, 2020 and 2019 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, 2020 and 2019, 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 part of Security deposits under Other Current Assets account in the statement of financial position as of December 31, 2020 and 2019 (see Note 6). 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. This lease contract was renewed in September 2020. 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 part of Security deposits under Other Current Assets account in the statement of financial position as of December 31, 2020 and 2019 (see Note 6). As at December 31, 2020, the Company has met all the requirements of the lease contract.

The future minimum rentals payable under this non-cancellable operating lease amounts to P0.4 million and P0.6 million in 2020 and 2019, respectively.

Total rental expense from these operating leases amounting to P0.6 million and P7.9 million in 2020 and 2019, 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 under the Current Liabilities section in the statement of financial position as of December 31, 2020 and 2019. The security deposit remains to be unpaid as of December 31, 2020.

Total rent income from the operassting leases amounting to P5.5 million for the year ended December 31, 2019, is shown as Rent income under Other Income (Charges) – Net in the 2019 statement of comprehensive income (see Note 11). There was no similar transaction in 2020.

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, credit risk and liquidity 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 as follows.

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 P59.0 million and P47.4 million as at December 31, 2020 and 2019, 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 +/-3.17% and +/-4.55% in 2020 and 2019, 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 P1.9 million and P2.2 million in 2020 and 2019, respectively. Conversely, if the Philippine peso has weakened by the same percentages during the same period, loss before tax in 2020 and 2019 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 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, 2020 and 2019 as shown in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	**2020**	2019
Cash in banks	4	**P 7,995,331**	P 4,175,975
Trade and other receivables	5	**66,521,078**	42,321,542
Security deposits	6	**1,854,366**	1,854,366
		P 76,390,775	P 48,351,883

The table above represents the carrying amounts of financial assets of the Company categorized as financial assets at amortized cost as of December 31, 2020 and 2019. None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash in banks

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. These 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 consumer price index 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, 2020 and 2019 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, 2020						
Expected loss rates	**0%**	**0%**	**0%**	**0%**	**100%**	
Trade receivables – gross	P 956,230	P -	P -	P -	P -	P 956,230
Other receivables – gross	129,470	-	-	-	183,707	313,177
Loss allowance	-	-	-	-	183,707	183,707
December 31, 2019						
Expected loss rates	**0%**	**0%**	**0%**	**0%**	**100%**	
Trade receivables – gross	P 153,182	P -	P -	P -	P -	P 153,182
Other receivables – gross	10,683	-	-	-	199,667	210,350
Loss allowance	-	-	-	-	199,667	199,667

- *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, 2020 and 2019 is as follows:

	Outstanding Balance	Internal Credit Rating*	Probability of Default	Loss Allowance
December 31, 2020				
Related parties:				
ADEC Innovations Ltd.	P 55,461,868	AA	0.17%	P 94,285
Amdatex Services Corp.	5,112,890	A	0.14%	7,158
Amdatex Las Piñas Services, Inc.	4,997,042	BB	0.70%	34,979
Total	**P 65,571,800**			**P 136,422**
December 31, 2019				
Related parties:				
ADEC Innovations 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
Pharma KPO Corporation	38,896	AA	0.00%	-
Total	P 45,637,025			P 3,440,452

**The internal credit rating is based on the Standard and Poor rating wherein "AA" is equivalent to Ver Strong; "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 management assessed that these financial assets have low probability of default since these relates to a reputable lessee.

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, 2020 and 2019, and are shown under the current liabilities section in the statements of financial position.

	Notes		2020		2019
Trade and other payables	9	**P**	**23,417,479**	P	13,589,287
Due to a related party	14.1(a)		**7,040,057**		7,075,950
Security deposits	16.2		**958,482**		958,482
		P	**31,416,018**	P	21,623,719

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	2020				2019			
			Carrying Amount		Fair Values		Carrying Amount		Fair Values
Financial Assets									
At amortized cost:									
Cash	4	**P**	**8,015,331**	**P**	**8,015,331**	P	4,195,975	P	4,195,975
Trade and other receivables	5		**66,521,078**		**66,521,078**		42,321,542		42,321,542
Security deposits	6		**1,854,366**		**1,854,366**		1,854,366		1,854,366
		P	**76,390,775**	**P**	**76,390,775**	P	48,371,883	P	48,371,883
Financial Liabilities									
At amortized cost:									
Trade and other payables	9	**P**	**23,417,479**	**P**	**23,417,479**	P	13,589,287	P	13,589,287
Due to a related party	14.1(a)		**7,040,057**		**7,040,057**		7,075,950		7,075,950
Security deposits	16.2		**958,482**		**958,482**		958,482		958,482
		P	**31,416,018**	**P**	**31,416,018**	P	21,623,719	P	21,623,719

See Note 2.4 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, receivables and security deposits, 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, 2020 and 2019 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. 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 2020 and 2019 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 P65.6 million and P45.6 million as of December 31, 2020 and 2019, respectively, and the Company's outstanding liabilities to related parties amounting to P20.5 million and P15.2 million as of December 31, 2020 and 2019, 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.

	2020	2019
Total liabilities	**P 54,444,333**	P 23,758,202
Total equity	**34,196,607**	30,425,590
Debt-to-equity ratio	**1.59 : 1.00**	0.78 : 1.00

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. 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.

20.1 Requirements Under RR No. 10-2020

(a) Output VAT

In 2020, the Company declared output VAT on rendering of services as follows:

	Tax Base	Output VAT
Vatable services	P 11,812,243	P 1,417,469
Zero-rated services	11,326,731	-
	P 23,138,974	P 1,417,469

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 Income (Charges) – Net in the 2020 statement of comprehensive income. The tax bases for Sale of Services and Other Income (Charges) – Net are based on the Company's gross receipts for the year; hence, may not be the same as the amounts reported in the 2020 statement of comprehensive income. There is no outstanding output VAT as at December 31, 2020.

(b) Input VAT

The movements in input VAT in 2020 are summarized below.

Balance at beginning of year	P -
Domestic purchase of services	887,255
Purchase of capital goods not exceeding P1.0 million	9,894
Domestic purchases of goods other than capital goods	20,632
Applied against output VAT	(544,389)
Balance at end of year	P 373,392

(c) Taxes on Importation

The Company did not have any importations in 2020.

(d) Excise Tax

The Company did not have any transactions in 2020 which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

The Company paid P10,783 of DST in relation to the lease agreement entered by the Company in 2020 and purchase of foreign currency in 2020.

(f) Taxes and Licenses

Details of taxes and licenses are as follows:

Business permits	P	82,415
DST		10,783
Community tax certificate		5,428
Annual registration		500
Others		3,378
	P	102,504

The amount of taxes and licenses is presented as part of Other Operating Expenses in the 2020 statement of comprehensive income.

(g) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2020 are shown below.

Compensation and employee benefits	P	5,238,804
Expanded		278,468
	P	5,517,272

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

(h) Deficiency Tax Assessments and Tax Cases

As of December 31, 2020, 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.

20.2 Requirements Under RR No. 34-2020

RR No. 34-2020 prescribes the guidelines and procedures on the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents for related party transactions. The Company is not covered by these requirements as the Company did not fall in any of the categories identified under Section 2 of RR No. 34-2020.