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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City / Town / Province)

**JAIME DEL ROSARIO**

Contact Person

**(02) 8826-5698**

Company's Telephone Number

31 December

Month Day of Fiscal Year

26 May

Month Day of Annual Meeting

**SEC FORM 17-A**

Secondary License Type, If Applicable

S	E	C
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Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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**CITICORE ENERGY REIT CORP.**

Company's Full Name

**11F Rockwell Santolan  
Town Plaza, 276 Col. Bonny  
Serrano Avenue, San Juan City**

Company's Address

**(02) 8826-5698**

Telephone Number

**December 31**

Fiscal Year Ending  
(Month & Day)

**SEC FORM 17-A**

Form Type

**December 31, 2021**

Period Ended Date

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(Secondary License Type and File Number)

**cc: The Philippine Stock Exchange, Inc.**

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SECTION 141 OF THE CORPORATION CODE**

1. For the Fiscal Year Ended **December 31, 2021**
2. SEC Identification Number **CS201010780**
3. BIR Tax Identification No. **007-813-849-00001**
4. Exact Name of Issuer as Specified in its Charter **Citicore Energy REIT Corp.**
5. Province, Country or other Jurisdiction of Incorporation or Organization **Philippines**
6. Industry Classification Code (SEC use only)
7. Address of Principal Office **11F Rockwell Santolan  
Town Plaza, 276 Col. Bonny  
Serrano Avenue, San Juan City**
- Postal Code **1500**
8. Issuer's Telephone Number, including Area Code **(02)8826-5698**
9. Former Name, Former Address and Fiscal Year, if Changed since Last Report **N/A**

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA:

<b>Title of Each Class</b>	<b>Number of Shares Issued and Outstanding</b>	<b>Amount of Debt Outstanding (Php)</b>
CREIT (Common)	6,545,454,004	0

11. Are any or all these securities listed on a stock exchange?

Yes [ ☐ ] No [ ☐ ]

If yes, state the name of such stock exchange and classes of securities listed therein:

**The Philippine Stock Exchange, Inc. 1. Common Shares (CREIT)**

2. Check whether the issuer:

has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes ☐ No ☐

has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☐

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B"):

Number of non-affiliate shares as of December 31, 2021	-
Closing price per share as of December 31, 2021	N/A
Market value as of December 31, 2021	N/A



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## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### Description of Business

Citicore Energy REIT Corporation (previously Enfinity Philippines Renewable Resources, Inc.) (the “**Company**” or “**CREIT**”) is focused on the ownership of sustainable infrastructure projects such as income-generating renewable energy real estate properties in the Philippines.

The Company is a REIT formed primarily to own and invest in income-generating renewable energy real estate properties, including land and properties used for harnessing power, that meet the Company’s investment criteria. Primarily, the Company will be the commercial REIT platform of the Citicore Group. As a REIT, the Company will focus on expanding its income-generating renewable energy real estate properties. The Company offers its shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality income-generating renewable energy real estate properties supported by a strong and growing demand for electricity in the Philippines, appreciation of land values, strong support from the Sponsors, experienced management with incentive to grow the Company’s Gross Revenue and Net Operating Income, and distribution of at least 95% of the Company’s Distributable Income.

The Company has an authorized capital stock of ₱539,999,998.50 divided into 2,159,999,994 Shares with a par value of ₱0.25 per share, of which 2,159,999,994 Shares are issued and outstanding. On May 25, 2021, the Company’s shareholders, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from “Enfinity Philippines Renewable Resources Inc.” to “Citicore Energy REIT Corp.”, and (ii) increase of the Company’s authorized capital stock from ₱539,999,998.50 to ₱3,840,000,000.00 divided into 15,360,000,000 Shares with a par value of ₱0.25 per Share, among others. As part of the increase in authorized capital stock, Citicore Renewable Energy Corporation (“CREC”) subscribed to 2,400,000,000 Shares as consideration for the assignment by CREC of its advances to the Company amounting to ₱602,465,065.63. In addition, CREC and Citicore Solar Tarlac 1, Inc. (“Citicore Tarlac 1”) subscribed to 19,461,142 Shares and 918,720,864 Shares, respectively, or a total of 938,182,006 Shares, as consideration for the assignment of 11 parcels of land, with an aggregate area of 138,164 sq.m., located in Brgy. Armenia, Tarlac. The change in name of the Company and the increase in capital stock were approved by the Philippine SEC on October 12, 2021. In addition, on October 12, 2021, four Shares were issued to the independent Directors of the Company. As a result of the foregoing transactions, 5,498,182,004 Shares are issued and outstanding as of December 31, 2021.

In addition to the foregoing, the Company’s shareholders likewise approved the following changes in the Company’s Articles of Incorporation: (i) amendment of the primary purpose to that of a REIT; (ii) provision of additional corporate powers; (iii) change in principal office address; (iv) change of term of corporate existence to perpetual; (v) increase in the number of directors to eight; (vi) inclusion of express waiver of pre-emptive right to subscribe from the Company’s unissued capital, increase in capital stock or treasury stock; (vii) compliance with the lock-up requirements of The Philippine Stock Exchange, Inc. (the “PSE”); (viii) removal of the contractual restrictions on the disposition of shares; and (ix) inclusion of additional restriction on transfer of shares as provided under the REIT Law. These amendments were also approved by the Philippine SEC on October 12, 2021.

On February 22, 2022, the Shares was listed and traded on the Main Board of the PSE under the trading symbol “CREIT” at a price of ₱2.55 per Share.

### Significant Transactions in 2021

**Property-for-Share Swap.** On May 26, 2021, the Company entered into a Deed of Assignment and a Subscription Agreement with CREC whereby, subject to the Philippine SEC's confirmation of the valuation of one of the eleven lots of the Armenia Property through the approval of the Company's application for increase in capital stock and issuance by the BIR of the Certificate Authorizing Registration ("**CAR**"), CREC transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interest in the Armenia Property, free from liabilities, debts, liens and encumbrances, in consideration of the Company's issuance to CREC of 19,461,142 Shares with a par value of ₱0.25 per share, amounting to ₱4,865,285.50. On the same day, the Company entered into a Deed of Assignment and a Subscription Agreement with Citicore Tarlac 1 whereby, subject to the Philippine SEC's confirmation of the valuation of ten of the eleven lots of the Armenia Property through the approval of the Company's application for increase in capital stock and issuance by the BIR of the CAR, Citicore Tarlac 1 transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interest in the Armenia Property, free from liabilities, debts, liens and encumbrances, in consideration of the Company's issuance to Citicore Tarlac 1 of 918,720,864 Shares with a par value of ₱0.25 per share, amounting to ₱229,680,216. Subject to the conditions described above, the Sponsors assigned the Armenia Property in favor of the Company in exchange for a total of 938,182,006 Shares.

On October 12, 2021, the Philippine SEC confirmed the valuation of the Armenia Property and approved the Company's application for the increase in its capital stock. The CAR was issued by the Revenue District Office of Tarlac for the Armenia Property which led to the issuance of the transfer certificates of title and tax declarations for the Armenia Property in the name of the Company. The Armenia Property were swapped for 938,182,006 Shares of the Company, the stock certificate for which was issued on October 25, 2021.

**Conversion of Advances.** On May 25, 2021, the Company's shareholders, approved, among other things, the increase of the Company's authorized capital stock from ₱539,999,998.50 to ₱3,840,000,000.00 divided into 15,360,000,000 Shares with a par value of ₱0.25 per Share, among others. As part of the increase in authorized capital stock, CREC will subscribe to 2,400,000,000 Shares as consideration for the assignment by CREC of its advances to the Company amounting to ₱602,465,065.63 (the "**Conversion of Advances**"). On October 12, 2021, the Philippine SEC approved the increase in authorized capital stock, which resulted in the issuance of 2,400,000,000 Shares to CREC.

**Acquisition of Leasehold Rights.** The Company has entered into several arrangements including a deed of assignment, lease agreement and sublease agreements with respect to its acquisition of the leasehold rights over the Toledo Property, Silay Property and the Dalayap Property.

**Transfer of the Clark Service Contract to CREC.** On October 13, 2021, the Company assigned Solar Energy Service Contract (SESC No. 2014-07-086) to CREC, making the latter the operator of the Clark Solar Power Plant. The assignment was approved by the Philippine Department of Energy ("**DOE**") on December 24, 2021. On October 13, 2021, CREC and the Company entered into a Contract of Lease whereby CREC leased the Clark Solar Power Plant from CREIT beginning November 1, 2021 for a period of around 18 years. Effective upon the transfer of the Clark Service Contract to CREC, CREIT will only be receiving rental income from the Clark Power Plant and the Leased Properties.

The Company's renewable energy property portfolio consists of (i) a solar power plant with an installed capacity of 22.3MW<sub>pDC</sub> and other real properties (the "**Clark Solar Power Plant**") which have

been leased to CREC and that are located on a 250,318 sq.m parcel of land (the “**Clark Land**”) inside Clark Freeport Zone, Pampanga, (the “**Clark Property**”), with the Company owning the leasehold rights over the Clark Land and (ii) land leased to solar power plant operators, comprising (A) Company-owned parcels of land in Brgy. Armenia, Tarlac City (the “**Armenia Property**”), and (B) leasehold rights over parcels of land located in Brgy. Talavera, Toledo City, Cebu (the “**Toledo Property**”), Silay City, Negros Occidental (the “**Silay Property**”), and Brgy. Dalayap, Tarlac City (the “**Dalayap Property**”, and together with the Clark Property, Armenia Property, Toledo Property, Silay Property and Dalayap Property, the “**Properties**”).

#### Summary Information on the Sponsors, the Fund Manager and the Property Manager

Each of the Sponsors is a corporation organized under the laws of the Philippines, and Citicore Tarlac 1 is a wholly owned indirect subsidiary of CREC (CREC owns of all of the outstanding common shares of Sikat Solar Holdco Inc., which in turn owns all of the outstanding common shares of Citicore Tarlac 1). CREC is one of the leading renewable energy generation companies in the Philippines engaged in development of renewable energy plants, including large-scale solar power plants. CREC is also engaged in the business of renewable energy asset development, engineering, procurement and construction, and renewable energy asset management, including operation and maintenance of solar power generation facilities. As such, the Company benefits from the Sponsors’ well-established reputation, relationships with key players in the Philippine renewable energy industry, understanding of the Philippine renewable energy market, and extensive experience in developing and managing renewable energy properties such as the Company’s Properties. CREC is a wholly owned subsidiary of CPI, also a corporation organized under the laws of the Philippines.

The fund manager, Citicore Fund Managers, Inc., is a corporation organized under the laws of the Philippines (the “**Fund Manager**”). The Fund Manager was incorporated on July 21, 2021, and has its registered office at 11<sup>th</sup> Floor, Rockwell Santolan Town Plaza, 276 Col. Bonny Serrano Ave., San Juan City, Metro Manila. The Fund Manager is a wholly owned Subsidiary of CREC. The Fund Manager has general power of management over the assets of the Company, pursuant to a fund management agreement dated July 26, 2021 between the Company and the Fund Manager (the “**Fund Management Agreement**”). The Fund Manager’s main responsibilities are to implement the Company’s investment strategies and manage the Company’s assets and liabilities for the benefit of the Company’s Shareholders. The Fund Manager will manage the assets of the Company with a focus on generating steady revenues and, if appropriate, increasing the Company’s assets over time so as to enhance the returns from the investments of the Company and, ultimately, the distributions to the Company’s Shareholders.

Under the Fund Management Agreement, the Fund Manager will receive equivalent 0.5% of the Company’s Guaranteed Base Lease exclusive of value-added taxes (the “**Management Fee**”).

The Fund Manager shall likewise be entitled to (i) an acquisition fee of 0.5% of the acquisition price of every acquisition made, exclusive of value-added taxes, and (ii) a divestment fee of 0.5% of the sales price for every property divested by it on behalf of the Company, exclusive of value-added taxes. The total amount of (x) fees paid under the Property Management Agreement, and (y) the Management Fee, acquisition fee, and divestment fee (collectively referred to as “**Fund Management Fee**”), paid to the Fund Manager, in any given year, shall not exceed 1% of the Net Asset Value of the properties under management.

In computing the Fund Management Fee, the formula to be used shall be as follows:

$$\begin{aligned} \text{Fund Management Fee} = & \quad (0.5\% \times \text{Guaranteed Base Lease}) \\ & + (0.5\% \times \text{acquisition price, for every acquisition, if applicable}) \\ & + (0.5\% \times \text{sales price for every property divested, if applicable}) \end{aligned}$$

The Fund Management Fee shall be due and payable to the Fund Manager 10 days from the receipt by the Company of a billing statement. For clarity, such billing statement shall be provided no later than 10th day of the month following the determination of the Guaranteed Base Lease of the immediately preceding quarter.

The property manager, Citicore Property Managers, Inc., is a corporation organized under the laws of the Philippines (the “**Property Manager**”). The Property Manager was incorporated on August 4, 2021, and has its registered office at 11<sup>th</sup> Floor, Rockwell Santolan Town Plaza, 276 Col. Bonny Serrano Ave., San Juan City, Metro Manila. The Property Manager is a wholly owned Subsidiary of CREC. The Property Manager will perform the day-to-day property management functions of the Properties pursuant to a property management agreement dated as of August 9, 2021 between the Company and the Property Manager (the “**Property Management Agreement**”), in accordance with this REIT Plan, and the Company’s investment strategies. These functions include managing the execution of new leases and renewing or replacing expiring leases. In addition, the Property Manager will oversee CREC’s operation and maintenance of the Clark Solar Power Plant; maintenance of the land premises underlying the Properties; formulation and implementation of policies and programs in respect of solar plant facility management; maintenance and optimization; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee plant operations management.

Under the Property Management Agreement, the Property Manager will receive an annual management fee equivalent to 1.5% of the Company’s Guaranteed Base Lease, provided that total of such fee (the “Property Management Fee”) and the Fund Management Fee and shall not exceed 1% of the Net Asset Value of the properties being managed.

$$\text{Property Management Fee} = \text{Guaranteed Base Lease} \times 1.50\%$$

The Property Management Fee shall be due and payable to the Property Manager 10 days from the receipt by the Company of a billing statement. For clarity, such billing statement shall be provided no later than 10th day of the month following the determination of the Guaranteed Base Lease of the immediately preceding quarter.

The Property and Fund Management Fee shall take effect on February 22, 2022 or at listing date, in accordance with REIT Law.

### Competition

The Company’s and its Lessees’ main competition in the Philippine electricity market are coal, oil and natural gas electricity generators as well as other renewable energy suppliers who use hydro, wind, geothermal and solar PV technologies. The market price of commodities, such as natural gas and coal, are important drivers of energy pricing and competition in most energy markets, including in the Philippines.

The Clark Solar Power Plant, which is FIT-certified, and is operated by CREC, is expected to generate stable cash flows from a guaranteed electricity purchase agreement with the Government, and is not expected to be affected by market competition. However, bilateral contracts between the Company’s

other Lessees and their customers, are subject to direct competition from both renewable and non-renewable players in the Philippine energy industry.

In respect of the solar power industry, the Lessees' main competitors are Vena Energy, AC Energy, Solar Philippines, PetroSolar, Aboitiz Power and Energy Development Corporation.

#### KEY INVESTMENT HIGHLIGHTS

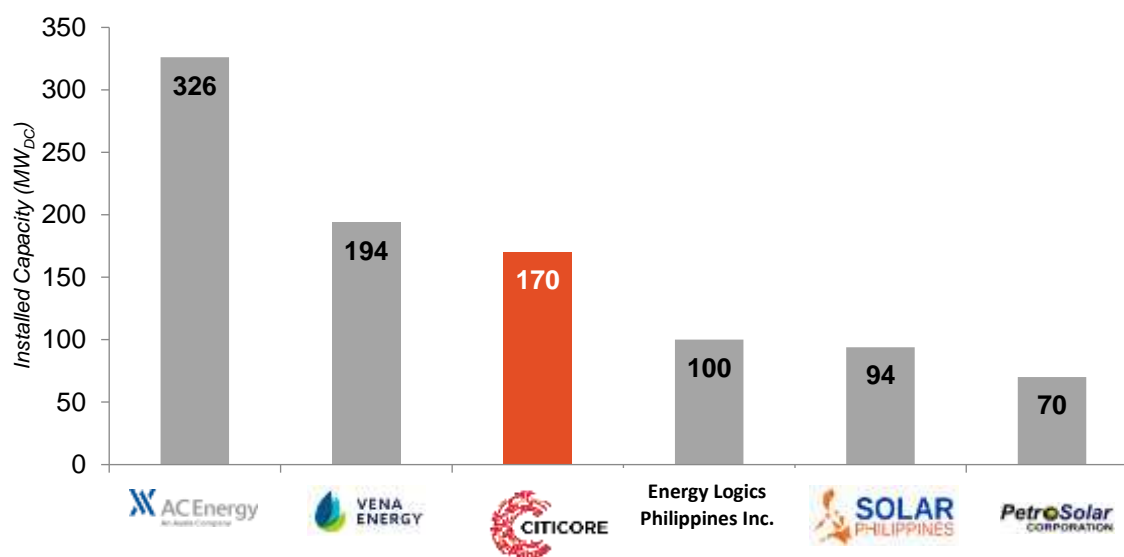
The Company believes that it benefits from the following competitive strengths:

***CREC, one of the Sponsors, is a leading vertically integrated renewable energy generator with a proven track record in asset development, engineering, procurement and construction execution and asset operation and management.***

Each of the Sponsors is a corporation organized under the laws of the Philippines, and Citicore Tarlac 1 is a wholly owned indirect subsidiary of CREC. CREC is one of the leading renewable energy generation companies in the Philippines engaged in development of renewable energy plants, including large-scale solar power plants. CREC is also engaged in the business of renewable energy asset development, engineering, procurement and construction, and renewable energy asset management, including operation and maintenance of solar power generation facilities (for which it deploys cloud-based real-time supervisory control and data acquisition systems). As such, the Company benefits from the Sponsors' well-established reputation, relationships with key players in the Philippine renewable energy industry, understanding of the Philippine renewable energy market, and extensive experience in developing and managing renewable energy properties such as the Company's Properties.

CREC's strengths lie in its proven track record, strong brand reputation, and ability to develop solar power plants of different capacities and across multiple regions in the Philippines. As of December 31, 2021, the Citicore Group was the third largest solar power generator in the Philippines with an overall capacity of 170MW<sub>DC</sub>.

*Ranking by installed capacity (MW<sub>DC</sub>) - based on attributable stake*



The Company and the Lessees of the Leased Properties are all members of the Citicore Group, and the Lessees operate solar power plants (including the solar power plant of Citicore Bataan) with a total combined installed capacity of 163MW<sub>pDC</sub>.

***Secured long-term offtake agreements from reputable customers of Lessees' supported by Government incentives.***

The Company's rental income for its lease agreement with CREC are dependent on the Clark Solar Power Plant which is FIT-certified. FIT-certified power plants have guaranteed power purchase agreements with the Government, and are expected to generate stable cash flow. Under the FIT regime, CREC's offtaker is TransCo, a Government owned-and-controlled corporation ("GOCC"). In addition, the Properties to be Acquired by the Company after the completion of the Offering are sites utilized by FIT-eligible solar power plants.

***The Company is well positioned to capture growth in the demand for electricity, and the increasing focus of the Government on renewable energy sources to address the country's long-term energy requirements.***

The narrative of the Philippine power sector is underpinned by its robust economic fundamentals and attractive demographic qualities. The Philippines' GDP grew at an 8.8% compounded annual growth rate ("CAGR") from 2009 to 2019. Although the Philippine economy contracted by 8.3% in 2020, the World Bank forecasts 5.3% and 5.6% growth in 2021 and 2022, respectively. Fitch Solutions, an affiliate of the Fitch Group forecasts power consumption to grow at an annual average of 4.6% from 2020 to 2029, despite the effects of the COVID-19 pandemic. Further, based on the Power Development Plan 2016-2040 published by the DOE, to meet the projected electricity demand requirement by 2040, the power system capacity addition that the Philippines will require is 43,765MW<sub>DC</sub> broken down as follows: 25,265 MW<sub>DC</sub> for baseload, 14,500 MW<sub>DC</sub> for mid-merit and 4,000 MW<sub>DC</sub> for peaking.

In order to meet increasing demand, growth in installed capacity is essential and has compelled the Philippine government to encourage the expansion in renewable energy capacity. The National Renewable Energy Program has set a target of reaching 15,304MW<sub>DC</sub> of installed renewable capacity by 2030 (vs c.3,500MW<sub>DC</sub> in 2017), represents c.50% of the country's forecast total energy capacity. In addition, renewable initiatives under the National Renewable Energy Program (NREP) development framework are currently in-place or being drafted to support this renewable target: 20-year feed-in tariffs for solar, wind, biomass and hydro energy were introduced in 2013. The NREB has also proposed renewable portfolio standards ("RPS") that mandate distribution utilities to source portion of their power from renewable energy and Competitive Renewable Energy Zones for enhanced renewable infrastructure.

The Citicore Group's ability to identify strategic locations, develop and construct renewable energy sources plant means that it has the flexibility to allocate its energy production for both base and peak demands. The expansion of the Company's renewable energy real property portfolio through the Citicore Group's upcoming projects will continue to increase the Company's flexibility in meeting the varying requirements of its customers at the lowest cost possible. With a target of growing its solar renewable energy capacity to 1.5GW<sub>DC</sub> by 2025, the Citicore Group is well positioned to address the country's need for clean power sources, and benefit from the RPS mandated by the DOE.

Based on the DOE's Power Development Plan, there is a forecast of a power supply shortage beginning in 2022-2023. Given the longer construction period required by conventional power plants, the

Company believes that solar power plants farms that can be built in a period of six months to one year once land is available, are in the best position to address the immediate supply gap. In addition, the Company believes that solar energy, with its low levelized cost of electricity (LCOE), is one of the best options to bridge the gap between the supply and demand of electricity as forecasted in DOE's Power Development Plan. The Company also believes that solar energy developments will help meet the peaking demand driven by household and commercial consumption. The Citicore Group has maintained a healthy pipeline of renewable energy projects that the Company believes will enable it to take advantage of the market opportunity.

***The Lessees have exhibited a superior operational track record with their consistent and resilient operations.***

Each of the solar power plants operated by the Lessees have a design life of 30 years, which can be further extended by another 25 years with additional capital expenditures at the end of the design life. The operations teams of the Lessees regularly and diligently conduct preventive and predictive maintenance on all major equipment in the respective power plants operated by them to minimize unscheduled or unplanned internal outages. The Company believes the solar power plants operated by the Lessees are well kept and well maintained as evidenced by their high average plant availability rate of 98.0% from 2017 to 2021. The table below shows the availability rate and performance ratio of the solar power plants of the Company's Lessees for the years ended December 31, 2017, 2018, 2019 and 2020 and 2021:

Solar Power Plant	Availability Rate <sup>(1)</sup>				
	For the year ended December 31,				
	2017	2018	2019	2020	2021
Clark Solar Power Plant ....	99.8%	99.5%	99.1%	99.2%	99.7%
Armenia Property .....	100.0%	99.9%	99.7%	99.2%	99.1%
Toledo Property .....	99.6%	97.7%	91.6%	99.3%	96.7%
Silay Property <sup>(3)</sup> .....	93.9%	94.9%	97.6%	97.9%	91.2%
Dalayap Property .....	100.0%	100.0%	99.6%	99.3%	99.1%

Solar Power Plant	Performance Ratio <sup>(2)</sup>				
	For the year ended December 31,				
	2017	2018	2019	2020	2021
Clark Solar Power Plant ....	82.4%	80.7%	81.3%	82.4%	83.4%
Armenia Property .....	89.2%	84.9%	82.0%	82.6%	82.7%
Toledo Property .....	83.7%	82.6%	81.6%	81.4%	80.3%
Silay Property <sup>(3)</sup> .....	86.8%	84.1%	83.3%	83.9%	85.1%
Dalayap Property .....	84.0%	84.0%	83.9%	83.9%	85.5%

**Notes:**

- (1) Availability Rate is the percentage of time that the solar power plant is available to provide energy to the grid. It is an indicator of reliability.
- (2) Performance Ratio is the ratio of actual and the theoretically possible energy outputs of the solar power plant.
- (3) The solar power plant of Citicore Bataan had an availability rate of 99.8% and 99.7% for the years ended December 31, 2021 and 2020, respectively, and a performance ratio of 83.0% and 83.1% for the years ended December 31, 2021 and 2020, respectively.

The Company strategically selected the locations of the Leased Properties as those with solar irradiation between 4.7-5.5 kWh/m<sup>2</sup>/day based on the long-term historical irradiation data of National Renewable Energy Laboratory (NREL), a national laboratory of the U.S. Department of Energy based



in Texas. The Lessees also have systems in place to detect, instantly, the daily output and be able to calibrate and improve output of their relevant solar power plants, as the need arises, based on an expected performance ratio with respect to the peak nominal rated capacity of the PV panel modules installed. The calculations typically involve consideration of solar specific issues, such as solar irradiation and PV panel degradation (at a minimum), as well as spectrum temperature and, the effects of seasonal weather variability on testing.

Solar power plant operations in the Philippines have also proven resilient during the COVID-19 pandemic. Despite 4.04% year-on-year contraction in power generation in the Philippines in 2020, solar energy power plants continued to sustain their operations and revenues as coal plants were forced to temporarily shut down their operations due to quarantine measures. Based on the DOE's 2020 Power Statistics, solar power plants across the Philippines increased their gross generation output by 10.15% from 2019 to 2020.

<b>Gross Power Generation (DOE 2020 Power Statistics)*</b>				
<b>Year</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Solar Power Generation (MWh)	1,201,152	1,249,116	1,246,082	1,372,604

.....  
*\*2021 data not yet published by DOE*

The table below shows the gross power generated by the solar power plants of the Lessees and the percentage of the gross power generated by the solar power plants of the Lessees out of the total solar power generation output in the Philippines from 2017 to 2021.

<b>Year</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total Power Generation of solar power plants of Lessees (MWh)					
.....	221,933	226,972	229,490	229,531	214,032
% of Total Solar Power Generation in the Philippines					
.....	18.5%	18.2%	18.4%	16.7%	Not yet available

***Opportunity for growth through optimization of operations and asset acquisition.***

The Company's leases of the Leased Properties allow it to share in the organic growth of the operations of the Company's Lessees, who are expected to benefit from increasing demand for and prices for energy in the Philippines as well as various plant optimization initiatives to improve generation output of the respective power plants operated by them.

The Lessees also continue to explore opportunities to optimize their operations, such as improving their performance ratios through identified initiatives around maintenance of panels (including cleaning), modifications in sections of the solar power plants to reduce the effects of shading, and regular thermal scanning to optimize the generation. In addition, deployment of initiatives in certain Properties, like agro solar, have helped reduce grass cutting-costs while generating livelihood for the community.

The Company is also well positioned to benefit from the Citicore Group's pipeline of renewable energy assets, which will potentially allow the Company to expand its property portfolio subject to such assets meeting the Company's investment criteria. The Citicore Group has a strong pipeline of solar power

plants with an expected combined installed capacity of 1.5GWDC, which are under various stages of development and which the Citicore Group expects to complete by 2025. In accordance with its reinvestment plan, the Selling Shareholder intends to apply the entire proceeds from the Secondary Offer Shares and the proceeds received by Citicore Bulacan and Citicore South Cotabato towards ten projects expected to amount to 0.675 GWDC of the Citicore Group's combined installed capacity of 1.5GWDC. Such projects may be considered by the Company and the Fund Manager for acquisition after these are completed and meet the Company's investment criteria. The Citicore Group also aims to identify strategic locations, and develop renewable energy sources to potentially expand the Company's renewable energy property portfolio.

The Fund Manager aims to achieve portfolio growth through the acquisition of quality income-producing renewable energy properties that fit within the Company's investment strategy to enhance total return for Shareholders and increase potential opportunities for future income and capital growth. In executing this strategy, the Company will endeavor to acquire properties situated in high-growth areas, whether from the Sponsors, or third parties, to cater to economic growth that provides meaningful investment for social contribution.

To meet the Company's investment criteria, a potential new renewable energy property should (i) primarily be (but not exclusively) focused on solar power plants, but may include other renewable energy properties available in the market, (ii) be located in underdeveloped areas where the Company has completed and validated the availability of resources and the potential of such area for future township developments to drive long-term appreciating land value; and (iii) be the site of a renewable energy power plant that has achieved successful plant testing and commissioning, accompanied by stable off-take contracts for 100% of such plant's expected generation output.

***Strategically located Properties with potential for future development.***

The Company believes that its Properties and the Properties to be Acquired are strategically located and encompass large areas in key provinces that are suitable for future township development.

***Sustainable investing that provides Shareholders the opportunity to direct capital into companies with positive impact on the environment and society.***

In line with the United Nations' 2030 agenda for sustainable development, the Citicore Group pioneered the "agro-solar" concept in the Philippines, which allows solar plants and vegetable farmers to co-exist on the land where the solar power plants are operated, and aims to provide livelihood and augment income of the farmer communities where the Leased Properties are located. The Clark Property, Armenia Property, Dalayap Property and the Bulacan Property (one of the Properties to be Acquired) currently implement the agro-solar concept.



Further, based on the Company's estimates, the solar power plants operated on the Leased Properties are able to reduce approximately 231,720 tons of CO<sub>2</sub> annually, or an aggregate of 7,000,000 tons of CO<sub>2</sub> for the entire design life of the power plants.

The Citicore Group has also implemented other community building activities, such as training programs to provide scholarship and employment opportunities to local communities where the Leased Properties are located for inclusive growth.

#### Risks Relating to the Company

***The Company's assets and the Lessees' solar power plants are subject to the risk of losing revenue in the event they are rendered inoperable for an indefinite time period due to force majeure events, and the Company and the Lessees may be required to undertake significant repair and replacement works.***

If any of the Company's assets or the Lessees' solar power plants are rendered inoperable due to force majeure events, there can be no assurance that the Lessees will be able to successfully achieve the projected net electricity generation values, which could materially affect the Company's and its Lessees' business prospects, financial condition, results of operations and cash flow. The Company's revenues and its Lessees' net operating revenue will also be affected, which could materially and adversely affect the amount of Distributable Income available to the Company for distribution to its Shareholders.

To manage these risks, the Company and its Lessees maintain comprehensive insurance policies that cover business interruption for approximately two months on an aggregate Property-wide basis or more than five months for the largest solar power plant operating on the Properties. The insurance policies also cover risks of certain force majeure events up to the full replacement cost of the solar power plants operating on the Properties.

***The Lessees' solar power plants are exposed to unscheduled, unplanned and prolonged internal and external outages resulting in potential loss in revenues.***

Unscheduled or unplanned internal plant outages refers to unexpected breakdown of major equipment (including failure, damage to or explosions caused by battery storage) resulting in substantial or total solar power plant shutdown until such equipment is replaced or restored.

From 2017 to 2021, the Lessees' solar power plants experienced an annual average loss of 70.0 hours or 0.25% of annual average solar power generation hours (i.e., total available operating hours for solar power generation) due to unscheduled internal outages. From 2017 to 2021, the Lessees' solar power plants have also consistently achieved an average plant availability rate of 98.0%.

On the other hand, unscheduled external outages refer to electricity grid outages at the regional or national level that disrupt the transmission of electricity and could result in curtailment of energy offtake below expected levels. For example, there could be failures in the transmission towers, power conductors or insulators of the National Grid Corporation of the Philippines ("NGCP").

From 2017 to 2021, the Lessees' solar power plants experienced an annual average of 322.3 hours or 1.2% of annual average solar power generation hours due to unscheduled external outages. The occurrence of any prolonged unscheduled internal or external outages would reduce the revenue of the Company's Lessees, which would result in a material adverse effect on the Company's and its Lessees' business, prospects, financial condition, results of operations and cash flows.

Each of the solar power plants operated by the Lessees have a design life of 30 years, which can be further extended by another 25 years with additional capital expenditures at the end of the design life. The operations teams of the Lessees regularly and diligently conduct preventive and predictive

maintenance on all major equipment in the respective power plants operated by them to minimize unscheduled or unplanned internal outages. The Company believes that the Clark Solar Power Plant operated by CREC and the solar power plants of the Lessees are well kept and well maintained as evidenced by their high average plant availability rate of 98.0% from 2017 to 2021. The Company and CREC have also invested in a computerized monitoring and maintenance system to efficiently track various preventive maintenance programs and initiatives for the Lessees' solar power plants. The Lessees also keep an inventory of spare parts which are not locally available and which may take a lead time of three to four months to order. Each of the Lessees also maintains inventory for critical equipment like solar panels, inverters, and others to avoid any prolonged shutdown of their respective solar power plants.

To manage the risk of external plant outages, the Company carefully selects the sites or locations where its or its lessees' solar power plants are located, taking into consideration transmission grid stability and reliability.

***The Lessees may be unable to maintain sufficient operating cash for maintenance and other similar costs of the solar power plants, and the Lessees' operating cash may be insufficient to cover necessary costs of the solar power plants.***

The Company expects its Lessees to keep their respective solar power plants in good working order. Accordingly, the Lessees may from time to time need to expend funds to complete routine maintenance, as well as extraordinary maintenance, in the event of damage from weather disturbances such as typhoons, earthquake, or floods or from other unforeseen events.

To manage this risk, the Lessees have, in the past, and expect to, in the future, conduct regular maintenance with cash sourced through their respective operating cash flow. The Company does not expect its Lessees to incur any significant amount of capital expenditure in the future for the solar power plants.

***The solar power plants located on the Leased Properties may be subject to an increase in operating and other expenses.***

The Company's ability to make distributions to shareholders could be adversely affected if operating and other expenses of the solar power plants located on the Leased Properties increase without a corresponding increase in revenues. Factors which could increase operating and other costs include:

- increase in the cost of labor, materials and insurance;
- restoration costs in case of events such as floods, natural disasters and accidents;
- increase in raw material costs such as diesel fuel, water and coolants;
- adverse weather conditions;
- unforeseen legal, tax and accounting liabilities; and
- other unforeseen operational and maintenance costs.

Any significant increase in operations and maintenance costs will reduce the net operating revenue generated by the Company's lessees from the solar power plants located on the Leased Properties, will materially and adversely affect the business, prospects, financial condition, results of operations and cash flows of the lessees, and decrease the amount of Distributable Income of the Company available to Shareholders.

To manage these risks, the Company and CREC intend to maximize operational efficiencies by leveraging on the economics of scale as the property portfolio of the Company and the solar assets of the Citicore Group continue to expand. The lessees' solar operations and maintenance teams have successfully reduced the levelized cost of energy ("LCOE") relating to the solar power plants of the lessees of the Company from an average of ₱0.85 per kwh as of December 31, 2017 to ₱0.32 per kwh as of December 31, 2021.

***The Company may face increased competition from other renewable and non-renewable energy projects and properties.***

The bilateral contracts between the Company's Lessees and their customers, are generally subject to direct competition from both renewable and non-renewable players in the Philippine energy industry. To manage these risks, the Company believes that its lessees have had, and continue to maintain, strong and stable relationships with their customers.

**Green Initiatives**

In line with the United Nations' 2030 agenda for sustainable development, the Citicore Group pioneered the "agro-solar" concept in the Philippines, which allows solar plants and vegetable farmers to co-exist on the land where the solar power plants are operated, and aims to provide livelihood and augment income of the farmer communities where the Leased Properties are located. The Clark Solar Power Plant, Armenia Property, Dalayap Property and the Bulacan Property (one of the Properties to be Acquired) currently implement the agro-solar concept.

Further, based on the Company's estimates, the solar power plants operated on the Leased Properties are able to reduce approximately 231,720 tons of CO<sub>2</sub> annually, or an aggregate of 7,000,000 tons of CO<sub>2</sub> for the entire design life of the power plants.

The Citicore Group has also implemented other community building activities, such as training programs to provide scholarship and employment opportunities to local communities where the Leased Properties are located for inclusive growth.

**Major Customers**

The Leased Properties (not including the Clark Solar Power Plant) have been 100% occupied by their respective Lessees. CREC sells the electricity generated by the Clark Solar Power Plant to TransCo pursuant to a 20-year offtake contract commencing on March 16, 2016, which was assigned to CREC by CREIT on December 24, 2021 pursuant to DOE approval.

The other Lessees of the Company sell the electricity generated by their respective solar power plants to contestable customers operating in various industries who have entered into offtake agreements with such Lessees, and any excess capacity to the WESM.

**Suppliers**

The third-party suppliers of the solar power plants operated by the Lessees of the Company include manpower services, such as housekeeping services and security services, among others. Neither the Company nor any of its Lessees is dependent on any third-party supplier.

### Government Approvals and Permits

All government approvals and permits issued by the appropriate government agencies or bodies which are material and necessary to conduct the business and operations of CREIT and its Lessees, were obtained and are in full force and effect.

CREIT and its business operations are subject to various laws and regulatory agencies, nationality restrictions, and environmental laws. CREIT complies with environmental laws and will keep abreast of any changes in such laws which may have an impact on its business.

CREIT complies with all local and national tax laws and regulations, and it shall continue to be so by diligently paying all taxes, including (but not limited to) income tax, withholding tax, real property tax, and such other taxes that are assessed against it and which CREIT understands to be due.

### Employees

As of December 31, 2021, CREIT manpower complement is only three.

The relationship and cooperation between the management and staff remain strong and expected to be maintained in the future. There has not been any incidence of work stoppages. CREIT complies with the minimum wage and employment benefits standards pursuant to Philippine labor laws. It adopts an incentive system that rewards and recognizes the employees who excel in their respective fields to foster the harmonious relationship between management and employees.

No single person is expected to make a significant contribution to the business, since CREIT considers the collective efforts of all its employees as instrumental to the overall success its performance.

Mr. Edgar B. Saavedra, *Chairman of the Board and Mr. Oliver Tan, CEO, and President*, and the other executives are the key decision makers of the Company. In relation to this, CREIT and Citicore group are continuously hiring experts to further strengthen and professionalize its organizational and management structure.

## **Item 2. Properties**

The Company's renewable energy property portfolio consists of the Leased Properties which include the lease of the Clark Solar Power Plant to CREC and parcels of land leased to solar power plant operators, comprising (A) Company-owned Armenia Property, and (B) the Company's leasehold rights over the Toledo Property, the Silay Property, the Clark Property and the Dalayap Property.

The Leased Properties comprising the Clark Solar Power Plant, Armenia Property, the Toledo Property, the Silay Property and the Dalayap Property are leased by the Company to its Lessees comprising CREC, Citicore Tarlac 1, Citicore Cebu, Citicore Negros Occidental and Citicore Tarlac 2, Inc., respectively. The Lessees operate solar power plants on the Leased Properties with a total combined installed capacity of 141.6MWpDC.

Citicore Tarlac 1 and Citicore Tarlac 2 are wholly owned indirect subsidiaries of CREC, while Citicore Cebu and Citicore Negros Occidental are wholly owned subsidiaries of CPI, the parent company of CREC.

The Clark Solar Power Plant, Armenia Property, the Toledo Property, the Silay Property and the Dalayap Property (collectively, the "**Leased Properties**") are leased by the Company to CREC, Citicore

Tarlac 1, Citicore Solar Cebu, Inc. (“**Citicore Cebu**”) (formerly, First Toledo Solar Energy Corp. (“**FTSEC**”)), Citicore Solar Negros Occidental, Inc. (“**Citicore Negros Occidental**”) (formerly Silay Solar Power, Inc. (“**SSPI**”)), and Citicore Solar Tarlac 2, Inc. (formerly, nv vogt Philippines Solar energy Four, Inc. (“**SE4**”)) (“**Citicore Tarlac 2**”, collectively with CREC, Citicore Tarlac 1, Citicore Cebu, and Citicore Negros Occidental, the “**Lessees**”), respectively. The Lessees operate solar power plants on the Leased Properties with a total combined installed capacity of 123.7MW<sub>pdc</sub>.

The Leased Properties comprise the Company’s initial Portfolio, and have an aggregate appraised value of ₱10.9 billion based on the Valuation Reports issued by Cuervo Appraisers. The following table summarizes key information relating to the Company’s Leased Properties.

	<b>Clark Solar Power Plant</b>	<b>Armenia Property</b>	<b>Toledo Property</b>	<b>Silay Property</b>	<b>Dalayap Property</b>
<b>Location</b>	Clark Freeport Zone, Pampanga	Brgy. Armenia, Tarlac City	Brgy. Talavera, Toledo City, Cebu	Silay City, Negros Occidental	Brgy. Dalayap, Tarlac City
<b>Land area (sq.m.)</b>	250,318	138,164	730,000	431,408	103,731
<b>Right over property</b>	Leased	Owned	Leased	Leased	Leased
<b>Land lease expiry</b>	September 2039	N/A	May 2041	October 2040	October 2040
<b>Lessor</b>	Clark Development Corporation	N/A	Leavenworth Development, Inc.	Claudio Lopez, Inc.	Ma. Paula Cecilia David & Juan Francisco David; and Benigno S. David & Vivencio M. Romero
<b>Right of first refusal</b>	None	N/A	Yes	None	Yes
<b>Solar power plant installed capacity (MW<sub>pdc</sub>)</b>	22.325	8.84	60	25	7.55
<b>Commissioning date</b>	March 12, 2016	February 29, 2016	June 30, 2016	March 8, 2016	February 27, 2016
<b>FIT Eligibility</b>	Yes	No	No	No	No
<b>Tenant/Operator of solar power plant</b>	CREC	Citicore Tarlac 1	Citicore Cebu	Citicore Negros Occidental	Citicore Tarlac 2
<b>Commencement of the tenancy</b>	November 1, 2021	November 1, 2021	January 1, 2022	January 1, 2022	November 1, 2021
<b>Expiration of the tenancy</b>	September 4, 2039	October 31, 2046	May 31, 2041	October 31, 2040	October 31, 2040
<b>Appraised value (₱)</b>	3,101,864,000	687,161,000	3,776,850,000	2,884,597,000	470,258,000
<b>% of Appraised value</b>	28.4%	6.3%	34.6%	26.4%	4.3%

In addition to the Properties, after the Offer, the Company intends to expand its renewable energy property portfolio, in alignment with its financial and strategic investment criteria, by acquiring an additional two parcels of land from Citicore Bulacan and Citicore South Cotabato, which are wholly owned indirect subsidiaries of CREC through its 100% ownership of Citicore Solar Holdings, Inc. and Sikat Solar Holdco Inc., respectively. These two properties are described below (the “**Properties to be Acquired**”):

**Bulacan Property** — a 253,880 sq.m. parcel of land located in Brgy. Pasong Bangkal, San Ildefonso, Bulacan. Upon completion of acquisition by the Company, the Company intends to lease the entire land to Citicore Bulacan for 25 years. Citicore Bulacan will continue to operate a solar power plant with an installed capacity of 15MW<sub>DC</sub> in the Bulacan Property. The solar power plant was successfully commissioned on March 12, 2016 and had an actual annual net generation output of 19.8GWh, 20.2GWh and 20.0GWh for the years ended December 31, 2017, 2018 and 2019, respectively.

**South Cotabato Property** — a 79,997 sq.m. parcel of land located in Brgy. Centrala, Suralla, South Cotabato. Upon completion of acquisition by the Company, the Company intends to lease the entire land to Citicore South Cotabato for 25 years. Citicore South Cotabato will continue to operate a solar power plant with an installed capacity of 6.23MW<sub>DC</sub> in the South Cotabato Property. The solar power plant was successfully commissioned on December 9, 2015 and had an actual annual net generation output of 8.8GWh, 8.9GWh and 9.0GWh for the years ended December 31, 2017, 2018 and 2019, respectively.

As of December 31, 2021, the Bulacan Property and South Cotabato Property were valued by Cuervo Appraisers at ₱2,484.1 million and ₱1,067.5 million, respectively, for the cut-off ending October 31, 2021.

#### Rental Rates

The lease rental rates for the Leased Properties comprise (i) a guaranteed annual base rental rate, payable on equal monthly installments, and (ii) a variable rental rate equivalent to 50% of the incremental gross revenue earned by the Lessee from any excess of agreed base lease revenue for the current fiscal year.

The lease rental rates for the Properties to be Acquired are also expected to comprise (i) a guaranteed annual base rental rate, payable on equal monthly installments, and (ii) a variable rental rate equivalent to 50% of the incremental gross revenue earned by the lessee from any excess of agreed base lease revenue for the current fiscal year.

#### Land Ownership and Leasehold Rights

The Company leases the Clark Land from the Clark Development Corporation pursuant to a 25-year lease which expires on September 2039. The Armenia Property was acquired by the Company from the Sponsors pursuant to the Property-for-Share Swap (as defined below). In addition, the Company acquired (i) the leasehold rights over the Toledo Property for a remaining term of 19 years expiring on May 31, 2041, (ii) the leasehold rights over the Silay Property for a period of 19 years expiring on October 31, 2040, and (iii) the leasehold rights over the Dalayap Property for a period of 19 years expiring on October 31, 2040, pursuant to the Acquisition of Leasehold Rights.



### Insurance

The Company's Lessees maintain comprehensive insurance policies which the Company believes is consistent with industry standards. These include business interruption insurance, and insurance to cover such tenant's improvements, furniture, equipment, supplies and all other properties within the leased premises against fire, lightning, flood and/or other perils. The policies also cover acts of terrorism, sabotage, riots, strikes, civil commotion, malicious damage, rebellion, revolution, mutiny, war and counter insurgency. The amount of coverage under such policies is enough to replace each such tenant's solar power plant.

The Company has insurance policies for the Clark Solar Power Plant that it believes is consistent with industry practice in the Philippines and in such amounts and covering such risks as the Company believes are usually carried by companies owning similar properties in the same geographical areas as those in which the Company operates.

### Leased Properties

The Lessees operate solar power plants with a total installed capacity of 123.7MW<sub>DC</sub> on the Properties.

#### *Clark Solar Power Plant*



A solar power plant with an installed capacity of 22.3MW<sub>DC</sub> and other real properties (the "**Clark Solar Power Plant**") is located on a 250,318 sq.m. parcel of land (the "**Clark Land**") in the Clark Freeport Zone, which the Company leases from the Clark Development Corporation. The Company's lease is for 25 years commencing on September 5, 2014, and is renewable upon mutual consent of the parties.

The Clark Solar Power Plant located on the Clark Land was leased out by the Company to CREC for a period of around 18 years commencing on November 1, 2021. See "*Certain Agreements Relating to the Company and the Properties*". The Clark Solar Power Plant was commissioned on March 12, 2016.

The Clark Solar Power Plant leased to and operated by CREC is qualified under the Feed-In-Tariff ("**FIT**") II Program with Certificate of Compliance ("**COC**") eligibility for FIT II rate from March 12, 2016 to March 11, 2036 (COC No. 16-13-M00090L) secured from Energy Regulatory Commission ("**ERC**") on December 8, 2016. Under the FIT regime, the offtaker of the Clark Solar Power Plant is TransCo, a Government-owned-and-controlled entity.

The Company has assigned the BOI registration in relation to the Clark Solar Power Plant to CREC, which will entitle CREC to enjoy incentives such as a zero VAT rating, income tax holiday for seven years until 2023 with a 10% preferential rate thereafter and a tax exemption on carbon credits.

As of December 31, 2021, the Clark Property was valued at ₱3,101.9 million by Cuervo Appraisers for the cut-off ending October 31, 2021.

#### *Armenia Property*



The Armenia Property comprises 11 parcels of land with a total area of 138,164 sq.m. located in Brgy. Armenia, Tarlac City. The Armenia Property is owned by the Company, and was acquired by the Company from the Sponsors through the Property-for-Share Swap.

The Armenia Property was leased out by the Company to Citicore Tarlac 1 for a period of 25 years commencing on January 1, 2022. Citicore Tarlac 1 operates a solar power plant with an installed capacity of 8.84MW<sub>DC</sub> on the Armenia Property. Citicore Tarlac 1's solar power plant was commissioned on February 29, 2016.

Citicore Tarlac 1 sells the electricity generated by its solar power plant to contestable customers operating in various industries.

As of December 31, 2021, the Armenia Property was valued at ₱687.2 million by Cuervo Appraisers for the cut-off ending October 31, 2021.

#### *Toledo Property*



The Toledo Property comprises leasehold rights over land with an area of 730,000 sq.m. located in Brgy. Talavera, Toledo City, Cebu.

The Company owns the leasehold rights over the Toledo Property pursuant to a Deed of Assignment whereby Citicore Cebu transferred all its rights and obligations with respect to the Toledo Property to the Company. The lessor of the Toledo Property is Leavenworth Realty Development, Inc., which holds the usufructuary rights to such property. The Company's leasehold rights are for a remaining term of 19 years, expiring on May 31, 2041, and renewable upon mutual agreement of the parties. The Company has a right to match any bona fide offer from a third party to purchase the property from the landowner.

The Company leased out the entire Toledo Property to Citicore Cebu for a period of 19 years commencing on January 1, 2022 and expiring on May 31, 2041. Citicore Cebu operates a solar power plant with an installed capacity of 60MW<sub>pDC</sub> on the Toledo Property. Citicore Cebu's solar power plant was commissioned on June 30, 2016.

Citicore Cebu sells the electricity generated by its solar power plant to contestable customers operating in various industries.

As of December 31, 2021, the Toledo Property was valued at ₱3,776.8 million by Cuervo Appraisers for the cut-off ending October 31, 2021.

#### *Silay Property*



The Silay Property comprises leasehold rights over land with an area of 431,408 sq.m. located in Silay City, Negros Occidental.

The Company owns the leasehold rights over the Silay Property pursuant to a lease agreement between the Company as lessee, and Claudio Lopez, Inc. as lessor, with a term of 19 years expiring on October 31, 2040. The lease can be extended for an additional period of five years unless earlier terminated by either party at least six months prior to the end of the original term.

The Company leased out the entire Silay Property to Citicore Negros Occidental for a period of 18 years commencing on January 1, 2022 and expiring on October 31, 2040. Citicore Negros Occidental operates a solar power plant with an installed capacity of 25MW<sub>pDC</sub> on the Silay Property. Citicore Negros Occidental's solar power plant was commissioned on March 8, 2016. The rights of Citicore Negros Occidental as a lessee of the Silay Property is subject of an unregistered mortgage in favor of the Landbank of the Philippines, which debt is intended to be prepaid prior to the Listing Date. In the event of default by Citicore Negros Occidental, the Landbank of the Philippines will be able to exercise step-in-rights in place of the lessee.

Citicore Negros Occidental sells the electricity generated by its solar power plant to contestable customers operating in various industries.

As of December 31, 2021, the Silay Property was valued at ₱2,884.6 million by Cuervo Appraisers for the cut-off ending October 31, 2021.

### *Dalayap Property*



The Dalayap Property comprises leasehold rights over parcels of land with an area of 103,731 sq.m. located in Brgy. Dalayap, Tarlac City.

The Company owns the leasehold rights over the Dalayap Property pursuant to lease and sublease agreements entered into with Ma. Paula Cecilia David & Juan Francisco David and Benigno S. David and Vivencio M. Romero, Jr., respectively. The lease and sublease agreements have initial terms of 19 years, and expire on October 31, 2040, renewable for another 25 years subject to the consent of the lessor. The Company also has the right of first refusal to purchase the relevant parcels of land in the event the lessor or sublessor decide to sell their relevant parcels of land.

The Company leased out the entire Dalayap Property to Citicore Tarlac 2 for a period of 19 years commencing on November 1, 2021 and ending on October 31, 2040. Citicore Tarlac 2 operates a solar power plant with an installed capacity of 7.55MW<sub>DC</sub> on the Dalayap Property. Citicore Tarlac 2's solar power plant was commissioned on February 27, 2016.

Citicore Tarlac 2 sells the electricity generated by its solar power plant to contestable customers operating in various industries.

As of December 31, 2021, the Dalayap Property was valued at ₱470.2 million by Cuervo Appraisers for the cut-off ending October 31, 2021.

## NET ASSET VALUE

The following table shows the Company's computation of the Net Asset Value per share.

The Net Asset Value is computed by reflecting the fair market values of total assets and investible funds held by the Company, less total liabilities. Net Asset Value per share shall be computed by dividing Net Asset Value by the total outstanding shares of the Company.

	As of December 31, 2021		
	Actual / At Cost <sup>(1)</sup>	As adjusted to give effect to Fair Value <sup>(2)</sup>	As adjusted to give effect to Post-Offer Transactions (3)
	(₱ millions, except number of shares and per share value) (Unaudited)		
Cash and cash equivalents.....	49	49	49
Trade and other receivables.....	142	142	142
Prepayments and other current assets .....	54	54	54
Property, plant and equipment - net.....	1,331	3,102	3,102 <sup>(2)</sup>
Investment properties.....	235	687	4,239 <sup>(2)</sup>
Right-of-use assets - net .....	91	7,132	7,132 <sup>(2)</sup>
Deferred Tax Assets.....	8	8	8
Other noncurrent assets.....	13	13	13
<b>Total Assets .....</b>	<b>1,923</b>	<b>11,187</b>	<b>14,739</b>
Trade and other payables.....	52	52	52
Lease liabilities.....	104	104	104
Due to related parties.....	139	139	139
Retirement Benefit Obligation .....	1	1	1
<b>Total Liabilities .....</b>	<b>296</b>	<b>296</b>	<b>296</b>
<b>Net Asset Value .....</b>	<b>1,627</b>	<b>10,891</b>	<b>14,443</b>
 <b>Issued and outstanding Common Shares (millions) .....</b>	 5,498	 5,498	 6,544
<b>Net asset value per share .....</b>	<b>₱ 0.30</b>	<b>₱ 1.98</b>	<b>₱ 2.21</b>

### Notes:

- (1) Figures are based on the historical audited financial statements of the Company as of December 31, 2021.
- (2) Property, plant and equipment, right of use assets and investment properties were adjusted to fair values based on the independent property valuation report of Cuervo Appraisers.
- (3) Adjusted to include the effect of primary offering and the subsequent acquisition of Bulacan and Cotabato properties

### Item 3. Legal Proceedings

To the best of the Company's knowledge and belief and after due inquiry, none of the Company, the Fund Manager, or the Property Manager is currently involved in any material litigation claims or arbitration, either as plaintiff or defendant, which could be expected to have a material and adverse effect on the Company's financial position.

Apart from the disclosure below, to the best of either the Company's or the Fund Manager's knowledge and belief and after due inquiry, none of the directors, nominees for election as director, or executive officers of the Company, the Fund Manager, or the Property Manager have in the five year period prior to the date of this REIT Plan been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; nor have they been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or from acting as a director, officer, employee, consultant, or agent occupying any fiduciary position.

*NBI Anti-Fraud Division and Atty. Larry T. Iguidez vs. Atty. Steven Y. Dicdican, Et Al. NPS Docket No. XVI-Inv-20k00362.*

This case stemmed from a complaint dated September 3, 2020 filed against several respondents including, Oliver Y. Tan, Edgar B. Saavedra, Jez G. Dela Cruz, and Manuel Louie B. Ferrer (collectively, "**Respondents**"), for violations of (i) Section 3(j) of Republic Act ("RA") No. 3019, (ii) Section 2-A of the Anti-Dummy Law, and (iii) Section 4(g) of RA No. 6713. Complainant alleged that the Respondents handed the operation, administration, and management of the Mactan Cebu International Airport ("**MCIA**"), which is vested in GMR Megawide Cebu Airport Corporation ("**GMCAC**"), a consortium led by Megawide Construction Corporation ("**Megawide**") and the GMR Infrastructure Limited, to foreign nationals in violation of the Constitutional prohibition on having foreign nationals as executive and managing officers of a public utility.

Acting on the complaint, the National Bureau of Investigation ("**NBI**") recommended to the Department of Justice ("**DOJ**") the prosecution of Respondents being members of the Board of Directors of GMCAC for allegedly violating the Anti-Dummy Law. In their Joint Counter-Affidavit dated February 1, 2021, Respondents denied the allegations and explained that 1) the acts cited in the complaint do not constitute managerial or executive functions but are in the nature of public relations which the Respondents, as the members of the board of directors, cannot be expected to personally handle, 2) the engagement of foreign nationals is limited to advisory and/or consultation purposes only, 3) it is the Board of Directors that exercises the corporate powers, conducts the business, and controls all properties of GMCAC and 4) none of the indicators of "dummy status" are present. On July 14, 2021, the Respondents, through counsel, received an Order from the DOJ requiring the parties to submit their respective memoranda within 30 days from receipt of the Order. On August 13, 2021, the Respondents submitted their Memorandum. On October 15, 2021, newspaper articles reported that the DOJ has indicted the GMCAC executives, including the Respondents, for the alleged violation of the Anti-Dummy Law. In a disclosure submitted by Megawide to the PSE on the same date, Megawide clarified that despite reports, it has not received any official documents pertaining the filing of criminal charges against the directors and officers of GMCAC and assured the public that it will respond to this case in the proper forum and expects to do so successfully. On November 26, 2021, Megawide, via the PSE, disclosed that it received information that warrants of arrest against the Respondents have been issued by the Regional Trial Court ("**RTC**") of Lapu-Lapu City and that it is a procedural step to

acquire jurisdiction over the Respondents. The warrants were issued for Criminal Case No. R-LLP-21-01781-CR by Branch 68 of the RTC in Lapu-Lapu City. This has been addressed by the Respondents with the posting of bail and the warrants were lifted and set aside on November 26, 2021. The arraignment was initially scheduled on December 7, 2021 but was deferred to February 9, 2022 in view of the previous filing of a Petition for Review on October 29, 2021 before the Department of Justice.

Based on the same set of facts and circumstances, NBI, unbeknownst to the Respondents at the time, also filed a complaint with the Office of the Ombudsman (OMB-C-C-20-0156 and OMB-C-A-20-0176) against several individuals, including the Respondents for violations of Section 3(e) and (j) of RA No. 3019 and Section 4(g) of RA 6713. A Joint Resolution was issued on July 20, 2021 by the Office of the Ombudsman finding probable cause to indict the Respondents, acting in conspiracy with the other respondents, for violation of Section 3(e) of RA 3019. All the other charges against the Respondents were dismissed. On November 8, 2021, Megawide, via the PSE, disclosed that it received a copy of the Joint Resolution on November 5, 2021. Prior to receiving such joint resolution on November 5, 2021, none of the Respondents obtained or received any notice, subpoena or order from the Office of the Ombudsman directing the submission of their respective counter-affidavits. As a result, they were not given the opportunity to present their defenses and participate in the preliminary investigation. On November 10, 2021, the Respondents filed their Motion for Partial Reconsideration and/or Reinvestigation praying for the dismissal of the complaint for lack of probable cause or, in the alternative, to conduct a reinvestigation to afford the Respondents their right to due process. As of the date of this REIT Plan, Respondents have not received any update, order or resolution from the Office of the Ombudsman.

The Company believes that the pending proceedings disclosed above do not affect the ability or integrity of the directors or executive officers involved.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to the vote of security holders during the fiscal year covered by this report.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

#### **Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

##### *Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters*

##### ***Market Information***

CREIT's common shares are traded on the PSE under the symbol "CREIT." The shares were listed on the PSE on February 22, 2022, hence there is no available data yet on the high and low prices for the period ending December 31, 2021.

The closing price per share of CREIT's common shares at date of listing was Two Pesos and 84/100 (Php 2.84).

As of December 31, 2021, there are **five billion four hundred ninety-eight million one hundred eighty-two thousand four (5,498,182,004)** outstanding common shares registered in the names of the following:

	<b>Stockholder</b>	<b>Number of Common Shares Held</b>	<b>Percentage of Total Shares</b>
a.	Citicore Renewable Energy Corp.	4,579,461,136	83.29%
b.	Citicore Solar Tarlac 1, Inc.	918,720,864	16.71%
c.	Leonilo G. Coronel	1	Nil
d.	Jose M. Layug Jr.	1	Nil
e.	Pacita U. Juan	1	Nil
f.	Elizabeth Anne C. Uychaco	1	Nil
	<b>Total</b>	<b>5,498,182,004</b>	<b>100.00%</b>
	<b>Shares Owned By Foreigners</b>	-	-

The beneficial owners of the shares registered in the name of the PCD Nominee Corporation are the participants of PCD who hold the shares on behalf of their clients, including the top 20 shareholders.

### ***Dividends***

The Company did not declare any dividends for the years ended December 31, 2019, 2020 and 2021. The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders may be entitled to receive at least 90% of the Company's annual Distributable Income. The Company intends to implement an annual cash dividend payout ratio of at least 95% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law and the Revised REIT IRR, including but not limited to the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided for under Section 42 of the Philippine Revised Corporation Code, among others, the terms and conditions of the Company's outstanding loan facilities in the event the Company incurs indebtedness, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, when there is need for special reserve for probable contingencies. The Company intends to declare and pay out dividends on a quarterly basis each year.

The failure to distribute at least 90% of the annual Distributable Income will subject the Company, if such failure remains un-remedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by the Company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90% of the annual Distributable Income may be a ground to delist the Company from the PSE.

On March 9, 2022, the Board of Directors approved the declaration of cash dividends equivalent to P227.9 million based on December 31, 2021 retained earnings to stockholders' on record as of March 23, 2022. The dividends declared are in line with the profit projections as disclosed in the Company's REIT plan. The dividends were taken out from 2021 profit which are substantially based on sales of electricity of the Clark plant. The REIT transactions will have a full year impact in 2022 and the application on dividends and its incentive under the REIT Law applies to the Company in 2022 or at its listing date.

### ***Recent Sales of Unregistered or Exempt Securities***

CREIT has not sold any unregistered securities within the past three (3) years.



## **Item 6. Management's Discussion and Analysis or Plan of Operation**

On May 25, 2021, the Company amended its articles of incorporation to, among others, change the primary purpose of the business from operation of renewable energy power-generating plant to a REIT Company. Upon SEC approval on the amended Articles of Incorporation, the Company also executed several lease contract with solar operating plants, lessees whereby Armenia and Dalayap properties shall commence lease contract on November 1, 2021 and Toledo and Silay properties shall commence on January 1, 2022.

On October 13, 2021, the Company assigned its Service Contract to operate the Clark Solar Plant to CREC and accordingly, on the same date, executed lease contract beginning November 1, 2021 for a period 18 years. The assignment of service contract was approved on December 24, 2021, hence, the commencement date of the lease was moved to January 1, 2022.

The foregoing financial statements as of and for the year ended December 31, 2021, 2020 and 2019 pertains to the operation and maintenance of the Clark Plant while the lease income for Dalayap and Armenia represents two months duration only in 2021.

The Company is expected to fully operate as a REIT Company beginning January 1, 2022 with the infusion of two properties also in Bulacan and Cotabato in 2022.

### ***FY2021 vs FY2020***

#### ***Results of Operations***

*Review of results for the year ended December 31, 2021 as compared with the results for the year ended December 31, 2020.*

#### ***Year ended December 31, 2021 compared with year ended December 31, 2020***

##### ***Revenues***

The Company's revenues pertain to sale of electricity and lease revenues amounting to ₱352.3 million and ₱269.1 million for the years ended December 31, 2021 and 2020, respectively.

Revenues increased by P83.2 million or 31%. The Company's land rental income amounting to P17.8 million which represents rental from two properties which commenced on November 1, 2021. Meanwhile, electricity sales increased by P65.4 million primarily due to the feed in tariff rate adjustment.

##### ***Cost of services***

The Company's cost of services decreased by P20.4 million or 22% or amounted to ₱74.2 million and ₱94.6 million for the years ended December 31, 2021 and 2020, respectively which majority pertain to depreciation of the Clark Solar Power Plant reported under property, plant and equipment. The decrease in costs of services pertains to the reversal of retirement benefit obligation amounting to P5.5 million and the recalibration of the accrual of taxes and licenses with actual tax payments which resulted to a decrease in expense by P16.7 million.

### *Gross Profit*

The Company's gross profit stands at ₱278.1 million and ₱174.5 million for the years ended December 31, 2021 and 2020, respectively. The increase in gross profit is in line with the increase in revenue and decrease cost of services in 2021.

### *Operating expenses*

The Company's operating expenses increased by ₱49.0 million, or 613% from ₱8.0 million for the year ended December 31, 2020 to ₱57.0 million for the year ended December 31, 2021, primarily due to expenses related to the Company's initial public offering (IPO). For purposes of recognition, IPO cost are allocated between the primary and secondary shares where the amount allocated to secondary shares are recognized in profit or loss while the amount allocated to primary shares will be deducted against Additional Paid In Capital at the time of offer.

### *Other expenses - net*

The Company's other expenses – net decreased by ₱58.9 million, or 94% from ₱63.4 million for the year ended December 31, 2020 to ₱3.4 million for the year ended December 31, 2021, primarily due to the decrease in the Company's interest expense as a result of the Company's capital restructuring initiatives.

### *Income before income tax*

As a result of the foregoing, the Company's income before income tax increased by ₱113.6 million, or 109% from ₱104.1 million for the year ended December 31, 2020 to ₱217.7 million for the year ended December 31, 2021 due to significant increase in gross profit and decrease in finance costs.

### *Income tax benefit*

The Company's income tax benefit increased by ₱8.2 million, or 100% from nil for the year ended December 31, 2020 for the year ended December 31, 2021, due to the recognition of deferred tax asset on Net Operating Losses arising from non-ITH activities. The Company's sale of electricity is covered by its seven-year income tax holiday with BOI.

### *Net income*

As a result of the foregoing, the Company's net income increased by ₱121.8 million, or 117% from ₱104.1 million for the year ended December 31, 2020 to ₱225.9 million for the year ended December 31, 2021.

## ***Year ended December 31, 2020 compared with year ended December 31, 2019***

### *Revenues*

The Company's total revenues increased by 8% or ₱21.1 million from ₱248.0 million for the year ended December 31, 2019 to ₱269.1 million for the year ended December 31, 2019. Increase in revenue was due to increase in output generation for the period as a result of normalized irradiation and outages from 2019.

### *Cost of services*

The Company's cost of services decreased by P3.8 million or 4% from ₱94.6 million in 2020 to P98.4 million in 2019 primarily due to the Company's cost management initiatives in operating and managing the Clark Plant.

### *Gross Profit*

The Company's gross profit stands at ₱174.5 million in 2020 to P149.6 million in 2019 which translated to an increase of P24.8 million or 17% due to the increase in revenue and cost of service reductions.

### *Operating expenses*

The Company's operating expenses increased by ₱4.6 million, or 136% from ₱3.4 million for the year ended December 31, 2019 to ₱7.9 million for the year ended December 31, 2020, primarily due to higher business taxes as a result of higher revenues and recognition of provision on doubtful accounts amounting to P1.9 million.

### *Other expenses - net*

The Company's other expenses – net decreased by ₱4.3 million, or 65% from ₱66.7 million for the year ended December 31, 2019 to ₱62.4 million for the year ended December 31, 2020, primarily due to a decrease in finance costs resulting from a partial principal loan repayment of ₱5 million, and the granting by the Government of a 30-day grace period for all loans with principal and/or interest falling due within the ECQ period without incurring any additional interest, penalties, fees and other charges pursuant to the Bayanihan Act.

### *Net Income*

As a result of the foregoing, the Company's net income increased by ₱24.5 million, or 31% from ₱79.6 million for the year ended December 31, 2019 to ₱104.1 million for the year ended December 31, 2020. The increase is driven by the increase in gross profit and reduction in other expenses – net.

## ***Year ended December 31, 2019 compared with year ended December 31, 2018***

### *Revenues*

The Company's total revenues decreased by ₱12.4 million from ₱260.4 million to ₱248.0 million for the years ended December 31, 2019 and December 31, 2018, respectively. Decrease in revenue was due to decrease in output generation of the Clark solar plant as a result of unusually lower irradiation for the period and various external outages.

### *Cost of services*

The decrease in the Company's cost of services by ₱41.0 million, or 29% from ₱139.4 million for the year ended December 31, 2018 to ₱98.4 million for the year ended December 31, 2019, is due to the change in the estimated life of the transmission lines and solar panel modules of the Company for the Clark Solar Power Plant from 23 years to 15 to 30 years, respectively which was approved by the Board in 2019.

### *Gross Profit*

As a result of the lower cost of services, the Company's gross profit increased by ₱28.6 million, or 24% from ₱121.0 million for the year ended December 31, 2018 to ₱149.6 million for the year ended December 31, 2019.

### *Operating expenses*

The Company's operating expenses decreased by ₱43.7 million, or 93% from ₱47.1 million for the year ended December 31, 2018 to ₱3.4 million for the year ended December 31, 2019, primarily due to management fee billing of P33 million, receivable write-off of P4 million and increase in various other costs.

### *Other expenses - net*

The Company's other expenses – net increased by ₱6.2 million, or 10% from ₱60.5 million for the year ended December 31, 2018 to ₱66.7 million for the year ended December 31, 2019, primarily due to the decrease in foreign exchange gain or loss and interest charges arising from foreign currency denominated loan from a shareholder.

### *Net income*

As a result of the foregoing, the Company's net income increased by ₱66.2 million, or 493% from ₱13.4 million for the year ended December 31, 2018 to ₱79.6 million for the year ended December 31, 2019.

## **FINANCIAL POSITION**

### ***As of December 31, 2021 compared with as of December 31, 2020***

#### Assets

The Company's total assets amounted to ₱1.9 billion as of December 31, 2021, which was ₱127.6 million, or 7% higher than the Company's total assets of ₱1.8 billion as of December 31, 2020.

#### *Cash and cash equivalents*

The Company's cash and cash equivalents decreased by ₱22.7 million or 32% to ₱49.0 million as of December 31, 2021, compared to ₱71.7 million as of December 31, 2020, due to payments made related to the Company's IPO.

#### *Trade and other receivables - current*

The Company's trade and other receivables – current increased by ₱0.1 million to ₱41.9 million as of December 31, 2021, compared to ₱42.0 million as of December 31, 2020, due to recognition of straight line PFRS lease adjustment amounting to P2.5 million.

#### *Due from related parties*

The Company's due from related parties decreased by ₱216.9 million or 100% due to collection of said advances.

#### *Other current assets*

The increase of ₱42.6 million or 367% in the Company's other current assets from ₱11.6 million as of December 31, 2020, to ₱54.2 million as of December 31, 2021, is mainly related to payments made to consultants in relation to the Offer. These will be recognized as a deduction against additional paid-in capital upon completion of the Offer.

#### *Trade and other receivables – noncurrent*

The Company's trade and other receivables – noncurrent increased by ₱86.0 million or 100% as a result of recognition of feed in tariff rate adjustment which shall be payable over the five-year period.

#### *Property, plant and equipment – net*

The Company's property, plant and equipment – net is comprised of the Clark Solar Power Plant leased out to CREC as the solar power plant operator, amount to ₱1,331.2 million as of December 31, 2021 which is ₱59.2 million or 4% lower compared with ₱1,390.3 million as of December 31, 2020. The decrease is due to depreciation charges for the period.

#### *Investment properties*

The Company's investment properties, which comprise of parcels of land leased out to solar power plant operators, amount to ₱234.5 million as of December 31, 2021. The increase is mainly related to asset-for-share of Armenia property in 2021.

#### *Right-of-use assets*

The Company's right-of-use assets increased by ₱51.3 million or 129% from ₱39.7 million as of December 31, 2020, to ₱91.0 million as of December 31, 2021 due to additional lease contract executed between the Company and the owner of Dalayap property for the lease of land where Citicore Solar Tarlac 2 operates its solar plant. Movement in the right-of-use assets was also offset by the amortization of such assets for the year ended December 31, 2021.

#### *Deferred tax asset*

The Company's increase in deferred tax asset of ₱8.2 million or 100% from nil as of December 31, 2020, to ₱8.2 million as of December 31, 2021 was due to recognition of Net Operating Loss Carried Over on Lease Segment. For tax purposes, sale of electricity is still under income tax holiday.

#### *Other noncurrent assets*

The Company's other noncurrent assets, which pertains to security deposit, increased by ₱3.8 million or 42% from ₱9.0 million as of December 31, 2020 to ₱12.8 million as of December 31, 2021 due to additional security deposits required to be made by the Company under its lease contract with Clark Development Corporation.

#### Liabilities

The Company's total liabilities amounted to ₱280.8 million as of December 31, 2021, which was ₱935.4 million, or 77% lower than the Company's total liabilities of ₱1,216.1 million as of December 31, 2020.

#### *Trade and other payables*

The Company's trade and other payable decreased by ₱74.2 million or 59% from ₱125.6 million as of December 31, 2020, to ₱51.4 million as of December 31, 2021 due to the decrease in accrued interest pursuant to the assignment of its bank loan to CREC.

#### *Due to related parties – current portion*

The Company's due to related parties – current portion amounted to ₱56.1 million as of December 31, 2021 and pertains to the portion of the loan payable of the Company expected to be settled within one year which was reclassified from due to related parties – net of current portion. The Company's due to related parties pertains to the amount of the loan payable of the Company which was assigned by the Company to CREC and which was not converted to equity.

#### *Loans payable – current*

The Company did not have any loan payable – current as of December 31, 2021, compared to ₱126.4 million as of December 31, 2020. Pursuant to the Conversion of Advances, the Company's assigned its bank loan payable to CREC.

#### *Lease liabilities – current*

The Company's lease liabilities - current increased by ₱1.0 million or 330% from ₱0.3 million as of December 31, 2020, to ₱1.3 million as of December 31, 2021 due to the reclassification of current lease liabilities from the non-current portion.

#### *Loans payable – net of current portion*

The Company did not have any loan payable – net of current portion as of December 31, 2021. The decrease in the amount of ₱909.8 million as of December 31, 2020 was due to the assignment of bank loan payable to CREC in 2021.

#### *Lease liabilities – net of current portion*

The Company's lease liabilities – net of current portion increased by ₱52.1 million or 102% from ₱51.1 million as of December 31, 2020, to ₱103.1 million as of December 31, 2021 due to the increase in right-of-use assets brought about by the additional lease contract executed by the Company with the owner of Dalayap property.

#### *Due to related parties – net of current portion*

The Company's due to related parties – net of current portion increased by ₱68.5 million or 100% from nil as of December 31, 2020, to ₱68.5 million as of December 31, 2021 due to the reclassification of a portion of the loan payable of the Company expected to be settled beyond one year. The Company's due to related parties pertains to the amount of the loan payable of the Company which was assigned by the Company to CREC and which was not converted to equity.

## *Equity*

The Company's Equity stands at ₱1,628.0 million as of December 31, 2021, which increased by ₱1,062.9 million or 188%, from ₱565.1 million as of December 31, 2020, mainly relating to various debt to equity conversion and asset for share swap which increased capital stock by P834.5 million and the net income for the period amounting to P225.6 million.

### ***As of December 31, 2020 compared with as of December 31, 2019***

## Assets

The Company's total assets amounted to ₱1.8 billion as of December 31, 2020, which was ₱94.1 million, or 6% higher than the Company's total assets of ₱1.7 billion as of December 31, 2019.

### *Cash and cash equivalents*

The Company's cash and cash equivalents increased by ₱24.7 million or 523% to ₱71.7 million as of December 31, 2020, compared to ₱47.1 million as of December 31, 2019, due to cash generated from the Company's operations and lower debt service in 2020 as the Company availed of the deferments granted under the Bayanihan Act.

### *Trade and other receivables*

The Company's trade and other receivables increased by ₱3.7 million or 10% to ₱42.0 million as of December 31, 2020, compared to ₱38.3 million as of December 31, 2019, due to higher revenue billings for the months of November and December compared with 2019.

### *Due from related parties*

The Company's Due from related parties increased by ₱126.6 million or 140% to ₱216.9 million as of December 31, 2020, compared to ₱90.4 million as of December 31, 2019, due to cash sweep policy of the Group to consolidate unutilized cash at the holding level.

### *Other current assets*

The increase of ₱0.2 million or 1% in the Company's other current assets from P11.4 million as of December 31, 2019 to ₱11.6 million as of December 31, 2020, is mainly related to advance payments made to a service provider, who will be billed after rendering full service.

### *Property, plant and equipment – net*

The Company's property, plant and equipment – net consisted of the Clark Solar Power Plant, and amounted to ₱1,390.3 million as of December 31, 2020, which is ₱59.2 million or 4.1% lower compared with ₱1,449.5 million as of December 31, 2019. The decrease is due to depreciation charges for the period.

### *Right-of-use assets*

The Company's right-of-use assets decreased by ₱2.1 million or 5% from ₱41.8 million as of December 31, 2019, to ₱39.7 million as of December 31, 2020 due to amortization of such assets recognized in 2020.

#### *Other noncurrent assets*

The Company's other noncurrent assets, which pertains to security deposit increased slightly by P0.3 million or 4% due to small adjustments on bill deposits.

#### Liabilities

The Company's total liabilities amounted to ₱1,216.1 million as of December 31, 2020, which was ₱10.0 million, or 1% lower than the Company's total liabilities of ₱1,226.1 million as of December 31, 2019.

#### *Trade and other payables*

The Company's trade and other payable increased by ₱47.2 million or 60% from ₱78.4 million as of December 31, 2019, to ₱125.6 million as of December 31, 2020 due to the deferral by the Company of its principal loan repayment and interest due on its loan payable, resulting in higher interest accrual for the year.

#### *Loans payable – current*

The Company's loans payable - current increased by ₱5.5 million or 5% from ₱120.9 million as of December 31, 2019, to ₱126.4 million as of December 31, 2020 due to increase in expected principal payments for the next year based on the loan amortization schedule with the bank.

#### *Lease liabilities – current*

The Company's lease liabilities - current increased by ₱0.3 million or 1,287% from ₱21,201 as of December 31, 2019, to ₱0.3 million as of December 31, 2020 due to increase in expected lease payment for the next year.

#### *Loans payable – noncurrent*

The Company's loans payable - noncurrent decreased by ₱64.5 million or 7% from ₱974.3 million as of December 31, 2019, to ₱909.8 million as of December 31, 2020 due to principal payments made during the period.

#### *Lease liabilities – net of current portion*

The Company's lease liabilities – net of current portion decreased by ₱0.3 million or 1% from ₱51.4 million as of December 31, 2019, to ₱51.1 million as of December 31, 2020 due to lease payments made during the period.

#### *Retirement Benefit Obligation*

The Company's retirement benefit obligation increased by ₱2.9 million or 100% due to recognition of post-employment benefit obligation based on the provisions of Republic Act 7641, Retirement Law.

#### *Other noncurrent liabilities*

The Company's other noncurrent liabilities of ₱1.1 million as of December 31, 2019 represents asset retirement obligations in 2019 relating to restoration costs of the leased land to its original condition upon the termination of the lease agreement. In 2020, the Company reversed the full amount of



provision as management assessed that this is no longer expected to be settled or incurred upon termination of the lease agreement.

#### *Equity*

The Company's Equity stands at ₱565.1 million as of December 31, 2020, which increased by ₱104.1 million or 23%, from ₱461.0 million as of December 31, 2019, mainly relating to net income for the period.

#### ***As of December 31, 2019 compared with as of December 31, 2018***

#### Assets

The Company's total assets amounted to ₱1.7 billion as of December 31, 2019, which was ₱5.7 million higher than the Company's total assets of ₱1.5 billion as of December 31, 2018.

#### *Cash and cash equivalents*

The Company's cash and cash equivalents decreased by ₱39.7 million or 46% to ₱47.1 million as of December 31, 2019, compared to ₱86.8 million as of December 31, 2018, due to debt service made during the year.

#### *Trade and other receivables*

The Company's trade and other receivables decreased by ₱25.2 million or 40% to ₱38.3 million as of December 31, 2020, compared to ₱63.5 million as of December 31, 2019, due to collections of overdue accounts with Transco.

#### *Due from related parties*

The Company's Due from related parties increased by ₱90.4 million or 100%, due to cash sweep policy of the Group to consolidate unutilized cash at the holding level.

#### *Other current assets*

The decrease of ₱1.2 million or 9% in the Company's other current assets from ₱12.6 million as of December 31, 2019 to ₱11.4 million as of December 31, 2019, is mainly related to change in timing of insurance payment and covered period which reduced prepaid insurance by the same amount.

#### *Property, plant and equipment – net*

The Company's property, plant and equipment – net consisted of the Clark Solar Power Plant amounted to ₱1,449.5 million as of December 31, 2019, which is ₱59.0 million or 4% lower compared with ₱1,508.5 million as of December 31, 2018. The decrease is due to depreciation charges for the period.

#### *Right-of-use assets*

The Company's right-of-use assets increased by ₱41.8 million or 100% as a result of adoption of the new accounting standards, PFRS 16, *Leases*, where operating leases are required to be recognized as right of use assets.

#### *Other noncurrent assets*

The Company's other noncurrent assets, which pertains to security deposit decreased by P1.4 million or 14% due to reclassification of prepaid rental to right of use assets as a result of adoption of the new accounting standards, PFRS 16, *Leases*.

#### Liabilities

The Company's total liabilities amounted to ₱1,226.1 million as of December 31, 2019, which was ₱73.0 million, or 6% lower than the Company's total liabilities of ₱1,300.0 million as of December 31, 2018.

#### *Trade and other payables*

The Company's trade and other payable increased by ₱15.8 million or 25% from ₱62.6 million as of December 31, 2019, to ₱78.4 million as of December 31, 2020 due to accrual of government related taxes.

#### *Loans payable – current*

The Company's loans payable - current increased insignificantly by ₱0.2 million from ₱120.7 million as of December 31, 2018, to ₱120.9 million as of December 31, 2019 due to increase in expected principal payments for the next year based on the loan amortization schedule with the bank.

#### *Lease liabilities – current*

The Company's lease liabilities - current increased by ₱21,201 or 100% as a result of adoption of the new accounting standards, PFRS 16, *Leases*

#### *Loans payable – noncurrent*

The Company's loans payable - noncurrent decreased by ₱120.9 million or 11% from ₱1,095.3 million as of December 31, 2018, to ₱974.3 million as of December 31, 2019 due to principal payments made during the period.

#### *Lease liabilities – net of current portion*

The Company's lease liabilities – net of current portion increased by ₱51.4 million or 100% as a result of adoption of the new accounting standards, PFRS 16, *Leases*.

#### *Other noncurrent liabilities*

The Company's other noncurrent liabilities of ₱10.5 million as of December 31, 2018 decreased by P9.4 million or 90% to P1.1 million as of December 31, 2019 due to reclassification lease equalization as a result of adoption of the new accounting standards, PFRS 16, *Leases*. In 2018, the provision for lease equalization pertains to the additional liability resulting from the application of straight-line method to lease payments under the lease of land.

#### *Equity*

The Company's Equity stands at ₱461.0 million as of December 31, 2019, which increased by ₱79.6 million or 21%, from ₱381.4 million as of December 31, 2019, mainly relating to net income for the period.

### Material Events and Uncertainties

There are no other material changes in CREIT's financial position by five percent (5%) or more and no condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change the reported financial information and condition of CREIT.

Other than the impact of COVID-19 on the business which is disclosed in Note 25 of the audited financial statements or **Exhibit "2"**, there are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing CREIT's liquidity in any material way. CREIT does not anticipate having any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance transactions, arrangements, obligations (including contingent obligations), and other relationships of CREIT with unconsolidated entities or other persons created during the reporting period.

CREIT has a capital commitment to utilize the proceeds it received last February 22, 2022 from primary shares offering amounting to Two Billion Five Hundred Seven Million Nine Hundred Eighteen Pesos (PhP 2,507,918.00) for the acquisition of Bulacan and Cotabato properties. Other than that, there are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of CREIT.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of CREIT.

There are no material events subsequent to 31 December 2021 that have not been reflected in the audited financial statements or **Exhibit "2"** of the Company.

### Liquidity and Capital Resources

As regards internal and external sources of liquidity, the Company's funding is sourced from internally generated cash flows, and also from borrowings or available credit facilities from other local and international commercial banks.

There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business. Additionally, there is no significant element of income not arising from continuing operations.

There have not been any seasonal aspects that had a material effect on the financial condition or results of operations of CREIT.

### Cash Flows

The following table sets forth information from CREIT's audited statements of cash flows for the periods indicated:

<b>(Amounts in PhP Millions)</b>	<b>For the years ended December 31</b>		
<b>Cash Flow</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net cash provided by operating activities	51	120	150
Net cash used in investing activities	-	-	-
Net cash used in financing activities	(74)	(95)	(190)

### Key Performance Indicators (KPIs)

CREIT's KPIs are as follows:

<b>All Ratios except Earnings per Share and Book Value per Share</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current Ratio <sup>1</sup>	1.33	1.36	0.94
Debt to Equity Ratio <sup>2</sup>	-	1.83	2.38
Book Value Per Share <sup>3</sup>	0.30	8.06	-0.51
Earnings per Share <sup>4</sup>	0.08	0.04	0.03
Return on Assets <sup>5</sup>	0.12	0.06	0.05
Return on Equity <sup>6</sup>	0.21	0.20	0.19
Net Profit Margin <sup>7</sup>	0.64	0.39	0.32

The KPIs were chosen to provide management with a measure of CREIT's sustainability on financial strength (Current Ratio and Debt to Equity Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Net Profit Margin).

### Risk Management Objectives and Policies

CREIT is exposed to a variety of financial risks in relation to its financial instruments. Its risk management is coordinated with the Board of Directors and focuses on actively securing CREIT's short-to-medium term cash flows by minimizing the exposure to financial markets.

CREIT does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are market risk, credit risk and liquidity risk. The detailed discussion of the impact of these risks are discussed in Note 32 of the consolidated audited financial statements or **Exhibit "2"**.

## **Item 7. Financial Statements**

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<sup>1</sup> Current Assets/Current Liabilities

<sup>2</sup> Interest bearing loans and borrowings /Stockholder's Equity

<sup>3</sup> Total Equity/Issued and Outstanding Shares

<sup>4</sup> Net Profit/Issued and Outstanding Shares

<sup>5</sup> Net Profit/Average Shares

<sup>6</sup> Net Profit/Average Equity

<sup>7</sup> Net Profit/Revenue

CREIT's audited financial statements and the supplementary schedules to the same, which were submitted to the Bureau of Internal Revenue are attached hereto as **Exhibit "2"**.

## **Item 8. Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure**

### External Audit Fees and Services

The following table sets out the aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by CREIT's external auditors:

Particulars	Nature	Audit Fees (amounts in PhP) For the years ended December 31		
		2021	2020	2019
Maceda Valencia & Co	Audit of Financial Statements	-	-	150,000.00
Isla Lipana & Co. ("PwC Philippines")	Audit of Financial Statements	300,000.00	100,000.00	-
	Agreed Upon Procedures – Increase in authorized capital stock	75,000.00	-	-
	Pro-forma Financials Adjustments	150,000.00	-	-
	Circle-up procedures	1,500,00.00	-	-
	Q2 Financial Statements Audit and Proforma	680,000.00	-	-
	Q3 Financial Statements Audit	350,000.00	-	-
	Q3 Proforma Financial Statements	300,000.00	-	-
	Prospectus Circle-Up (for Preferred Shares Offering)	500,000.00	-	-

### ***The Board's Audit and Risk Oversight Committee (AROC)***

The AROC is composed of Mr. Leonilo G. Coronel, *Chairman of the AROC*, Ms. Elizabeth Anne C. Uychaco, *Vice Chairman of the AROC*, and Atty. Jose M. Layug, Jr.

The AROC is required to pre-approve all audit and non-audit services to be rendered by independent accountants and approve the engagement fee and any other compensation to be paid to such independent accountants. When deciding whether to approve these items, the AROC takes into account whether the provision of any non-audit service is compatible with the independence standards under the guidelines of the SEC. To assist in this undertaking, the AROC communicates with the external auditors with regard to any relationship or services that may impact their objectivity and independence and, if appropriate, recommends that the Board take the necessary action to ensure their independence.

### ***Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure***

The name of the handling partner for the auditor of CREIT is as follows:

<b>Auditor</b>	<b>Year</b>	<b>Handling Partner</b>
Isla Lipana & Co. (“ <b>PwC Philippines</b> ”)	2021 and 2020	2020 to 2021 – <i>Pocholo Domondon</i>

CREIT did not have any disagreements with its internal auditors or independent accountants on any matter of accounting principles or practices, financial statements, disclosures, or auditing scope or procedures.

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Executive Officers of CREIT**

##### *Directors and Executive Officers*

As of December 31, 2021, CREIT is governed by a Board of eight (8) directors, composed of the following:

1. Mr. Edgar B. Saavedra, *Chairman of the Board*;
2. Mr. Manuel Louie B. Ferrer, *Director*;
3. Mr. Oliver Y. Tan, *Director CEO, and President*;
4. Mr. Jez Dela Cruz, *Director*;
5. Mr. Leonilo G. Coronel, *Independent Director*;
6. Atty. Jose M. Layug, Jr., *Independent Director*; and
7. Ms. Pacita U. Juan, *Independent Director*;
8. Ms. Elizabeth Anne C. Uychaco, *Independent Director*.

Moreover, CREIT management team is also headed by Mr. Edgar B. Saavedra, a licensed civil engineer, who has been practicing for over twenty (20) years.

The directors shall hold office for one (1) year or until their successors are elected and qualified. The first directors are also the incorporators. The annual meeting of the stockholders shall be held every first Monday of April each year.

The Board is responsible for the direction and control of the business affairs and management of CREIT, and the preservation of its assets and properties. No person can be elected as director of CREIT unless he or she is a registered owner of at least 1 voting share of CREIT.

Pursuant to SEC Memorandum Circular (M.C.) No. 19, Series of 2016, the Company adopted its New Manual on Corporate Governance (Manual). In accordance with Section VI (5) (a) of the Manual, the Board shall have at least three (3) independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher. At present, four (4) members of the Board are independent directors.

Meanwhile, the Amended Articles of Incorporation and By-Laws of CREIT provide that the eight (8) directors shall include such number of independent directors as may be required by law.

## Board of Directors

The table below sets forth each member of CREIT's Board, as of December 31, 2021.

Name	Age	Citizen ship	Positions	Term of Office	Directorships Held in Other Companies/ Business Experience
Edgar B. Saavedra	46	Filipino	Chairman of the Board,	Yearly	Chairman of the Board, MWMTI, MTI, Altria, PH1, Cebu2World, CIHI, CMCI, MLI, Wide-Horizons, Citicore Power Inc. ("CPI"), CREC, Citicore Negros Occidental, Citicore Bataan, Citicore Solar Cebu, Inc., Citicore South Cotabato, Citicore Tarlac 1, Citicore Tarlac 2, Citicore Bulacan, Citicore Solar Energy Corporation ("CSEC"), Greencore Power Solutions 1, Inc. ("GPS1"), Greencore Power Solutions 2, Inc. ("GPS2"), Greencore Power Solutions 3, Inc. ("GPS3"), Sunny Side Up Power Corp. ("SSUPC"), Rio Norte Hydropower Corp. ("RNHC"), Himamaylan Biomass Power Inc., Corebiomass Power Inc., Verdecare Power Solutions, Inc. ("VPSI"), Sikat Solar Holdco Inc. ("SSHI"), Citicore Solar Holdings, Inc. ("CSHI"), Citicore Biomass Corporation, Citicore Candlewick BioEnergy, Inc., Citicore Candlewick Biotech Corp., Citicore Candlewick Plantations Inc., Citicore Summa Water Corporation, Citicore Summa Water Iloilo, Incorporated, Citicore Summa Water Iloilo Bulk, Incorporated, Citicore Summa Water Lapu-Lapu, Incorporated, MCC-Citicore Construction, Inc. and CitiRetail Power Corp. Director and Vice President, MCFI Director, GMCAC and GMI
Oliver Y. Tan	43	Filipino	Director, CEO, and President	Yearly	Director, CEO and President of CPI, CREC, Citicore Negros Occidental, Citicore Bataan, Citicore Solar Cebu, Inc., Citicore South Cotabato, Citicore Tarlac 1, Citicore Tarlac 2, Citicore Bulacan, CSEC, GPS1, GPS2, GPS3 and SSUPC Director and President, CIHI, CMCI, RNHC, Himamaylan Biomass Power Inc., Corebiomass Power Inc., VPSI, SSHI, CSHI, Citicore Biomass Corporation, Citicore Candlewick BioEnergy, Inc., Citicore Candlewick Biotech Corp., Citicore Candlewick Plantations Inc., Citicore Summa Water Corporation, Citicore Summa Water Iloilo, Incorporated, Citicore

					Summa Water Iloilo Bulk, Incorporated, Citicore Summa Water Lapu-Lapu, Incorporated, MCC-Citicore Construction, Inc. and CitiRetail Power Corp. Director and Treasurer, MTI and MLI Director, CMCI and MWCCI Director and Corporate Secretary, FSMI and IRMO
Manuel Louie B. Ferrer	46	Filipino	Executive Director, Infrastructure Development and Chief Corporate Affairs and Branding Officer	Yearly	Chairman of the Board and President, MCFI Vice Chairman of the Board, PH1 Director and President, GMCAC, MWMTI, MTI, Altria, Cebu2World, and Wide-Horizons Director, CPI, CREC, Citicore Bataan, Citicore Negros Occidental, Citicore Solar Cebu, Inc., Citicore South Cotabato, Citicore Tarlac 1, Citicore Tarlac 2, Citicore Bulacan, CSEC, GPS1, SSUPC, RNHC, GPS2, Himamaylan Biomass Power, Inc., Corebiomass Power Inc., VPSI, SSHI, CSHI, Citicore Biomass Corporation, Citicore Candlewick BioEnergy, Inc., Citicore Candlewick Biotech Corp., Citicore Candlewick Plantations Inc., Citicore Summa Water Corporation, Citicore Summa Water Iloilo, Incorporated, Citicore Summa Water Iloilo Bulk, Incorporated, Citicore Summa Water Lapu-Lapu, Incorporated, MCC-Citicore Construction, Inc., PH1, MLI, and GMI Managing Director, MagicWorx Licensing Inc. Former Associate Marketing Engineer, OCB International Co., Ltd
Jez Dela Cruz	36	Filipino	Director and Treasurer	Yearly	Director, CPI, CREC, GPS3, GMCAC, and GMI AVP for Corporate Finance and Planning – Megawide Senior Manager – BPI Capital Corporation
Leonilo G. Coronel	75	Filipino	Independent Director	Yearly	Vice Chairman and Director, Philippine National Bank Director, DBP Daiwa Securities, RBB Microfinance Foundation, Software Ventures International Corporation Previous Independent director, Megawide Construction Corp.
Jose M. Layug, Jr.	50	Filipino	Independent Director	Yearly	Senior Partner, Puno and Puno Law Offices Dean, University of Makati School of Law President, Developers of Renewable Energy for Advancement, Inc. Chairman, Department of Energy's National Renewable Energy Board



Pacita U. Juan	66	Filipino	Independent Director	Yearly	President, M.D, Juan Enterprises, Inc. Vice President for Finance and Treasurer, Centro Mfg. Corporation Treasurer, Peace and Equity Holdings, Inc.
Elizabeth Anne C. Uychaco	65	Filipino	Independent Director	Yearly	Senior Vice President, SM Investment Corporation Director and Vice Chairman, Belle Corporation Chairman, NEO Group Director, Republic Glass Corporation, Goldilocks and PULS

#### ***Executive Officers Who Are Not Directors***

The table below sets forth the officers of CREIT, as of December 31, 2021.

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>	<b>Term of Office</b>	<b>Directorships Held in Other Companies/ Business Experience</b>
Mia Grace Paula S. Cortez	39	Filipino	Chief Financial Officer	Yearly	Director and Chairman, Citicore Energy Solutions, Inc. Director and Treasurer, Citicore Tarlac 1, CSEC, SSUPC, Citicore Biomass Corporation Director, GPS1, GPS2, Himamaylan Biomass Power Inc., Corebiomass Power Inc., VPSI, Director, Cebu2World AVP & Group Comptroller, Megawide Construction Corp. Senior Manager, Punongbayan & Araullo
Raymund Jay S. Gomez	50	Filipino	Compliance Officer	Yearly	Director, Altria, CIHI, CMCI, MLI, MTI, and MWMTI Chief Legal Officer, Compliance Officer, and Data Protection Officer – Megawide Construction Corp. VP-Human Resources, Legal, and Regulatory Affairs Department, Beneficial Life Insurance Company, Inc.

					AVP-Legal and Corporate Services Department, Aboitiz Equity Ventures, Inc. Director of Corporate Legal Affairs and Litigation Department, JG Summit Holdings, Inc.
Michelle A. Magdato	33	Filipino	Investor Relations Officer	Yearly	None
Jaime P. Del Rosario	35	Filipino	Corporate Secretary	Yearly	Director and Corporate Secretary, Citicore Energy Solutions, Inc., Citicore Negros Occidental, Citicore Bataan, Citicore Cebu, Citicore South Cotabato, Citicore Tarlac 2, Citicore Bulacan, Inc., SSHI, CSHI, MCC-Citicore Construction, Inc., CitiRetail Power Corp., Director, Citicore Property Managers, Inc.
James A. Jumalon	35	Filipino	Assistant Corporate Secretary	Yearly	None.

#### Attendance of Directors to Board and Committee Meetings

The tables below set forth the attendance of CREIT's Directors to Board and Board Committee meetings held from January 01, 2021 to December 31, 2021:

#### **Board of Directors' Meetings**

	Name	Date of Election	No. of Meetings Held (Regular and Special)	No. of Meetings Attended	%
<b>Chairman</b>	Edgar B. Saavedra	May 25, 2021	7	7	100
<b>Member</b>	Manuel Louie B. Ferrer	May 25, 2021	7	7	100
<b>Member</b>	Oliver Y. Tan	May 25, 2021	7	7	100
<b>Member</b>	Jez G. Dela Cruz	May 25, 2021	7	7	100
<b>Member (Independent)</b>	Leonilo G. Coronel	May 25, 2021	7	7	100
<b>Member (Independent)</b>	Jose M. Layug, Jr.	May 25, 2021	7	7	100
<b>Member (Independent)</b>	Pacita U. Juan	May 25, 2021	7	7	100

<b>Member (Independent)</b>	Elizabeth Anne C. Uychaco	May 25, 2021	7	7	100
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#### ***Executive Committee***

<b>Board</b>	<b>Name</b>	<b>Date of Election</b>	<b>No. of Meetings Held (Regular and Special)</b>	<b>No. of Meetings Attended</b>	<b>%</b>
<b>Chairman</b>	Edgar B. Saavedra	May 25, 2021	0	0	0
<b>Member</b>	Oliver Y. Tan	May 25, 2021	0	0	0
<b>Member</b>	Manuel Louie B. Ferrer	May 25, 2021	0	0	0
<b>Member</b>	Jez G. Dela Cruz	May 25, 2021	0	0	0

#### ***Audit and Risk Oversight Committee Meetings***

<b>Board</b>	<b>Name</b>	<b>Date of Election</b>	<b>No. Of Meetings Held (Regular and Special)</b>	<b>No. of Meetings Attended</b>	<b>%</b>
<b>Chairman</b>	Leonilo G. Coronel	May 25, 2021	0	0	0
<b>Member</b>	Jose M. Layug, Jr.	May 25, 2021	0	0	0
<b>Member</b>	Elizabeth Anne C. Uychaco	May 25, 2021	0	0	0

#### ***Related Party Transaction Review & Compliance Committee Meetings***

<b>Board</b>	<b>Name</b>	<b>Date of Election</b>	<b>No. Of Meetings Held (Regular and Special)</b>	<b>No. of Meetings Attended</b>	<b>%</b>
<b>Chairman</b>	Jose M. Layug, Jr.	May 25, 2021	0	0	0
<b>Member</b>	Elizabeth Anne C. Uychaco	May 25, 2021	0	0	0
<b>Member</b>	Leonilo G. Coronel	May 25, 2021	0	0	0

#### ***Nominations, Compensation & Personnel Committee Meetings***

<b>Board</b>	<b>Name</b>	<b>Date of Election</b>	<b>No. of Meetings Held (Regular and Special)</b>	<b>No. of Meetings Attended</b>	<b>%</b>
<b>Chairman</b>	Jez G. Dela Cruz	May 25, 2021	0	0	0
<b>Member</b>	Pacita U. Juan	May 25, 2021	0	0	0
<b>Member</b>	Leonilo G. Coronel	May 25, 2021	0	0	0

#### ***Environmental, Social & Governance Committee Meetings***

<b>Board</b>	<b>Name</b>	<b>Date of Election</b>	<b>No. of Meetings Held (Regular and Special)</b>	<b>No. of Meetings Attended</b>	<b>%</b>
<b>Chairman</b>	Pacita U. Juan	May 25, 2021	0	0	0
<b>Member</b>	Oliver Y. Tan	May 25, 2021	0	0	0
<b>Member</b>	Manuel Louie B. Ferrer	May 25, 2021	0	0	0

#### **Significant Employees**

No single person is expected to make a significant contribution to the business, since CREIT considers the collective efforts of all its employees as instrumental to the overall success of its performance.

#### **Family Relationships**

None of the directors are related to each other.

#### **Involvement in Certain Legal Proceedings**

During the past five (5) years, CREIT is not aware of the occurrence of any of the following events that are material to the evaluation of the ability or integrity of any director or executive officer:

1. Any bankruptcy petition filed by or against any director, or any business of a director, nominee for election as director, or executive officer who was a director, general partner or executive officer of said business either at the time of the bankruptcy or within 2 years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, except those aforementioned;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring,

suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

#### **Item 10. Executive Compensation**

##### All Directors and Officers as a Group

#### **SUMMARY COMPENSATION TABLE** **Annual Compensation** **(In Php Millions)**

The Company's executive officers have been, and will continue to be, compensated by the Sponsors and the Citicore Group. The table below sets forth the compensation of the President and CEO and top three highest compensated officers of the Company for the years indicated:

<b>Name and Principal Position</b>	<b>Period</b>	<b>Salary (₱ million)</b>	<b>Bonus (₱ million)</b>	<b>Other Annual Compensation and Benefits (₱ million)</b>	<b>Total (₱ million)</b>
CEO and top three highest compensated officers*					
Oliver Tan, President and CEO Jez Dela Cruz, Treasurer Raymund Jay Gomez, Compliance Officer Mia Grace Paula Cortez, CFO	2021	28.60	2.86	5.15	36.62
Oliver Tan, President and CEO Jez Dela Cruz, Treasurer Raymund Jay Gomez, Compliance Officer Mia Grace Paula Cortez, CFO	2020	25.11	2.36	3.91	31.38
All officers and directors as a group unnamed	2021	30.37	3.00	5.25	38.63
	2020	26.09	2.44	3.99	35.53

##### Compensation of Directors

Under the By-Laws of CREIT, by resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each Board meeting. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among directors in such manner as the Board may deem proper, subject to the approval of

stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders.

On July 26, 2021, the Board, approved the giving of Fifty Thousand Pesos (PhP 50,000.00) Director's per diem, per Board meeting, and a Twenty Five Thousand Pesos (PhP 25,000.00) monthly allowance in the form of reimbursable expenses for each regular director.

#### Standard Arrangements and Other Arrangements

There are no other arrangements for compensation either by way of payments for committee participation or special assignments other than reasonable per diem. There are also no outstanding warrants or options held by CREIT's CEO, other officers and/or directors.

#### Employment Contracts, Termination of Employment, Change-in-Control Arrangements

While the Company has no special retirement plans for its employees, it provides retirement benefits in accordance with R.A. No. 7641 or the "Retirement Pay Law", and other applicable laws, rules and regulations. Also, there is no existing arrangement with regard to compensation to be received by any executive officer from CREIT in the event of a change in control of the Company. Aside from its employees, CREIT has also entered into employment contracts with its foreign experts. The contracts with foreign nationals usually include benefits, such as housing, medical and group life insurance, vacation leaves, and company vehicle. Further, employment contracts include provisions regarding CREIT's ownership of any invention developed during the course of employment, liquidated damages in the event of contract pre-termination, and a non-compete clause prohibiting the employee, for a period of one (1) year after the termination of the contract, from engaging, directly or indirectly, for himself or on behalf of or in conjunction with any person, corporation, partnership or other business entity that is connected with the business of CREIT.

#### Warrants and Options

There are no outstanding warrants and options held by any of CREIT's directors and executive officers.

### **Item 11. Security Ownership of Certain Beneficial Owners and Management**

#### Security Ownership of Certain Owners of Record and Beneficial Owners

Owners of record of more than five percent (5%) of CREIT's shares of stock as of December 31, 2021 are as follows:

<b>Title of Class</b>	<b>Name &amp; Address of Record Owner &amp; Relationship with Issuer</b>	<b>Name of Beneficial Owner &amp; Relationship with Record Owner</b>	<b>Citizen ship</b>	<b>Number of Shares Held</b>	<b>Percent (%)</b>
Common	<b>Citicore Renewable Energy Corp. –</b> Stockholder  11th Floor, Rockwell Santolan Town Plaza, 276	Edgar B. Saavedra  Mr. Saavedra is the ultimate beneficial owner of CREC	Filipino	4,579,461,136	83.29%

	Col. Bonny Serrano Avenue, San Juan City				
Common	<b>Citicore Solar Tarlac 1, Inc.</b> – Stockholder  Sitio Sampaloc, Brgy. Armenia, Tarlac City	Edgar B. Saavedra  Mr. Saavedra is the ultimate beneficial owner of Citicore Tarlac 1	Filipino	918,720,864	16.71%

#### Security Ownership of Management

The following table sets forth the security ownership of CREIT Directors and officers as of December 31, 2021:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Owner	Citizenship	Percentage
Common	<b>Edgar B. Saavedra</b> <i>Chairman of the Board,</i>	1 (Direct)	Filipino	Nil
Common	<b>Oliver Y. Tan</b> <i>Director, CEO, and President</i>	1 (Direct)	Filipino	Nil
Common	<b>Manuel Louie B. Ferrer</b> <i>Director</i>	1 (Direct)	Filipino	Nil
Common	<b>Jez Dela Cruz</b> <i>Director and Treasurer</i>	1 (Direct)	Filipino	Nil
Common	<b>Leonilo G. Coronel</b> <i>Independent Director</i>	1 (Direct)	Filipino	Nil
Common	<b>Jose M. Layug, Jr.</b> <i>Independent Director</i>	1 (Direct)	Filipino	Nil
Common	<b>Pacita U. Juan</b> <i>Independent Director</i>	1 (Direct)	Filipino	Nil
Common	<b>Elizabeth Anne C. Uychaco</b> <i>Independent Director</i>	1 (Direct)	Filipino	Nil
<b>Aggregate Shareholdings of Directors and Officers as a Group</b>		<b>8</b>		<b>Nil</b>

#### Voting Trust Holders of Five Percent (5%) or More

There is no voting trust arrangement executed among the holders of five percent (5%) or more of the issued and outstanding shares of common stock of CREIT.

#### Change in Control

There are no arrangements entered into by CREIT or any of its stockholders which may result in a change of control of CREIT.

## Item 12. Certain Relationship and Related Transactions

Related Party	Relationship	Nature of Transaction	Transaction Value (₱)	Outstanding Balance as of December 31, 2021
<b>Lease Income</b>				
Citicore Tarlac 1	under common control <sup>(a)</sup>	Contract of Lease dated July 26, 2021 for Armenia property (138,164 sqm)	8,195,035	--
Citicore Tarlac 2	under common control <sup>(a)</sup>	Sub Lease Agreement dated July 26, 2021 for Dalayap property (10.533731 hectares)	7,121,860	--
<b>Total</b>			<b>15,316,894</b>	<b>--</b>
<b>Other</b>				
CREC	Parent company <sup>(b)</sup>	Advances granted, non-interest bearing, on demand	227,942,488	—
Citicore Power	Ultimate parent	Advances granted, non-interest bearing, on demand	87,021,747	—
CREC	Parent company <sup>(c)</sup>	Assignment of loans payable	(1,011,570,248 )	(139,228,236)
CREC	Parent Company <sup>(d)</sup>	Assumed interest payable	(13,024,012)	—
CREC	Parent company <sup>(e)</sup>	Issuance of shares	607,330,352	607,330,352
Citicore Tarlac 1	under common control <sup>(e)</sup>	Issuance of shares	229,680,216	229,680,216

## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

It is the firm belief of CREIT that an organization that faithfully practices and implements the core principles of good corporate governance such as honesty, integrity, fairness, accountability, and transparency will, more often than not, outperform and outshine its competitors. Thus, CREIT is in full



compliance with the rules and regulations of the SEC, the PSE, and all other relevant rules and regulations, especially those involving public-listed companies.

Below are some of the Company's policies and programs in relation to corporate governance:

1. In compliance with SEC M.C. No. 19, Series of 2016, CREIT adopted its New Manual and has taken several steps to apply its principles, such as constituting all the Board Committees required therein:
  1. Executive Committee;
  2. Audit and Risk Oversight Committee
  3. Related Party Transaction Review & Compliance Committee Meetings
  1. Nominations, Compensation & Personnel Committee
  2. Environmental, Social & Governance Committee

The charters and compositions of the foregoing Board Committees are in accordance with the Manual.

3. The Company has elected four (4) Independent Directors to ensure that the Board will protect, not only the interests of the Company, but its shareholders as well.
4. To further its corporate governance initiatives, CREIT, in 2018, implemented its Code of Business Conduct and Ethics, Code of Conduct and Ethical Standards for Suppliers, Insider Trading Policy, and Conflict of Interest Policy Supplemental Guidelines and Conflict of Interest Disclosure Form. Further, CREIT actively rolled out its Whistleblowing Policy to its employees, suppliers, vendors, and clients, to encourage the disclosure of illegal and dishonest activities occurring within the Company.
5. In 2019, CREIT adopted its Anti-Fraud Policy, Board Self-Evaluation Policy, and introduced changes to its Related Party Transactions Policy in compliance with SEC M.C. No. 10 series of 2019. It also conducted an Annual Corporate Governance Training on November 13, 2019, with the assistance of the Institute of Corporate Directors, which was attended by the Company's Directors and key officers.
6. The Board revised the Company's vision, mission, and values, which it launched in 2019.
7. To reinforce the CREIT's adherence to good corporate governance, and in compliance with its Manual and SEC M.C. No. 04, Series of 2019, attached is the Company's Sustainability Report as **Exhibit "3"**.
- f
8. The Company also adheres with the regulatory requirements on corporate governance through the timely submission of its Integrated Annual Corporate Governance Report with the SEC and the regular updating of its corporate website ([www.creit.com.ph](http://www.creit.com.ph)).

A full discussion on the corporate governance practices of CREIT are provided and explained in its Annual Corporate Governance Report.

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 14. Exhibits and Reports on SEC Form 17-C**

### Exhibits

<b>Exhibit “1”</b>	List of PCD Participants as of December 31, 2021
<b>Exhibit “2”</b>	Audited Financial Statements and Schedules
<b>Exhibit “3”</b>	Sustainability Report

### Material Contracts

CREIT’s principal contracts generally consist of contract of the lease of its properties. CREIT is not a party to any contract of any material importance and outside the usual course of business, and the directors do not know of any such contract involving CREIT.

concession period.

### Reports on SEC Form 17-C\*\*

On March 17, 2020, the SEC issued a Notice for “Filing of Structured Reports, Current Reports and Communications with the Securities and Exchange Commission” dispensing the requirement of filing a separate SEC Form 17-C during the implementation of the community quarantine over the Philippines. Thus, all reports filed with the PSE during the community quarantine are considered as having been filed with the SEC.

All reports may be found on the PSE’s EDGE:


[https://edge.pse.com.ph/companyDisclosures/form.do?cmpy\\_id=627](https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=627)

- Signature Page Follows -

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in **SAN JUAN CITY** on APR 18 2022.

By:

  
**EDGAR B. SAAVEDRA**  
Chairman of the Board

  
**OLIVER Y. TAN**  
Chief Executive Officer, and President

  
**MIA GRACE PAULA S. CORTEZ**  
Chief Financial Officer


  
**JAIME P. DEL ROSARIO**  
Corporate Secretary

**SUBSCRIBED AND SWORNT**O before me in **SAN JUAN CITY** on APR 18 2022, affiants exhibiting to me their respective valid IDs, as follows:

NAME	Valid ID	DATE OF ISSUE/VALID UNTIL	PLACE OF ISSUE
Edgar B. Saavedra	Passport No. P6875140B	Valid until May 26, 2031	Manila
Oliver Y. Tan	Passport No. P4489306B	Valid until January 21, 2030	DFA NCR East
Mia Grace Paula S. Cortez	UMID 0111-2975451-1		
Jaime P. Del Rosario	Passport No. P425892B	Valid until 17 Dec 2029	DFA NCR East

Doc. No. 129  
Page No. 26  
Book No. III  
Series of 2022.



  
**MARIA CARMELA D. HAUTEA**  
Appointment No. 189 (2020-2021)  
Notary Public for and in the Cities of Pasig and San Juan  
and in the Municipality of Pateros  
Commission Expires on December 31, 2021  
276 Col. Bonny Serrano Ave., San Juan City  
Roll of Attorneys No. 66585  
MCLE Compliance No. VI-0021699  
IBP No. 108011/01-07-2020/RSM  
PTR No. 6496437/01-09-2020/Pasig City



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of Citicore Energy REIT Corp. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co. and Maceda Valencia & Co, the independent auditors appointed by the stockholders for the periods December 31, 2021 and 2020 and December 31, 2019, respectively, have audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
Edgar B. Saavedra  
Chairman of the Board


  
Oliver Y. Tan  
President and Chief Executive Officer

  
Mia Grace Paula S. Cortez  
Chief Financial Officer

Signed this APR 11 2022  
day of \_\_\_\_\_

Doc. No. 117;  
Page No. 24;  
Book No. III;  
Series No. 117;

Head Office: 276 Col. Bonny Serrano Ave., San Juan City, Metro Manila  
+63 8255 4600 | investorrelations@creit.com.ph | www.creit.com.ph

  
MARIA CARMELA D. HAUTEA  
Appointment No. 189 (2020-2021)  
Notary Public for and in the Cities of Pasig and San Juan  
and in the Municipality of Pateros  
Commission Expires on December 31, 2021  
276 Col. Bonny Serrano Ave., San Juan City  
Roll of Attorneys No. 66585  
MCLE Compliance No. VI-0021699  
IBP No. 108011/01-07-2020/RSM



**Independent Auditor's Report**

To the Board of Directors and Shareholders of

**Citicore Energy REIT Corp.**

(Formerly Enfinity Philippines Renewable Resources Inc.)

(A subsidiary of Citicore Renewable Energy Corporation)

11F Rockwell Santolan Town Plaza

276 Col. Bonny Serrano Avenue

San Juan City, Metro Manila

**Report on the Audits of the Financial Statements*****Opinion***

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the "Company") as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

***What we have audited***

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of total comprehensive income for the years ended December 31, 2021 and 2020;
- the statements of changes in equity for the years ended December 31, 2021 and 2020;
- the statements of cash flows for the years ended December 31, 2021 and 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

***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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

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 audit 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.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Citicore Energy REIT Corp.  
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Page 2

### ***Our Audit Approach***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
In line with the Company's listing at the Philippine Stock Exchange (PSE) on February 22, 2022, the Company completed various Real Estate Investment Trust (REIT) formation transactions during 2021 which include:  a. Bank loan assignment to the Parent Company (Note 10).	We addressed the key audit matters by obtaining understanding of the REIT formation transactions and by performing certain audit procedures, which included the following:  <i>a. Bank loan assignment to the Parent Company.</i> We obtained the bank consent on the assignment of bank loan and the corresponding confirmation of the loan balance as at date of assignment. We also assessed the compliance of the accounting treatment based on the requirements of Philippine Accounting Standards (PAS) 32, "Financial Instruments: Presentation".





Independent Auditor's Report  
 To the Board of Directors and Shareholders of  
 Citicore Energy REIT Corp.  
 (Formerly Enfinity Philippines Renewable Resources Inc.)  
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 Page 3

Key audit matters	How our audit addressed the key audit matters
<p>b. Increase in authorized share capital (Note 14 (a)) and shares subscription through conversion of advances from Citicore Renewable Energy Corporation (the "Parent Company") (Notes 11 (c) and 14 (b)) and assignment of land properties (Notes 8 (a), 11(c) and 14(b)).</p> <p>c. Assignment of Solar Energy Service Contract of the Clark Solar Plant and the subsequent lease of the plant to the Parent Company (Note 11(e)).</p> <p>d. Assignment of lease contract, lease and sublease agreements with third parties (Note 20 (b)) and the subsequent subleases and lease contract with related parties (Note 11 (e)).</p> <p>We identified the REIT formation transactions as key audit matters because these are non-recurring, material, and involved complex accounting treatment. In addition, the future operations of the Company as a REIT company are anchored on these formation transactions.</p>	<p>b. <i>Increase in authorized share capital and shares subscription through conversion of advances from Parent Company and assignment of land properties.</i> We inspected the amended articles of incorporation on the increase of authorized share capital and related subscription agreements, schedule of advances as payment for subscription to the increase in authorized share capital, Treasurer's affidavit on approved amount for conversion, and deed of assignment of land properties. We also verified the appropriateness and sufficiency of the disclosures in accordance with PAS 1, "Presentation of Financial Statements" and PAS 40, "Investment Properties".</p> <p>c. <i>Assignment of Solar Energy Service Contract of the Clark Solar Plant and the subsequent lease of the plant to the Parent Company.</i> We reviewed the assignment contract, lease agreement with Parent Company and the corresponding government authority approval on the assignment. This was added as a disclosure in the financial statements because of its future impact on the financial statements of the Company.</p> <p>d. <i>Assignment of lease contract, lease and sublease agreements with third parties and the subsequent subleases and lease contract with related parties.</i> We obtained the related supporting documents including lease contracts and performed validation and recalculation of the amounts reported in the financial statements. We also considered the requirement of PFRS16, "Leases" on recognition of lease income, lease liabilities and right-of-use assets.</p>



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
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### ***Other Matter***

The financial statements of the Company as at and for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 16, 2020.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### ***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.

### ***Auditor's 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 auditor's 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.





Independent Auditor's Report  
To the Board of Directors and Shareholders of  
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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 auditor's 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 auditor's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Isla Lipana & Co.

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Citicore Energy REIT Corp.  
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### **Report on the Bureau of Internal Revenue Requirement**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is  
Pocholo C. Domondon.

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner

CPA Cert. No. 108839

P.T.R. No. 0011401; issued on January 6, 2022 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

T.I.N. 213-227-235

BIR A.N. 08-000745-128-2021; issued on December 9, 2021; effective until December 8, 2024

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
March 9, 2022



Isla Lipana & Co.

Statement Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholder of  
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)  
11F Rockwell Santolan Town Plaza  
276 Col. Bonny Serrano Avenue  
San Juan City, Metro Manila

We have audited the financial statements of Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the "Company") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated March 9, 2022.

In compliance with SRC Rule 68 and based on the certification we received from the Company's corporate secretary, the Company has two (2) shareholders, each owning one hundred (100) or more shares, as at December 31, 2021.

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner

CPA Cert. No. 108839

P.T.R. No. 0011401; issued on January 6, 2022 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

T.I.N. 213-227-235

BIR A.N. 08-000745-128-2021; issued on December 9, 2021; effective until December 8, 2024

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
March 9, 2022

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)*

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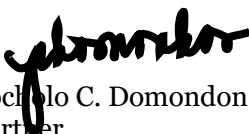
Isla Lipana & Co.

Statement Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of  
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)  
11F Rockwell Santolan Town Plaza  
276 Col. Bonny Serrano Avenue  
San Juan City, Metro Manila

We have audited the financial statements of Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the "Company") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated March 9, 2022. The supplementary information shown in Schedules A, B, C, D, E, F, and G, Reconciliation of Retained Earnings Available for Dividend Declaration and the Map showing the relationships between and among the Company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates, as additional components required by Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

**Isla Lipana & Co.**



Pocholo C. Domondon  
Partner

CPA Cert. No. 108839  
P.T.R. No. 0011401; issued on January 6, 2022 at Makati City  
SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022  
SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements  
T.I.N. 213-227-235  
BIR A.N. 08-000745-128-2021; issued on December 9, 2021; effective until December 8, 2024  
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
March 9, 2022

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)*

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Isla Lipana & Co.

Statement Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of  
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)  
11F Rockwell Santolan Town Plaza  
276 Col. Bonny Serrano Avenue  
San Juan City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing the financial statements of Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the “Company”) as at and for the years ended December 31, 2021 and 2020 and have issued our report thereon dated March 9, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Company’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the revised Rule 68 of the SRC issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company’s financial statements as at and for the years ended December 31, 2021 and 2020 and no material exceptions were noted.

**Isla Lipana & Co.**

Pocho C. Domondon  
Partner

CPA Cert. No. 108839

P.T.R. No. 0011401; issued on January 6, 2022 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

T.I.N. 213-227-235

BIR A.N. 08-000745-128-2021; issued on December 9, 2021; effective until December 8, 2024

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
March 9, 2022

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)*

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**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)

Statements of Financial Position  
As at December 31, 2021 and 2020  
(All amounts in Philippine Peso)

	Notes	2021	2020
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	3	49,014,348	71,737,473
Trade and other receivables, net	4	41,892,701	258,905,233
Prepayments and other current assets	5	54,208,397	11,601,430
Total current assets		145,115,446	342,244,136
<b>Non-current assets</b>			
Trade and other receivables, net of current portion	4	85,982,098	-
Property, plant and equipment, net	6	1,331,185,212	1,390,337,430
Investment properties, net	8	288,013,130	-
Right-of-use assets, net	20	37,559,128	39,685,116
Deferred income tax assets, net	19	8,200,316	-
Other non-current assets	7	12,765,682	8,975,048
Total non-current assets		1,763,705,566	1,438,997,594
<b>Total assets</b>		1,908,821,012	1,781,241,730
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	9	51,397,336	125,610,375
Due to a related party	11	56,144,929	-
Loans payable	10	-	126,446,281
Lease liabilities	20	1,263,480	294,139
Total current liabilities		108,805,745	252,350,795
<b>Non-current liabilities</b>			
Loans payable, net of current portion	10	-	909,809,551
Lease liabilities, net of current portion	20	103,132,719	51,060,996
Due to a related party, net of current portion	11	68,521,747	-
Retirement benefit obligation	13	314,672	2,915,664
Total non-current liabilities		171,969,138	963,786,211
Total liabilities		280,774,883	1,216,137,006
<b>Equity</b>			
Share capital	14	1,374,545,501	539,999,999
Additional paid-in-capital	14	2,465,066	-
Remeasurement on retirement benefits	13	50,894	-
Retained earnings		250,984,668	25,104,725
Total equity		1,628,046,129	565,104,724
<b>Total liabilities and equity</b>		1,908,821,012	1,781,241,730

The notes on pages 1 to 50 are integral part of these financial statements.

**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)

Statements of Total Comprehensive Income  
For the years ended December 31, 2021 and 2020  
(With comparative figures for the year ended December 31, 2019)  
(All amounts in Philippine Peso)

	Notes	2021	2020	2019
Sale of electricity	15	334,519,230	269,076,808	248,010,727
Rental income	11, 15	17,773,892	-	-
<b>Revenues</b>		352,293,122	269,076,808	248,010,727
Cost of services	16	(74,207,762)	(94,623,573)	(98,375,976)
<b>Gross profit</b>		278,085,360	174,453,235	149,634,751
Operating expenses	17	(56,972,789)	(7,987,959)	(3,386,831)
<b>Income from operations</b>		221,112,571	166,465,276	146,247,920
Finance costs	18	(29,438,870)	(64,054,226)	(68,727,061)
Other income, net	18	26,005,926	1,703,762	2,050,084
<b>Income before income tax</b>		217,679,627	104,114,812	79,570,943
Income tax benefit	19	8,200,316	-	-
<b>Net income for the year</b>		225,879,943	104,114,812	79,570,943
<b>Other comprehensive income</b>				
Other comprehensive income that will not be subsequently reclassified to profit or loss				
Remeasurement gain on retirement benefits, net of tax	13	50,894	-	-
<b>Total comprehensive income for the year</b>		225,930,837	104,114,812	79,570,943
<b>Earnings per share</b>				
Basic and diluted	21	0.08	0.04	0.03

The notes on pages 1 to 50 are integral part of these financial statements.

**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)

Statements of Changes in Equity  
For the years ended December 31, 2021 and 2020  
(With comparative figures for the year ended December 31, 2019)  
(All amounts in Philippine Peso)

	Common shares (Note 14)	Preference shares (Note 14)	Total share capital (Note 14)	Additional paid- in-capital	Remeasurement on retirement benefits (Note 13)	Retained earnings (Deficit)	Total
<b>Balances at January 1, 2019</b>	72,860,309	467,139,690	539,999,999	-	-	(158,581,030)	381,418,969
<b>Comprehensive income</b>							
Net income for the year	-	-	-	-	-	79,570,943	79,570,943
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	79,570,943	79,570,943
<b>Balances at December 31, 2019</b>	72,860,309	467,139,690	539,999,999	-	-	(79,010,087)	460,989,912
<b>Comprehensive income</b>							
Net income for the year	-	-	-	-	-	104,114,812	104,114,812
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	104,114,812	104,114,812
<b>Balances at December 31, 2020</b>	72,860,309	467,139,690	539,999,999	-	-	25,104,725	565,104,724
<b>Comprehensive income</b>							
Net income for the year	-	-	-	-	-	225,879,943	225,879,943
Other comprehensive income for the year	-	-	-	-	50,894	-	50,894
Total comprehensive income for the year	-	-	-	-	50,894	225,879,943	225,930,837
<b>Transactions with owners</b>							
Reclassification of preference shares to common shares	467,139,690	(467,139,690)	-	-	-	-	-
Issuance of shares	834,545,502	-	834,545,502	2,465,066	-	-	837,010,568
	1,301,685,192	(467,139,690)	834,545,502	2,465,066	-	-	837,010,568
<b>Balances at December 31, 2021</b>	1,374,545,501	-	1,374,545,501	2,465,066	50,894	250,984,668	1,628,046,129

The notes on pages 1 to 50 are integral part of these financial statements.



**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)

Statements of Cash Flows  
For the years ended December 31, 2021 and 2020  
(With comparative figures for the year ended December 31, 2019)  
(All amounts in Philippine Peso)

	Notes	2021	2020	2019
<b>Cash flows from operating activities</b>				
Income before income tax		217,679,627	104,114,812	79,570,943
Adjustments for:				
Depreciation and amortization	6, 20	61,751,372	61,285,334	61,270,709
Finance costs	18	29,438,870	64,054,226	68,727,061
Unrealized foreign exchange losses, net	22	55,318	11,175	60,375
Reversal of provision for asset retirement obligation	12	-	(1,056,902)	-
Provision for doubtful account of other receivable	4	-	1,944,096	-
Interest income	3, 4, 18	(277,078)	(662,181)	(2,110,459)
Retirement benefit (income) expense	13	(2,550,098)	2,915,664	-
Gain on compromise settlement of due to government agencies	9, 18	(25,200,913)	-	-
Operating income before working capital changes		280,897,098	232,606,224	207,518,629
Changes in working capital:				
Trade and other receivables		(166,432,084)	(132,219,223)	(65,175,700)
Prepayments and other current assets		(6,942,596)	(158,182)	1,126,048
Other non-current assets		(3,790,634)	(306,840)	(308,357)
Trade payables and other liabilities		(17,741,987)	19,004,500	5,179,618
Net cash generated from operations		85,989,797	118,926,479	148,340,238
Interest received		277,078	662,181	2,110,459
Net cash provided by operating activities		86,266,875	119,588,660	150,450,697
<b>Cash flows from an investing activity</b>				
Additions to property, plant and equipment	6	-	-	(175,500)
<b>Cash flows from financing activities</b>				
Principal payment of lease liabilities	20	(955,048)	(87,598)	(235,236)
Interest payment on lease liabilities	20	(4,464,960)	(4,026,048)	(3,686,845)
Principal payment of loans from a bank	10	(31,611,570)	(61,363,636)	(122,727,273)
Interest payment on loans from a bank	10	(36,940,830)	(29,438,488)	(63,355,700)
Payment of share issuance costs	5	(35,017,592)	-	-
Net cash used in financing activities		(108,990,000)	(94,915,770)	(190,005,054)
<b>Net (decrease) increase in cash and cash equivalents</b>		(22,723,125)	24,672,890	(39,729,857)
Effects of exchange rate changes in cash and cash equivalents		-	-	-
Cash and cash equivalents at January 1		71,737,473	47,064,583	86,794,440
<b>Cash and cash equivalents at December 31</b>	3	49,014,348	71,737,473	47,064,583

The notes on pages 1 to 50 are integral part of these financial statements.

**Citicore Energy REIT Corp.**

(Formerly Enfinity Philippines Renewable Resources Inc.)

(A subsidiary of Citicore Renewable Energy Corporation)

**Notes to the Financial Statements**

As at and for the years ended December 31, 2021 and 2020

(With comparative figures for the year ended December 31, 2019)

(All amounts are shown in Philippine Peso unless otherwise stated)

**Note 1 - General information***(a) Corporate information*

Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the “Company”) was registered with the Philippine Securities and Exchange Commission (SEC) on July 15, 2010.

Prior to May 25, 2021, the Company’s primary objective is to explore, develop and utilize renewable resources with particular focus on solar and wind energy generation; to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy.

The amended primary purpose of the Company is to engage in the business of owning income-generating real estate assets, including renewable energy generating real estate assets, under a real estate investment trust (REIT) by virtue of Republic Act (RA) No. 9856, otherwise known as the “*Real Estate Investment Trust Act of 2009*” and its implementing rules and regulations.

The Company was registered with the Philippine Board of Investments (BOI) on October 16, 2015 as a renewable energy developer of solar energy resources under RA No. 9513, otherwise known as the “*Renewable Energy Act of 2008*”.

Prior to October 12, 2021, CREC (the “Parent Company”) owns 100% of the Company in 2019 and 2020.

The Company’s 22.33-megawatt (MW) Clark Solar Power Project in Clark, Freeport Zone, Pampanga was successfully commissioned on March 12, 2016 through the confirmation of the Department of Energy (DOE) covering its Solar Energy Service Contract (SESC) No. 2014-07-086 and Amended Certificate of Commerciality No. SCC-2015-03-014-B with validity of 25 years. On October 13, 2021, the Company assigned the SESC to the Parent Company, making the latter the operator of the Clark Solar Power Plant. The assignment was approved by the DOE on December 24, 2021.

The Company’s ultimate parent company beginning May 17, 2018 is Citicore Holdings Investment, Inc., a company incorporated in the Philippines as a holding company engaged in buying and holding shares of other companies.

On May 25, 2021, the Company's Board of Directors (BOD) and shareholder approved, among others, the following amendments to the Company's Articles of Incorporation (AOI): (i) change of corporate name from Enfinity Philippines Renewable Resources Inc. to Citicore Energy REIT Corp.; (ii) amendment of the primary purpose to that of a real estate investment trust; (iii) change of principal office address from Prince Balagtas Avenue Extension, Clark Freeport Zone, Pampanga to 11F, Rockwell Santolan Town Plaza, 276 Col. Bonny Serrano Avenue, San Juan City, Metro Manila; and (iv) increase of authorized share capital to P3.84 billion divided into 15.36 billion common shares with par value of P0.25 per share.

On May 26, 2021, as part of the increase in authorized share capital, the Parent Company subscribed to 2,400,000,000 shares as consideration for the assignment by Parent Company of its advances to the Company amounting to P602,465,066. In addition, Parent Company and Citicore Solar Tarlac 1, Inc. (CST1) (formerly nv vugt Philippine Solar Energy Three, Inc.) subscribed to 19,461,142 shares and 918,720,864 shares, respectively, or a total of 938,182,006 shares, as consideration for the assignment of parcels of land, with an aggregate area of 138,164 sq.m., located in Brgy. Armenia, Tarlac (Note 14).

The Company's submission to the SEC for the foregoing amendments was approved on October 12, 2021.

Upon issuance of the shares during 2021, the Company's shareholding structure was 16.7% and 83.3% owned by CST1 and Parent Company, respectively.

As at December 31, 2021, the Company has two (2) shareholders, each owning one hundred (100) or more shares.

On November 4, 2021, the Company's BOD and shareholders approved, among others, to amend its AOI and delete one of the secondary purposes reflected in the amended AOI as approved by BOD on May 25, 2021 as follows: "to invest in or otherwise engage in the exploitation, development, and utilization of renewable energy resources with particular focus on solar and wind energy generation; to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy". The Company's submission to the SEC for the foregoing amendment was approved on November 17, 2021.

On January 14, 2022 and February 2, 2022, the Philippine Stock Exchange ("PSE") issued notice of acceptance and the Philippine SEC issued permit to sell, respectively, in relation to the Company's application for initial public offering. The Company attained its status as "public company" on February 22, 2022 when it listed its shares as a Real Estate Investment Trust (REIT) in the main board of the PSE. As a public company, it is covered by the Securities Regulation Code ("SRC") Rule 68.

*(b) Approval and authorization for the issuance of financial statements*

These financial statements have been approved and authorized for issuance by the Company's BOD on March 9, 2022.

## **Note 2 - Segment reporting**

The Company's operating businesses are organized and managed according to the nature of the products and services that are being marketed. Each segment represents a strategic business unit that offers different products and serves different markets. The Company has operations only in the Philippines.

The Company derives revenues from two (2) main segments as follows:

### *(a) Sale of solar energy*

This business segment pertains to the generation of electricity from solar power energy through its Clark Solar Power Project. Transco is the Company's sole customer for its sale of solar energy. As a result of assignment of Solar Energy Service Contract of the Clark Solar Plant to its Parent Company, the sale of solar energy business was terminated with the approval of the DOE. On December 24, 2021, the DOE approved the assignment effective December 25, 2021 (Note 15).

### *(b) Leasing*

This business segment pertains to the rental operations of the Company with related parties which commenced in November 2021 (Note 15).

During 2020, the Company only had one (1) operating segment, the sale of solar energy. All the amounts reported in the financial statements of the Company as at and for the year ended December 31, 2020 are attributable to this segment.

The segment assets, liabilities and results of operations of the reportable segments of the Company as at and for the year ended December 31, 2021 are as follows:

	Leasing	Sale of solar energy	Total
Revenue	17,773,892	334,519,230	352,293,122
Cost of services	(806,147)	(73,401,615)	(74,207,762)
Gross profit	16,967,745	261,117,615	278,085,360
Operating expense	(47,238,419)	(9,734,370)	(56,972,789)
Finance costs	(453,855)	(28,985,015)	(29,438,870)
Other income, net	-	26,005,926	26,005,926
Income (loss) before income tax	(30,724,529)	248,404,156	217,679,627
Income tax benefit (expense)	16,597,226	(8,396,910)	8,200,316
Net income for the year	(14,127,303)	240,007,246	225,879,943
Segment assets			
Current	35,664,371	109,451,075	145,115,446
Non-current	307,067,354	1,465,035,122	1,772,102,476
	342,731,725	1,574,486,197	1,917,217,922
Segment liabilities			
Current	940,077	107,865,668	108,805,745
Non-current	52,699,238	127,666,810	180,366,048
	53,639,315	235,532,478	289,171,793

All revenues of the Company are from domestic entities incorporated in the Philippines, hence, the Company did not present geographical information required by Philippine Financial Reporting Standards (PFRS) 8, "Operating Segments".

Difference in total assets and total liabilities under segment reporting and in the statements of financial position pertains to the deferred income tax asset of leasing segment and deferred tax liability of sale of solar energy amounting to P16,597,226 and P8,396,910, respectively, which were presented as deferred income tax assets, net amounting to P8,200,316 in the statements of financial position (Note 19).

**Note 3 - Cash and cash equivalents**

Cash and cash equivalents as at December 31 consist of:

	2021	2020
Cash on hand	65,000	35,000
Cash in banks	10,783,402	12,763,953
Short-term placements	38,165,946	58,938,520
	49,014,348	71,737,473

Cash in banks earn interest at the prevailing bank deposit rates. Short-term placements represent money market placements or short-term investments with maturities up to three (3) months and annual interest ranging from 0.087% to 1.00% (2020 - 1.23% to 1.85%).

Interest income earned from cash in banks and short-term placements for the years ended December 31 are as follows:

	Note	2021	2020	2019
Interest income	18	246,942	662,181	2,075,226

**Note 4 - Trade and other receivables, net**

Trade and other receivables, net as at December 31 consist of:

	Note	2021	2020
Current			
Trade receivables from TransCo		41,892,701	41,996,272
Due from related parties	11	-	216,908,961
Other receivable		1,944,096	1,944,096
Allowance for doubtful account of other receivable		(1,944,096)	(1,944,096)
		-	-
		41,892,701	258,905,233
Non-current			
Trade			
Receivables from TransCo		83,525,100	-
Lease receivables	11	2,456,998	-
		85,982,098	-

Trade receivables are generally collectible within a 60-day period. In accordance with the Renewable Energy Payment Agreement (REPA), in the event that National Transmission Corporation (TransCo) fails to pay any amount stated in the feed-in tariff (FIT) statement of account upon the lapse of one billing period from the relevant payment date, TransCo shall pay to the Company such unpaid amount plus interest thereon, calculated from the relevant payment date to the day such amount is actually paid. Interest rate is the rate prevailing for a 91-day treasury bill plus 3%.

Details of interest income arising from late payments of TransCo are as follows:

	Note	2021	2020	2019
Interest income	18	30,136	-	35,233

Details of trade receivables from TransCo as at December 31 are as follows:

	Current	Non-current	Total
2021			
Trade receivables	41,904,520	96,255,187	138,159,707
Discount on receivables	(11,819)	(12,730,087)	(12,741,906)
	41,892,701	83,525,100	125,417,801
2020			
Trade receivables	41,996,272	-	41,996,272
Discount on receivables	-	-	-
	41,996,272	-	41,996,272

During 2020, the ERC issue Resolution No. 06, Series of 2020, which was further clarified in February 2021, to confirm that the actual recovery of the arrears FIT rate adjustment shall be for a period of 5 years whereas those from January 2016 generation shall start billing in December 2020 and payment schedule starts in January 2021. During 2021, a reversal was made amounting to P4.85 million for the November and December 2020 billings where TransCo confirmed that the FIT rate adjustments will be collected beginning December 2021. This was offset with the additional revenue recognized during December 2021 amounting to P83.53 million to be recovered within the next 5 years after December 31, 2021 (Note 15). Discount on trade receivables from TransCo arising from this amounted to P12.74 million as at December 31, 2021.

There were no transactions that would warrant recognition of discount on trade receivables as at and for the year ended December 31, 2020.

Lease receivables pertain to accrued rent resulting from the straight-line method of recognizing rental income.

Other receivable pertains to a refund for overpaid insurance. During 2020, the Company provided an allowance for doubtful accounts for this receivable amounting to P1.94 million due to the changes in its credit quality. The provision was recognized as part of operating expenses in the statements of total comprehensive income (Note 17).

The Company does not hold any collateral as security. Management believes that an allowance for doubtful accounts as at December 31, 2021 and 2020, except for other receivable which has been fully provided for, is not necessary since these account balances are deemed fully collectible. Trade receivables are all current in nature and all previous billings were collected in full.

None of the trade and other receivables that are fully performing have been renegotiated.

#### **Note 5 - Prepayments and other current assets**

Prepayments and other current assets as at December 31 consist of:

	2021	2020
Deferred share issuance costs	35,664,371	-
Input value-added tax (VAT)	12,081,806	9,435,619
Advances to suppliers	5,094,408	481,558
Prepaid taxes	906,900	1,430,404
Advances to employees	448,662	217,509
Others	12,250	36,340
	54,208,397	11,601,430

Deferred share issuance costs pertain to expenses incurred relative to the listing and offering of the Company's shares to the public.

Input VAT represents VAT on purchases of goods and services which can be recovered either as tax credit against future output VAT or through refund.

Advances to suppliers represent prepayment of supplies or services which will be delivered or rendered within the next 12 months.

Prepaid taxes include overpayment of withholding taxes and income taxes.

Advances to employees represent unliquidated cash advances to employees for business related purposes and are to be liquidated from completion of the activity.

#### **Note 6 - Property, plant and equipment, net**

Details and movements of property, plant and equipment, net as at and for the years ended December 31 are as follows:

	Solar plant and equipment	Substation and transmission lines	Computer equipment	Service vehicle	Total
Cost					
January 1, 2020, December 31, 2020 and 2021	1,664,296,964	44,477,618	40,000	135,500	1,708,950,082
Accumulated depreciation					
January 1, 2020	250,999,718	8,427,780	10,000	15,808	259,453,306
Depreciation	55,914,483	3,204,430	13,333	27,100	59,159,346
December 31, 2020	306,914,201	11,632,210	23,333	42,908	318,612,652
Depreciation	55,906,693	3,205,091	13,334	27,100	59,152,218
December 31, 2021	362,820,894	14,837,301	36,667	70,008	377,764,870
Net book values					
December 31, 2021	1,301,476,070	29,640,317	3,333	65,492	1,331,185,212
December 31, 2020	1,357,382,763	32,845,408	16,667	92,592	1,390,337,430

The Clark Solar Power Project was funded through a Term Loan Facility Agreement with Development Bank of the Philippines (DBP). The solar plant and equipment include capitalized borrowing costs amounting to P13.69 million. The Company's solar plant and equipment is pledged as collateral under the chattel mortgage agreement entered into in relation to this agreement. On May 4, 2021, the Parent Company assumed the Company's outstanding loan with DBP. As a result, the chattel mortgage agreement was rescinded by DBP on November 3, 2021.

There were no additions for the years ended December 31, 2021 and 2020.

Depreciation expenses for the years ended December 31 are recognized as follows:

	Notes	2021	2020	2019
Cost of services	16	59,111,784	59,118,913	59,118,913
Operating expenses	17	40,434	40,433	25,808
		59,152,218	59,159,346	59,144,721

In 2019, management assessed, based on internal evaluations, that they will be able to utilize the solar plant and equipment for up to 30 years and substation and transmission lines for up to 15 years from the start of commercial operation which is also aligned with industry practice. As such, the BOD approved the change in estimated useful life of solar plant and equipment from 23 years to 30 years and substation and transmission lines from 23 years to 15 years.

The change in estimated useful life is considered to be a change in accounting estimate accounted for prospectively by recognizing the effect of the change in the period of change and future periods until the end of the useful life. The net effect of the change in useful life is decrease in depreciation expense annually amounting to P12.74 million starting 2019 to 2031 and P15.95 million starting 2032 to 2040 and increase amounting to P55.91 million from 2041 to 2045.

Following the approval of the DOE on the assignment of SESC No. 2014-07-086 of the Clark Solar Plant to its Parent Company effective December 25, 2021, the Company leased out the Clark Solar Plant to its Parent Company in exchange of fixed and variable lease rental (Note 11). The Parent Company became the Clark Solar Plant operator.

Based on the results of management assessment, the Company believes that there were no indicators of impairment as at December 31, 2021 and 2020.

#### **Note 7 - Other non-current assets**

Other non-current assets as at December 31 consist of:

	Note	2021	2020
Electric utility deposits		6,580,541	6,580,541
Security deposits	20	5,279,310	1,779,310
Restricted cash		905,831	615,197
		12,765,682	8,975,048

Electric utility deposits represent deposits to an electric power distribution company which are to be refunded after the service is terminated and all bills have been paid. Electric utility and security deposits will be assigned to the Parent Company in 2022 in line with the assignment of SESC.

Restricted cash pertains to cash deposited in a local bank pursuant to Section 5(i) of RA No. 7638, otherwise known as, the “*Department of Energy Act of 1992*”, Energy Regulation No. 1-94. Under the regulation, generation companies and/or energy resource development facilities shall set aside one centavo per kilowatt-hour of the total electricity sold as financial benefits to the host communities.

#### **Note 8 - Investment properties, net**

Details of investment properties as at December 31, 2021 are as follows:

	Freehold land asset	Leasehold land asset	Total
Cost			
January 1	-	-	-
Additions	234,545,502	53,940,794	288,486,296
December 31	234,545,502	53,940,794	288,486,296
Accumulated amortization			
January 1	-	-	-
Amortization	-	(473,166)	(473,166)
December 31	-	(473,166)	(473,166)
Net book values	234,545,502	53,467,628	288,013,130



The amounts recognized in the statements of total comprehensive income for the year ended December 31, 2021 related to the investment properties are as follows:

	Notes	Freehold land asset	Leasehold land asset	Total
Rental income	15	9,681,801	8,092,091	17,773,892
Cost of services	16	-	(473,166)	(473,166)
Operating expenses	17	(6,020,669)	-	(6,020,669)
Finance costs	18	-	(453,855)	(453,855)
Profit arising from investment properties		3,661,132	7,165,070	10,826,202

*(a) Freehold land asset*

On May 25, 2021, the Company and Parent Company, executed a deed of assignment whereas the latter hereby assigns, transfers, and conveys a parcel of land located in Brgy. Armenia, Tarlac City, Tarlac to the former, absolutely, and free from all liens and/or encumbrances, valued at P4,865,286 in consideration for the issuance of Company's shares upon approval of the SEC of the Company's application for the increase in authorized share capital. On the same date, the Company and CST1, an entity under common control, executed a deed of assignment whereas the latter hereby assigns, transfers, and conveys several parcels of land located in Brgy. Armenia, Tarlac City, Tarlac to the former, absolutely, and free from all liens and/or encumbrances valued at P229,680,216 in consideration for the issuance of Company's shares upon approval of the SEC of the Company's application for the increase in authorized share capital (Note 14). These parcels of land are recognized in reference to its fair value.

The actual transfer and registration of the parcels of land to the Company's name were finalized on October 27, 2021.

The aggregate fair value of these parcels of land as determined by an independent appraiser as at October 31, 2021 amounted to P687,161,000. Management has assessed that there are no significant changes in the fair value of the parcels of land as at December 31, 2021 from the date of appraisal. The fair value of the parcels of land was estimated by the independent appraiser using the discounted cash flow analysis grounded on the principle that the value of an economic entity is the present worth of the economic benefits it will generate in the future (i.e., economic benefits come in the form of lease of the solar power plant). This approach requires a forecast of the economic entity's stream of net income based on lease contract. These net income or rents are then summed up and discounted back to present value by an appropriate discount rate, then add the terminal value of the property. The valuation process consists of estimation of the current market value of the leased property and present value of the unexpired contract rentals. The discounted cash flow analysis falls under the income approach which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value. This approach falls under Level 3 of the fair value hierarchy (Note 24.5).

The fair value is sensitive to the following unobservable inputs: (1) lease income growth rate (fixed and variable lease) which were based on the signed lease contracts and (2) discount rate of 7.01% set using the weighted average cost of capital based on the average capital structure of the companies in the solar energy sector as of the valuation date.

The current use of the parcels of land is its highest and best use.

Rental income earned in relation to these parcels of land for the year ended December 31, 2021 amounted to P9.68 million (Note 15). Expenses incurred in relation to these parcels of land for the year ended December 31, 2021 amounting to P0.30 million, P3.40 million and P2.32 million pertain to registration fees, local transfer tax and other fees are included as part of professional fees, outside services and taxes and licenses, respectively, under operating expenses in the statements of total comprehensive income (Note 17).

*(b) Leasehold land assets*

On July 26, 2021, the Company entered into a contract of sublease and contract of lease with the owners of parcels of land with a total aggregate area of approximately 4.8 hectares and 5.6 hectares, respectively, which are located in Brgy. Dalayap, Tarlac City, Tarlac. Each land properties are covered by an existing lease contract with an original term from November 1, 2015 to October 31, 2040 with Citicore Solar Tarlac 2, Inc. (CST2) (formerly nv vogt Philippines Solar Energy Four, Inc.), an entity under common control. The Company will sublease the land back to CST2. These agreements are effective for 19 years commencing on November 1, 2021 until October 31, 2040 which may be extended at the option of the Company for another 25 years upon the acceptance by and consent of the lessor.

Right-of-use assets arising from these leasing arrangements are presented under leasehold land assets. Land is the underlying asset to which the right-of-use asset would be grouped if this was owned by the Company.

Rental income earned in relation to these right-of use assets for the year ended December 31, 2021 amounted to P8.09 million (Note 15). Expenses incurred in relation to these parcels of land for the year ended December 31, 2021 amounting to P0.47 million and P0.45 million is related to amortization and interest expense recorded as part of cost of services and finance costs, respectively.

**Note 9 - Trade payables and other liabilities**

Trade payables and other liabilities as at December 31 consist of:

	Note	2021	2020
Trade payables - third parties		16,798,407	6,794,533
Due to government agencies		33,723,763	85,508,641
Accrued expenses		875,166	1,390,283
Interest payable	10	-	31,916,918
		51,397,336	125,610,375

Trade payables to third parties are normally due within a 30-day period.

On May 6, 2021, the Company settled a portion of its due to government agencies with a local government unit amounting to P51.86 million by paying P22.17 million through compromise settlement. The difference of the obligation settled and the actual payment, including professional fees, amounting to P25.2 million was recognized as part of other income, net in the statements of total comprehensive income (Note 18). The remaining balance of due to government agencies pertains to unpaid business taxes to a local government unit.

Accrued expenses mainly include utilities, operations and maintenance expenses, which are normally settled the following month.

**Note 10 - Loans payable**

Details of loans payable as at December 31, 2020 consist of:

**Development Bank of the Philippines**

	Amount
Current	126,446,281
Non-current	909,809,551
	1,036,255,832

Movements in loans payable for the years ended December 31 are as follows:

	2021	2020
Principal amount		
January 1	1,043,181,818	1,104,545,454
Assignment of loan	(1,011,570,248)	-
Payments	(31,611,570)	(61,363,636)
December 31	-	1,043,181,818
Debt issuance cost		
January 1	(6,925,986)	(9,289,563)
Amortization	6,925,986	2,363,577
December 31	-	(6,925,986)
	-	1,036,255,832

In 2016, the Company entered into a P1.35 billion Term Loan Facility Agreement with DBP. The facility was entered to finance the construction of Clark Solar Power Project. The entire facility was drawn on December 9, 2016.

The loan has a term of 12 years, maturing on December 8, 2028, inclusive of one (1) year grace period and is payable in forty-four equal quarterly installments commencing on the fifth quarter from the date of initial drawdown. The Company shall pay interest at fixed rate based on the bank's prevailing rate under the relevant program applied for and determined on the date of initial drawdown, subject to a floor rate of 5% per annum, payable quarterly commencing at the end of the first quarter from the date of initial drawdown and subject to adjustment by the bank at such rate as it may be determined at the end of fifth and tenth year of the loan.

As long as the loan agreement is in effect and until the payment is full and all other amounts due under the agreement have been collected by the bank, the Company agrees, unless the bank otherwise consent in writing, that the Company will not declare or pay dividends to its shareholder, other than dividends payable solely in shares of its share capital, or retain, retire, purchase or otherwise acquire any class of its share capital, or make any other capital or other asset distribution to its shareholders. Further, the Company shall maintain at all times during the entire term of the loan a debt-to-equity ratio (DER) of not exceeding 2:1 and current ratio and debt service coverage ratio of not less than one (1) as defined in the Term Loan Facility Agreement. As at December 31, 2020, the Company has complied with these covenants.

In March 2020, the Philippine government enacted the granting of a 30-day grace period for all loans with principal and/or interest falling due within the Enhanced Community Quarantine period without incurring interest on interest, penalties, fees and other charges pursuant to Republic Act No. 11649, also known as the "*Bayanihan to Heal as One Act*". The Company availed of the deferral of its principal payment and interest due to DBP which in result spreads the deferred principal and interest amount to the remaining payments to be made for the remaining term of the loan. The impact of the deferral is not material hence no gain or loss on loan modification was recognized.

On May 4, 2021, the Parent Company assumed the Company's outstanding loan with DBP with principal balance amounting to P1.01 billion. Consequently, the Company derecognized the loan and the corresponding interest payable amounting P13.02 million and recognized as part of due to a related party (Note 11). No gain or loss was recognized for the loan assignment. As a result of the assignment, the Company became indebted to its Parent Company for the same amount. Subsequently, the Parent Company used a portion of the amount reclassified as due to a related party amounting to P602.47 million to subscribe on the Company's common shares to be taken from the increase in authorized share capital (Note 14). These are considered as non-cash transactions.

Details of finance costs including amortization of debt issuance cost for the years ended December 31 recognized in the statements of total comprehensive income are as follows:

	Note	2021	2020	2019
Finance costs	18	24,973,910	60,028,178	65,040,216

Movements in interest payable for the years ended December 31 are as follows:

	2021	2020	2019
January 1	31,916,918	3,690,805	3,975,000
Interest expense	18,047,924	57,664,601	63,071,505
Assumed by Parent Company	(13,024,012)	-	-
Interest payments	(36,940,830)	(29,438,488)	(63,355,700)
December 31	-	31,916,918	3,690,805

### **Note 11 - Related party transactions**

In the normal course of business, the Company transacts with companies which are considered related parties under Philippine Accounting Standards (PAS) 24, “*Related Party Disclosures*”.

The transactions and outstanding balances of the Company as at and for the years ended December 31 with related parties are as follows:

Related parties	Transactions			Outstanding balance Receivables (Payables)		Terms and conditions
	2021	2020	2019	2021	2020	
Parent Company						
Advances to	265,850,948	39,525,344	101,236,796	265,850,948	129,887,214	Refer to (a).
Assignment of loans payable	(1,011,570,248)	-	-	(377,493,612)	-	Refer to (b) and Note 10.
Assumed interest payable	(13,024,012)	-	-	(13,024,012)	-	See Note 10.
				(124,666,676)	129,887,214	
Issuance of shares	607,330,352	-	-	-	-	Refer to (c) and Note 10.
Entities under common control						
Lease income	17,773,892	-	-	2,456,998	-	Refer to (e) and Note 4.
Advances to	87,021,747	87,021,747	-	-	87,021,747	Refer to (a).
Issuance of shares	229,680,216	-	-	-	-	Refer to (c) and Note 10.

#### **(a) Advances**

Advances to (from) related parties are made to finance working capital requirements or to assume receivables and payables to (from) related parties and/or third parties. Advances to (from) related parties are unsecured, with no guarantee, non-interest bearing, collectible (payable) in cash both on demand and after more than 12 months and are expected to be collected (settled) in cash or offset with outstanding liability (receivable). As at December 31, 2021, the Parent Company and the Company agreed to offset all related party receivables and payables resulting in a net payable to the Parent Company amounting to P124.67 million. These are considered as non-cash transactions.

The offset amounts as at December 31, 2021 are as follows:

	Amount
Receivables	265,850,948
Payables	(390,517,624)
	(124,666,676)

There was no offsetting as at and for the year ended December 31, 2020.

Details of net payable to the Parent Company as at December 31, 2021 are as follows:

	Amount
Current	56,144,929
Non-current	68,521,747
	124,666,676

In December 2021, the Company and the Parent Company agreed that portion of the net payable amounting to P56.14 million is to be settled in cash upon demand by the Parent Company while the remaining balance of P68.52 million is to be settled in cash after more than 12 months from December 31, 2021. These are non-interest bearing and not covered by guarantees or collaterals.

*(b) Loan assignment*

The loan assignment was recognized as part of due to a related party. Details and movement of due to a related party pertaining to the loan assignment for the year ended December 31, 2021 are as follows:

	Notes	Amount
Assignment of loan	10	1,011,570,248
Cash settlement	10	(31,611,570)
Subscription of shares	11 (c)	(602,465,066)
Ending amount subsequently classified as advances		377,493,612

*(c) Shares subscriptions*

Details of additional shares subscriptions for the year ended December 31, 2021 are as follows:

	Notes	Conversion of advances	Land properties exchange	Total
Parent Company	8, 14	602,465,066	4,865,286	607,330,352
CST1	8, 14	-	229,680,216	229,680,216
		602,465,066	234,545,502	837,010,568

*(d) Key management compensation*

Except for the directors' fees that the Company pays to each of the independent directors, there are no other arrangements for the payment of compensation or remuneration to the directors of the Company in their capacity as such. Directors' fees during the year ended December 31, 2021 amounted to P0.84 million (December 31, 2020 and 2019 - nil) (Note 17).

The Company's management functions are being handled by the Parent Company and another related party at no cost. No other short-term or long-term compensation was paid to key management personnel for the years ended December 31, 2021 and 2020.

*(e) Lease agreements*

During 2021, the Company entered into various lease contracts, as a lessor, with related parties as follows:

- Sublease agreement of below land properties to related parties:
  - Land property located in Brgy. Dalayap, Tarlac City, Tarlac with Citicore Solar Tarlac 2, Inc. (CST2) (formerly nv vogt Philippines Solar Energy Four, Inc.)

The agreement is effective for 19 years commencing on November 1, 2021 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the sublessee vis-a-vis the three-year historical plant generation and market prices. The Company recognized lease income related to this property for the year ended December 31, 2021 amounting to P8.09 million (Note 15).

- Land property located in Brgy. Rizal, Silay City, Negros Occidental with Citicore Solar Negros Occidental, Inc. (CSNO) (formerly Silay Solar Power, Inc.)

The agreement is effective for 19 years commencing on January 1, 2022 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the sublessee vis-a-vis the three-year historical plant generation and market prices.

- Land property located in Brgy. Talavera, Toledo City, Cebu with Citicore Solar Cebu, Inc. (CSCI) (formerly First Toledo Solar Energy Corp.)

The agreement is effective for 19 years commencing on January 1, 2022 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the sublessee vis-a-vis the three-year historical plant generation and market prices.

- Lease contract of the land property located in Brgy. Armenia, Tarlac City, Tarlac with CST1

The agreement is effective for 25 years commencing on November 1, 2021 until October 31, 2046 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the lessee vis-a-vis the three-year historical plant generation and market prices. The Company recognized lease income related to this property for the year ended December 31, 2021 amounting to P9.68 million (Note 15).

- Assignment of Solar Energy Service Contract of the Clark Solar Plant and the subsequent lease of the plant to the Parent Company

On October 13, 2021, the Company assigned SESC No. 2014-07-086 of the Clark Solar Plant to its Parent Company, thereby establishing the Parent Company as the operator of such plant. On the same date, the Company, as a lessor, and its Parent Company, as lessee, executed a lease contract for latter's use of the Clark Solar Plant in line with the assignment of SESC. The assignment was approved by the DOE on December 25, 2021 (Note 2). The lease agreement is effective for almost 18 years commencing on November 1, 2021 and ending on September 3, 2039 with the Company's right to re-evaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the Parent Company vis-a-vis the three-year historical plant generation and market prices. No rental income was recognized from this lease agreement during 2021 considering that the DOE only approved the assignment on December 24, 2021 effective December 25, 2021. Hence, commencement date of the contract was moved to January 1, 2022.

In addition, subject also to the Company's right over the leasehold properties, the Company and related party-lessees can continue and may further extend the lease period in a way that is beneficial to both parties. The monthly lease payment for the lease agreements above is equivalent to the sum of fixed and variable lease rates.

The lease agreements commencing January 1, 2022 will result in the recognition of rental income on a straight-line basis over the lease term in the statements of total comprehensive income as these lease agreements are classified as operating leases and corresponding lease receivables under trade and other receivables in the statements of financial position, if any.

*(f) Memorandum of agreement for future sale transaction*

The Company entered into a memorandum of agreement with Citicore Solar South Cotabato, Inc. (CSSCI) (formerly nv vogt Philippine Solar Energy One, Inc.) and Citicore Solar Bulacan, Inc. (CSBI) (formerly Bulacan Solar Energy Corporation), entities under common control, for the future sale of land properties owned by CSSCI and CSBI to the Company.

This will result in the recognition of investment properties in the statements of financial position for the land properties that will be acquired.

*(g) Memorandum of agreement for future lease agreement*

The Company entered into a memorandum of agreement with CSSCI and CSBI for the subsequent lease of land properties owned by CSSCI and CSBI to the Company.

This will result in the recognition of rental income on a straight-line basis over the lease term for the leaseback to the related parties. These will be classified as operating leases in the statements of total comprehensive income and corresponding lease receivables under trade and other receivables in the statements of financial position, if any, upon the consummation of the agreement.

*(h) Property management fee*

On August 9, 2021 the Company entered into a property management agreement with Citicore Property Managers, Inc. (CPMI) for property management services of the Company. CPMI will receive a management fee based on certain percentage of the Company's guaranteed base lease. Payment in cash is due and payable 10 days from receipt of billing statement.

*(i) Fund management fee*

On July 26, 2021, the Company entered into a fund management agreement with Citicore Fund Managers, Inc. (CFMI) for the fund management services of the Company. CFMI will receive a management fee equivalent to a certain percentage of the Company's guaranteed base lease, plus a certain percentage of the acquisition price for every acquisition made by it on behalf of the Company, plus a certain percentage of the sales price for every property divested by it on behalf of the Company. Payment in cash is due and payable 10 days from receipt of billing statement.

Property management and fund management agreement shall commence in 2022 aligned with the date of Company's listing to PSE.

On July 26, 2021, the BOD approved the Company's material related party transaction policy to adhere with SEC Memorandum Circular No. 10, Series of 2019 which include: the identification of related parties, coverage of material related party transactions, adjusted thresholds, identification and prevention or management of potential or actual conflicts of interests arising out of or in connection with the material related party transactions, guidelines in ensuring arm's length terms, approval of material related party transactions, self-assessment and periodic review of policy, disclosure requirements, whistleblowing mechanisms, and remedies for abusive material related party transactions. The BOD, with the assistance of the Related Party Transaction Review and Compliance Committee ("RPTRCC"), shall oversee, review, and approve all related party transactions to ensure that these are conducted in the regular course of business and on an arm's length basis and not undertaken on more favorable economic terms to the related parties than with non-related or independent parties under similar circumstances. The RPTRCC shall be granted the sole authority to review related party transactions. Those falling within the materiality thresholds set by the Company's BOD shall require the approval of the Chief Executive Officer and/or President or the BOD, as the case may be.

#### **Note 12 - Other non-current liability**

Other non-current liability consists of provision for asset retirement obligation amounting to P1.06 million which pertains to the restoration costs of the leased land to its original condition upon the termination of the lease agreement. In 2020, the Company reversed the full amount of the provision as management assessed that this is no longer expected to be settled or incurred upon termination of the lease agreement.

#### **Note 13 - Retirement benefits**

The Company provides for the estimated retirement benefits based on the requirements of RA No. 7641, otherwise known as the "*Retirement Pay Law*". Under the Retirement Pay Law, the retirement benefit obligation is computed as one-half of monthly salary for every year of service, a fraction of six months being considered as one whole year. The term one-half of monthly salary shall mean 15 days plus the one-twelfth of the 13th month, and the cash equivalent of not more than five days service incentive leaves.

The retirement benefit obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation was sought from an independent actuary last June 30, 2021. Management has assessed that there are no significant changes in the data and assumptions used in computing the present value of defined benefit obligation as at December 31, 2021 from the date of actuarial valuation.

The retirement benefit obligation recognized in the statement of financial position as at December 31, 2021 amounted to P314,672 (2020 - P2,915,664).

The movements in present value of defined benefit obligation for the years ended December 31 are as follows:

	2021	2020
January 1	2,915,664	-
Current service cost	203,989	2,915,664
Interest cost	3,308	-
Reversal of retirement benefit obligation	(2,757,395)	-
Remeasurement gain arising from:		
Changes in financial assumptions	(44,744)	-
Deviations of experience from assumptions	(6,150)	-
December 31	314,672	2,915,664



Reversal of retirement benefit obligation relates to changes in expected retirement benefits to be paid by the Company to employees. This is recognized directly in profit or loss as part of retirement benefit (income) expense.

The components of retirement benefit (income) expense for the years ended December 31 are as follows:

	Note	2021	2020
Current service cost		203,989	2,915,664
Interest cost		3,308	-
Reversal of retirement benefit obligation		(2,757,395)	-
	16	(2,550,098)	2,915,664

The movements in remeasurement on retirement benefits for the year ended December 31, 2021 are as follows:

	Amount
January 1	-
Remeasurement	
Changes in financial assumptions	(44,744)
Experience adjustment	(6,150)
December 31	(50,894)

Remeasurements during 2020 is not material due to insignificant changes in financial and demographic assumptions and experience adjustments, hence, not recognized.

The principal assumptions used are as follows:

	2021	2020
Discount rate	5.34%	4.07%
Salary increase rate	5.00%	5.00%

The present value of the defined benefit obligation is measured in terms of actuarial assumptions such as discount rate, salary increases and expected retirement age. The resulting amount was discounted based on the spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) by stripping the coupons from government bonds to create virtual zero-coupon bonds. Salary increase rate was also considered which comprise of the general inflationary increase plus a further increase for individual productivity, merit and promotion. The salary increase rate is set by reference over the period over which benefits are expected to be paid.

The Company does not expect to create a fund in the next reporting period.

The weighted average duration of the defined benefit obligation as at December 31, 2021 is 17.8 years (2020 - 18.3 years).

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, with all other assumptions held constant.

	Change in assumption	Impact on defined benefit obligation	
		Increase	Decrease
<i>December 31, 2021</i>			
Discount rate	+/-1.00%	(0.03 million)	0.04 million
Salary increase rate	+/-1.00%	0.04 million	(0.03 million)
<i>December 31, 2020</i>			
Discount rate	+/-1.00%	(1.02 million)	0.01 million
Salary increase rate	+/-1.00%	0.69 million	(0.56 million)

Expected maturity analysis of undiscounted retirement benefits as at December 31 are as follows:

	2021	2020
One year to five years	81,802	1,590,324
More than five years to ten years	214,170	4,159,676
	295,972	5,750,000

#### **Note 14 - Share capital**

The Company's share capital as at December 31 consists of:

	2021		2020	
	Number of shares	Amount	Number of shares	Amount
Authorized share capital				
Common shares - P0.25 par value	15,360,000,000	3,840,000,000	-	-
Common class A - P1 par value	-	-	7,291,011	7,291,011
Common class B - P13.5 par value	-	-	4,856,985	65,569,298
Redeemable preference shares A - P27 par value	-	-	1,729,922	46,707,894
Redeemable preference shares B - P364.5 par value	-	-	1,153,448	420,431,796
	15,360,000,000	3,840,000,000	15,031,366	539,999,999
Issued and outstanding				
Common shares - P0.25 par value	5,498,182,004	1,374,545,501	-	-
Common class A - P1 par value	-	-	7,291,011	7,291,011
Common class B - P13.5 par value	-	-	4,856,985	65,569,298
Redeemable preference shares A - P27 par value	-	-	1,729,922	46,707,894
Redeemable preference shares B - P364.5 par value	-	-	1,153,448	420,431,796
	5,498,182,004	1,374,545,501	15,031,366	539,999,999

The changes in the number of shares for the years ended December 31 are as follows:

	2021					2020			
Par value	Common P0.25	Common class A P1	Common class B P13.5	Preference A P27	Preference B P364.5	Common class A P1	Common class B P13.5	Preference A P27	Preference B P364.5
Authorized share capital									
January 1	-	7,291,011	4,856,985	1,729,922	1,153,448	7,291,011	4,856,985	1,729,922	1,153,448
Reclassification to one class common shares (a)	13,877,918	(7,291,011)	(4,856,985)	(1,729,922)	(1,153,448)	-	-	-	-
Change in par value and increase in authorized share capital (a)	2,146,122,076	-	-	-	-	-	-	-	-
Increase in authorized share capital (a)	13,200,000,006	-	-	-	-	-	-	-	-
December 31	15,360,000,000	-	-	-	-	7,291,011	4,856,985	1,729,922	1,153,448
Issued and outstanding									
January 1	-	7,291,011	4,856,985	1,729,922	1,153,448	7,291,011	4,856,985	1,729,922	1,153,448
Reclassification to one class common shares (a)	13,877,918	(7,291,011)	(4,856,985)	(1,729,922)	(1,153,448)	-	-	-	-
Change in par value and increase in authorized share capital (a)	2,146,122,076	-	-	-	-	-	-	-	-
Issuance of new shares (b.i and b.ii)	3,338,182,010	-	-	-	-	-	-	-	-
December 31	5,498,182,004	-	-	-	-	7,291,011	4,856,985	1,729,922	1,153,448

The holders of common class A and B shares are entitled to the same rights and privileges except for the right to dividend distribution which is in accordance with the par value ratio.

Redeemable preference shares A and B are non-convertible, non-voting and are redeemable at the option of the Company at par value, plus any accrued and unpaid cash dividends. In case of dissolution or liquidation, redeemable preference shares shall enjoy preference on the distribution of the Company's assets. Redeemable preference shares are not redeemable at the option of the holder.

Foreign nationals may own and hold common class B and redeemable preference shares B.

(a) Share reclassifications and increase in authorized share capital

On March 12, 2021, the Company's BOD and shareholder approved that the redeemable preferred shares and other classes of common shares previously authorized and issued are and shall be convertible to one class common share and reduced the par value of all previously issued shares to P0.25 per share.

Consequently, the Company amended its AOI to reflect the change and converted all its previously issued shares to one class common share. The Company's authorized share capital and issued and outstanding shares amounted to P539,999,999 divided into 2,159,999,994 shares at P0.25 par value per share. The related certificate of filing of amended AOI was approved by the SEC on May 31, 2021.

On May 26, 2021, the Company's BOD and shareholder approved the increase in the authorized share capital of the Company from P539,999,999 (composed of 2,159,999,994 shares at P0.25 par value per share) to P3,840,000,000 (composed of 15,360,000,000 shares at P0.25 par value per share). The approval of the increase in the authorized share capital was obtained from the SEC on October 12, 2021 (Note 1).

(b) Share subscriptions

(i) *Advances from Parent Company to share conversion subscription*

On May 26, 2021, the Parent Company entered into a subscription agreement with the Company to subscribe 2,400,000,000 common shares to be taken from the increase in authorized share capital, upon approval by the SEC for a total consideration of P602,465,066. Total consideration in excess of par value of shares issued amounting to P2,465,066 was credited as additional paid in capital. The Parent Company assigned P602,465,066 of its advances to fully pay the subscription price (Note 11). This is considered as a non-cash transaction.

(ii) *Land properties for share subscription*

On May 26, 2021, the Parent Company entered into a subscription agreement with the Company to subscribe 19,461,142 common shares to be taken from the increase in authorized share capital, upon approval by the SEC, for a total consideration of P4,865,286. The Parent Company assigned a parcel of land located in Brgy. Armenia, Tarlac in favor of the Company to fully pay the subscription price (Notes 8 and 11). This is considered as a non-cash transaction.

On the same date, CST1 entered into a subscription agreement with the Company to subscribe 918,720,864 common shares to be taken from the increase in authorized share capital, upon approval by the SEC, for a total consideration of P229,680,216. CST1 hereby assigns several parcels of land located in Brgy. Armenia, Tarlac in favor of the Company to fully pay the subscription price (Notes 8 and 11). This is considered as a non-cash transaction.

These parcels of land were recognized as investment properties as at December 31, 2021 (Note 8).

The application for the proposed increase in authorized share capital was filed with the SEC on May 25, 2021 and was approved on October 12, 2021, which resulted in the subsequent issuance of shares to CREC and CST1 (Note 1).

## **Note 15 - Revenue**

### *(a) Sale of solar energy*

On March 11, 2016, the DOE confirmed the declaration of commerciality of the Company's Clark Solar Power Project under SESC No. 2014-07-086 (Note 1). The DOE confirmation affirms the conversion of said SESC from pre-development to commercial stage.

On March 12, 2016, the Clark Solar Power Project started delivering power to the grid following its commissioning. On June 3, 2016, the Clark Solar Power Project was issued a Certificate of Endorsement (COE) for FIT Eligibility under COE-FIT No. S-2016-04-020 by the DOE. By virtue of the endorsement, the Clark Solar Power Project is qualified to avail of the FIT system, upon the issuance by the ERC of the Certificate of Compliance (COC). On November 22, 2016, the ERC issued the COC to the Company. As a result, the Company was entitled to the FIT rate per kilowatt hour of energy output for a period of 20 years from March 12, 2016.

On May 26, 2020, the ERC issued Resolution No. 06, Series of 2020, which pertains to the approval of the adjustment of the FIT rate for 2016 entrants published on November 17, 2020 and shall take effect on December 2, 2020. During 2021, additional revenue amounting to P83.53 million was recognized related to FIT-rate adjustments for the generation from 2016 to be recovered in five years starting in December 2021 based on latest discussions with TransCo.

TransCo is the regulating body of all the FIT-rate eligible energy providers. Outstanding receivables under the FIT system due from TransCo amounted to P125.42 million as at December 31, 2021 (2020 - P42.00 million) (Note 4).

As a result of assignment of Solar Energy Service Contract of the Clark Solar Plant to its Parent Company, the sale of solar energy business has been terminated on December 25, 2021 as approved by DOE (Note 1).

### *(b) Leasing*

Subsequent lease and sublease agreements with related parties that were accounted as operating leases resulted in the recognition of rental income for the year ended December 31, 2021 as follows:

Land properties	Note	Amount
Freehold land assets		
Brgy. Armenia, Tarlac City, Tarlac		9,681,801
Leasehold land assets		
Brgy. Dalayap, Tarlac City, Tarlac		8,092,091
	11	17,773,892

**Note 16 - Cost of services**

The components of cost of services for the years ended December 31 are as follows:

	Notes	2021	2020	2019
Depreciation and amortization	6, 20	61,710,938	61,244,901	61,244,901
Utilities		4,500,169	4,933,938	5,051,365
Repairs and maintenance		3,846,766	1,023,368	3,233,916
Outside services		3,511,285	3,711,108	7,360,805
Insurance		1,599,934	1,657,448	2,152,889
Salaries and wages		934,099	1,843,562	1,440,549
Taxes and licenses		610,854	17,281,122	17,784,779
Retirement benefit (income) expense	13	(2,550,098)	2,915,664	-
Others		43,815	12,462	106,772
		74,207,762	94,623,573	98,375,976

**Note 17 - Operating expenses**

The components of operating expenses for the years ended December 31 are as follows:

	Notes	2021	2020	2019
Taxes and licenses		29,202,654	4,340,315	1,775,610
Professional fees		20,142,435	41,500	181,020
Outside services		3,904,095	-	-
Dues and subscriptions		1,188,968	949,262	674,390
Directors' fees	11	842,105	-	-
Transportation and travel		211,306	197,253	171,359
Repairs and maintenance		191,023	146,405	21,401
Communication, light and water		107,442	138,214	123,717
Charitable contributions		100,000	126,000	105,000
Depreciation	6	40,434	40,433	25,808
Bank charges		27,828	7,912	188,259
Provision for doubtful accounts	4	-	1,944,096	-
Others		1,014,499	56,569	120,267
		56,972,789	7,987,959	3,386,831

Portion of taxes and licenses, professional fees and outside services amounting to P22.73 million, P19.76 million and P3.90 million, respectively, pertains to costs for the listing and offering of the Company's shares to the public.

**Note 18 - Other income, net; finance costs**

The components of other income, net for the years ended December 31 are as follows:

	Notes	2021	2020	2019
Gain on compromise settlement of due to government agencies	9	25,200,913	-	-
Interest income	3, 4	277,078	662,181	2,110,459
Reversal of asset retirement obligation	12	-	1,056,902	-
Foreign exchange losses, net	22	(55,492)	(15,321)	(60,375)
Others		583,427	-	-
		26,005,926	1,703,762	2,050,084

The components of finance costs for the years ended December 31 are as follows:

	Notes	2021	2020	2019
Interests on loans payable from DBP	10	24,973,910	60,028,178	65,040,216
Interests on lease liabilities	20	4,464,960	4,026,048	3,686,845
		29,438,870	64,054,226	68,727,061

#### **Note 19 - Income taxes**

As a BOI-registered enterprise (Note 1), the Company may avail the following incentives:

- Income Tax Holiday (ITH) for seven (7) years from date of actual commercial operation. The ITH shall be limited only to the revenues generated from the sale of electricity of the Clark Solar Power Project;
- Duty-free importation of machinery, equipment and materials including control and communication equipment, within the first ten (10) years from the issuance of the DOE Certificate of Registration; and
- Tax exemption on carbon credits.

The Company may also avail of certain incentives to be administered by appropriate government agencies subject to the rules and regulations of the respective administering government agencies.

As a REIT-registered enterprise following its listing in the main board of the PSE on February 22, 2022 (Note 1), the Company will avail the following tax incentives:

- A tax deduction for dividends paid, in addition to the allowable deductions provided for under the Tax Code, to arrive at its taxable net income. For a REIT to enjoy this tax incentive, it should maintain its status as a “public company,” observe the mandatory 90% dividend pay-out requirement of distributable income to shareholders, and submit a sworn statement that the minimum ownership requirements for the relevant years were maintained at all times.
- Exemption from the minimum corporate income tax (MCIT), as well as documentary stamp tax (DST) on the sale, barter, exchange, or other disposition of listed investor securities through the PSE, including cross or block sales with prior approval of the PSE. It is also exempted from paying the initial public offering (IPO) tax on its initial and secondary offering of its investor securities. Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act, permanently repealed the IPO tax.
- A lower creditable withholding tax rate of 1% of its receipt of income payments. It also benefits from the 50% reduction on the amount of DST due on sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest, and applicable registration and annotation fees incidental to such transfers.

The income tax benefit for the year ended December 31, 2021 pertains only to deferred income tax benefit amounting to P8,200,316 (2020 and 2019 - nil).

Deferred income taxes are determined using income tax rates in the period the temporary differences are expected to be recovered or settled. Realization of the future tax benefits related to deferred income tax assets is dependent on many factors, including the Company’s ability to generate taxable income in the future within the carry-over period of its unused tax losses. Management has considered this in reaching its conclusion not to recognize the deferred income tax assets in relation to sale of solar energy segment for the year ended December 31, 2020. In addition, the Company is still subject to ITH for the years ended December 31, 2021 and 2020 until October 15, 2022.

However, using the same considerations, the Company recognized certain deferred income tax assets in relation to both its sales of solar energy and leasing business segment as at December 31, 2021.

The details of the Company's recognized deferred income tax assets, net as at December 31, 2021 and the temporary differences where it arise follow:

	Amount
<i>Lease income segment under regular corporate income tax (RCIT) rate</i>	
Deferred income tax assets - to be recovered beyond 12 months	
Net operating loss carryover (NOLCO)	17,168,553
Excess of lease payments over interest on lease liabilities and amortization of right-of-use asset	42,922
	17,211,475
Deferred income tax liability - to be settled beyond 12 months	
Excess of rental income based on straight-line recognition of rent over actual rental	(614,249)
	16,597,226
<i>Sale of solar energy under special tax rate</i>	
Deferred income tax asset - to be recovered within 12 months	
Discount on receivables	1,182
Deferred income tax asset - to be recovered beyond 12 months	
Discount on receivables	1,273,009
	1,274,191
Deferred income tax liability - to be settled within 12 months	
Accrued revenue	(45,582)
Deferred income tax liability - to be settled beyond 12 months	
Accrued revenue	(9,625,519)
	(9,671,101)
	(8,396,910)
	8,200,316

The Company's unrecognized deferred income tax assets in relation to sale of solar energy segment as at December 31 arise from the following temporary differences:

	2021	2020
Accrued expenses	33,620,012	85,485,864
Excess of lease payments over interest on lease liabilities and amortization of right-of-use asset	3,510,809	2,038,390
Provision for doubtful accounts	1,944,096	1,944,096
Retirement benefit obligation	314,672	2,915,664
Unrealized foreign exchange loss	55,318	11,175
	39,444,907	92,395,189
Tax rate	10%	10%
	3,944,491	9,239,519

The details of the Company's NOLCO as at December 31 are as follows:

Year of incurrence	Year of expiration	2021	2020
2018	2021	-	9,966,459
2021	2026	68,674,211	-
Total		68,674,211	9,966,459
Applied		-	(9,966,459)
		68,674,211	-
		25%	30%
		17,168,553	-



Where higher than normal income tax, the Company is required to pay MCIT equal to 2% of gross income as required by the Tax Reform Act of 1997 for other operating income. This amount may separately be offset against normal income tax liabilities for the three (3) immediately succeeding taxable years. During 2017, the Company incurred MCIT amounting to P72,283 which expired on December 31, 2020.

The reconciliation between income tax expense computed at the statutory tax rate and the actual income tax expense for the years ended December 31 as shown in the statements of total comprehensive income follows:

	2021			2020	
	RCIT	Special rate	Total	Special rate	Special rate
Income tax at statutory tax rate	(7,681,132)	24,840,416	17,159,284	10,411,481	7,957,094
Income tax effects of:					
Deductible expenses recognized as asset	(8,916,094)	-	(8,916,094)	-	-
Non-deductible expenses	-	346,062	346,062	27,599	88,271
Interest income subject to final tax	-	(27,708)	(27,708)	(66,218)	(207,523)
Non-taxable income due to ITH	-	(11,471,921)	(11,471,921)	(11,742,155)	(5,307,253)
Movement of unrecognized deferred income tax assets	-	(5,289,939)	(5,289,939)	1,369,293	(2,530,589)
	(16,597,226)	8,396,910	(8,200,316)	-	-

#### **Note 20 - Lease - Company as a lessee**

The Company has entered into various lease contracts as follows:

- (a) The Company leases a parcel of land where the Clark Solar Power Project was constructed. The agreement was entered on September 5, 2014 and is valid for twenty-five (25) years, renewable by the lessee upon consent of the lessor. The agreement stipulates rental payments amounting to P0.29 million and US\$105 with an escalation rate of 10% starting on the fourth year of the lease and every three (3) years thereafter. Upon termination of the lease, the leased property shall revert back to the lessor. There are no restrictions placed upon the lessee by entering into the lease agreement.

Security deposits for the lease agreement amounting to P5.3 million were presented as part of other non-current assets in the statements of financial position as at December 31, 2021 (2020 - P1.78 million) (Note 7). These deposits are refundable to the Company upon termination of the lease agreement or at the end of the lease term. The impact of discounting is deemed to be immaterial.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

- (b) During 2021, the Company entered into various lease contracts, as a lessee, with third parties as follows:

- Assignment of lease contract of a land property located in Brgy. Talavera, Toledo City, Cebu by CSCI, an entity under common control, with a third party, to the Company;
- Sublease agreement and lease contract with third parties for land properties located in Brgy. Dalayap, Tarlac City, Tarlac previously being leased by CST2, an entity under common control (Note 8); and
- Lease agreement with a third party for a land property in Brgy. Rizal, Silay City, Negros Occidental previously being leased by CSNO, an entity under common control.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that will be held by the lessor. Leased assets may not be used as security for borrowing purposes.

No right-of-use assets and lease liabilities was recognized as at December 31, 2021 for land property located in Brgy. Talavera, Toledo City, Cebu and land property in Brgy. Rizal, Silay City, Negros Occidental since the earliest commencement date of the lease contracts is on January 1, 2022.

For land properties located in Brgy. Dalayap, Tarlac City, Tarlac, the Company has recognized right-of-use asset and lease liabilities on November 1, 2021 in the statements of financial position amounting to P53.94 million.

*Amounts recognized in the statements of financial position*

Details of right-of-use asset, net and movements in the account as at and for the years ended December 31 are as follows:

	Note	2021	2020
Cost			
December 31, 2020 and 2021		43,937,092	43,937,092
Accumulated amortization			
January 1		4,251,976	2,125,988
Amortization	16	2,125,988	2,125,988
December 31		6,377,964	4,251,976
Net book value		37,559,128	39,685,116

Investment properties held by the Company as a right-of-use asset measured initially at its cost in accordance with PFRS 16 as at December 31, 2021 are as follows:

	Notes	Amount
Land properties - Brgy. Dalayap, Tarlac City, Tarlac		
Cost		53,940,794
Accumulated amortization	16	(473,166)
	8	53,467,628

Details of the lease liabilities as at December 31 are as follows:

	2021	2020
Current	1,263,480	294,139
Non-current	103,132,719	51,060,996
	104,396,199	51,355,135

Movements in lease liabilities for the years ended December 31 are as follows:

	Note	2021	2020
January 1		51,355,135	51,431,558
Additions	8	53,940,794	-
Principal payments		(955,048)	(87,598)
Interest payments		(4,464,960)	(4,026,048)
Interest expense	8, 18	4,464,960	4,026,048
Translation difference		55,318	11,175
December 31		104,396,199	51,355,135

Translation difference is recognized as part of foreign exchange losses, net under other income, net in the statements of total comprehensive income.

*Amounts recognized in the statements of total comprehensive income*

Amounts recognized in the statements of total comprehensive income for the years ended December 31 related to the lease agreements are as follows:

	Notes	2021	2020	2019
Amortization expense	8, 16	2,599,154	2,125,988	2,125,988
Interest expense	8, 18	4,464,960	4,026,048	3,686,845
Translation difference		55,318	11,175	60,375
		7,119,432	6,163,211	5,873,208

The total cash outflows for the years ended December 31 for the lease agreements are as follows:

	2021	2020	2019
Payment of principal portion of lease liabilities	955,048	87,598	235,236
Payment of interest on lease liabilities	4,464,960	4,026,048	3,686,845
	5,420,008	4,113,646	3,922,081

*Discount rate*

The lease payments are discounted using the Company's incremental borrowing rate ranging from 6.75% to 7.86%, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

*Extension and termination options*

Extension and termination options are included in the lease agreement of the Company. These are used to maximize the operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable by the lessee upon consent of the lessor, hence, the extension and termination options have not been included in lease term.

**Note 21 - Earnings per share (EPS)**

Basic and diluted EPS for the years ended December 31 are as follows:

	2021	2020	2019
Net income	225,879,943	104,114,812	79,570,943
Weighted average number of common shares	2,772,000,029	2,772,000,029	2,772,000,029
Basic and diluted EPS	0.08	0.04	0.03

Weighted average number of common shares is calculated as follows:

	Number of shares	Ratio	Weighted number of shares
Beginning	2,159,999,994	1.00	2,159,999,994
Issuance of shares	3,338,182,010	0.18	612,000,035
	5,498,182,004		2,772,000,029

In March 2021, the Company's BOD and shareholders approved to convert all of its common and preference shares to one class common share and reduced all the par values to P0.25 per share thereby increasing the number of common shares issued and outstanding (Note 14). The conversion, subsequent decrease in par value and share subscriptions and issuance during 2021 were considered in the calculation of weighted average number of common shares outstanding retrospectively for all the periods presented.

The Company has no potential dilutive common shares for the years ended December 31, 2021 and 2020. Therefore, basic and diluted EPS are the same.

## **Note 22 - Financial risk and capital management and fair value estimation**

### **22.1 Financial risk management**

The Company's activities expose it to a variety of financial risks from its use of financial instruments: market risk, credit risk, and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### **22.1.1 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, security price and foreign exchange rates, will affect the Company's total comprehensive income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. Security price is deemed not applicable since the Company has no debt or equity instruments traded in an active market. The management of these risks is discussed as follows:

##### ***(a) Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Company's exposure to risk for changes in market interest rates relates to loans payable, cash in banks, short-term placements, and lease liabilities.

The Company's exposure to risk for changes in market interest rates primarily relates to loans payable with fixed interest rate which was assumed by the Parent Company effective May 4, 2021. Management believes that the related interest rate risk on this instrument is relatively insignificant having fixed interest rate.

The Company has no outstanding loans payable as at December 31, 2021 (2020 - P1.04 billion) (Note 10).

Management believes that the related cash flow and interest rate risk on cash in banks and short-term placements is relatively low due to immaterial changes on interest rates within the duration of these financial instruments.

The Company is also exposed to fixed-rate interest rate risk related to its lease liabilities. The interest rate risk is deemed to have a diminishing impact on the Company over the term of the lease.

*(b) Foreign exchange risk*

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to U.S. Dollar. Foreign exchange risk arises when future commercial transactions, and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Among others, management monitors the timing of settlements/payments to ensure that the Company is not unfavorably exposed to fluctuations of foreign exchange rates.

The Company's foreign currency denominated monetary liability as at December 31, 2021 refers to a portion of lease liabilities amounting to US\$20,052 (2020 - US\$20,392) with Philippine Peso equivalent of P1.02 million (2020 - P0.98 million).

Details of foreign exchange losses, net for the years ended December 31 are as follows:

	Note	2021	2020	2019
Unrealized losses, net		55,318	11,175	60,375
Realized losses, net		174	4,146	-
	18	55,492	15,321	60,375

The Company's exposure to foreign currency risk is not significant due to the absence of material transactions and balances denominated in a currency other than the Company's functional currency.

**22.1.2 Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk arises primarily from its cash and cash equivalents, trade and other receivables, electric utility deposits, security deposits and restricted cash.

Exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets. The Company uses internal ratings to determine the quality of its financial assets. The Company determined that its financial assets are all considered high grade financial assets except for those that were fully provided for.

The maximum exposures to credit risk, pertaining to financial assets as at December 31 are as follows:

	Notes	2021	2020	2019
Cash and cash equivalents*	3	48,949,348	71,702,473	47,033,583
Trade and other receivables	4	129,818,895	260,849,329	128,630,106
Electric utility deposits	7	6,580,541	6,580,541	6,580,541
Security deposits	7	5,279,310	1,779,310	1,779,310
Restricted cash	7	905,831	615,197	308,357
		191,533,925	341,526,850	184,331,897

*\*excluding cash on hand*

Credit quality of financial assets

**(i) Cash and cash equivalents and restricted cash in bank**

Cash deposited/placed in banks are considered stable as the banks qualify as universal and commercial banks as defined by the Philippine Banking System and are approved by the BOD to minimize credit risk. The amounts deposited in these banks are disclosed in Notes 3 and 7. The expected credit loss is determined to be immaterial. Cash on hand is not subject to credit risk.

## (ii) Trade and other receivables

The Company has significant concentration of credit risk for the sale of energy segment business on its transactions with TransCo, its sole customer. However, this is brought down to an acceptable level since credit terms on billed fees for sale of electricity are fixed as provided in formal agreements, and are accordingly collected in accordance with this agreement and the Company's credit policy with no reported defaults and write-offs in previous years. The expected credit loss is determined to be immaterial by management.

Trade receivables from leasing segment include receivables from related parties. The credit exposure on trade receivables from related parties is considered to be minimal as there is no history of default and collections are expected to be made based on the lease agreement. In addition, the related parties are considered to have good financial standing and are highly liquid. The expected credit loss is determined to be immaterial by management.

The credit exposure on due from related parties is considered to be minimal as there is no history of default and collections are expected to be made within 12 months. The balances of due from related parties are considered as high-grade financial assets as the related parties have good financial standing and are highly liquid. The expected credit loss is determined to be immaterial by management.

Other receivables pertain to refund for overpaid insurance which has been long outstanding for more than one (1) year. Full provision has been recognized for this receivable as at December 31, 2021 and 2020.

## (iii) Security deposits and electrical utility deposits

Security deposits and electrical utility deposits include cash required from the Company in relation to its lease agreement and service agreement, respectively. These deposits are assessed as high grade as there was no history of default and these are collectible upon termination of or at the end of the term of the agreements. The expected credit loss is determined to be immaterial by management.

### 22.1.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as these fall due. The objective of the Company is to maintain a balance between continuity of funding and flexibility through the use of credit lines available from related parties and local banks. The policy of the Company is to first exhaust lines available from related parties before local bank lines are availed. The Company also has available due from related parties which can be readily collected to settle maturing obligations.

The Company seeks to manage its liquidity risk by maintaining a balance between continuity of funding and flexibility. The Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.

The Company's financial liabilities grouped into relevant maturity dates are as follows:

	Notes	Payable on demand	Less than 1 year	More than 1 year
<i>December 31, 2021</i>				
Trade payables and other liabilities*	9	-	17,673,573	-
Due to a related party	11	56,144,929	-	68,521,747
Interest**		-	7,579,060	85,887,552
Lease liabilities	20	-	1,263,480	103,132,719
		56,144,929	26,516,113	257,542,018
<i>December 31, 2020</i>				
Trade payables and other liabilities*	9	-	40,101,734	-
Loans payable	10	-	126,446,281	909,809,551
Interest**		-	28,985,465	48,733,444
Lease liabilities	20	-	294,139	51,060,996
		-	195,827,619	1,009,603,991

\*excluding due to government agencies

\*\*expected interest on borrowings up to assignment date and on lease liabilities up to maturity date

The amounts disclosed are the contractual undiscounted cash flows, except for lease liabilities, which are equivalent to their carrying balances as the impact of discounting is not significant. The Company expects to settle the above financial liabilities within their contractual maturity date.

## 22.2 Capital management

The Company maintains a sound capital to ensure its ability to continue as a going concern to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Company manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, pay-off existing debts, return capital to shareholders or issue new shares.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Company's business, operations and industry.

The capital structure of the Company consists of equity, which comprises of issued capital, retained earnings and remeasurement on retirement benefits. The Company monitors capital on the basis of net gearing ratio, which is calculated as total debt divided by total equity. Total debt is defined as short-term and long-term bank borrowings from third parties less cash and cash equivalents, while equity is total equity as shown in the statements of financial position.

The net debt reconciliation and gearing ratio as at December 31 are presented below:

	Notes	2021	2020
Loans payable, January 1	10	1,036,255,832	1,095,255,891
Cash flows		(31,611,570)	(61,363,636)
Non-cash movement	10	(1,004,644,262)	2,363,577
Loans payable, December 31	10	-	1,036,255,832
Cash and cash equivalents	3	(49,014,348)	(71,737,473)
Net (asset) debt		(49,014,348)	964,518,359
Total equity		1,628,046,129	565,104,724
Net gearing ratio		(0.03):1	1.70:1

Non-cash movement pertains to the amortization of debt issuance cost and assignment of loans payable (Note 10).

### **22.3 Fair value estimation**

The carrying values of the financial instrument components of cash and cash equivalents, trade and other receivables, other non-current assets, trade payables and other liabilities (excluding due to government agencies), due to a related party, loans payable and lease liabilities approximate their fair values, due to the liquidity, short-term maturities and nature of such items. The fair values of other non-current assets, non-current portion of trade receivables, lease liabilities and non-current portion of loans payable are close to market rates. The fair value of the non-current portion of due to a related party amounting to P64.99 million was determined using discounted cash flow approach by applying current market interest rates of 2.68% (Level 2).

As at December 31, 2021 and 2020, the Company does not have financial instruments that are measured using the fair value hierarchy.

### **Note 23 - Critical accounting estimates and assumptions and judgments**

The preparation of the financial statements in conformity with PFRS requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and the related notes. Estimates, assumptions and judgments 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.

The Company makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows.

#### **23.1 Critical accounting estimates and assumptions**

##### *(a) Impairment of trade and other receivables*

Provision for impairment of trade and other receivables is based on assumptions about risk of default and expected loss rates. The Company uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Notes 24.3 and 24.4.

In 2020, the Company provided allowance for doubtful accounts for other receivables amounting to P1.94 million. This is equivalent to the full lifetime expected credit loss using the expected credit loss model, hence, any sensitivity analysis is no longer deemed necessary. No additional allowance for doubtful accounts was made during 2021.

The carrying values of the Company's trade and other receivables are shown in Note 4.

##### *(b) Estimated useful lives of property, plant and equipment*

The Company reviews annually the estimated useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear or technical and commercial obsolescence. Estimated useful lives of property, plant and equipment are based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets based on the related industry benchmark information and land lease term where the solar power plant is situated. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.



The estimated useful life used for solar plant and equipment was higher than the current land lease term of the Company since based on the management's assessment, the Company can still use the solar plant and equipment beyond the current land lease term.

In 2019, the BOD approved the change in the estimated useful life of the substation and transmission lines and solar plant and equipment from 23 years to 15 years and 30 years, respectively. The net effect of the change in useful life is disclosed in Note 6.

If the actual useful lives of these assets are prolonged or shortened by five (5) years, income before tax for the years ended December 31 would be as follows:

	Impact on income before tax Increase (Decrease)		
	2021	2020	2019
Prolonged by 5 years	P 8.91 million	P8.92 million	P8.90 million
Shortened by 5 years	(P13.03 million)	(P13.03 million)	(P13.04 million)

The range used was based on the management's assessment where potential impact to operations might occur. The carrying values of the Company's property, plant and equipment are shown in Note 6.

*(c) Determining incremental borrowing rate*

To determine the incremental borrowing rate, the Company uses the government bond yield, adjusted for the credit spread specific to the Company and security using the right-of-use asset. The basis of the discount rates applied by the Company are disclosed in Note 20. Any change in the rates would have direct impact to interest expense for the period and on lease liabilities. Higher discount rate will result in lower interest expense and lease liabilities and vice versa.

The Company is exposed to fixed-rate interest rate risk related to its lease liabilities. Lease liabilities are subject to amortization where each of the lease payments is treated partly as a payment of principal and partly as payment of interest. Accordingly, the interest rate risk will have a diminishing impact on the Company over the term of the lease.

*(d) Retirement benefit obligation*

The present value of the defined benefit obligation depends on a number of factors that are determined using a number of assumptions. The assumptions used include discount rate and salary increase rate. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligation. Details of retirement benefit obligation and the related sensitivity analysis are disclosed in Note 13.

## **23.2 Critical judgments in applying the Company's accounting policies**

*(a) Recoverability of non-financial assets*

The Company's non-financial assets such as property, plant and equipment and investment properties are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. Management believes that there are no indications that the carrying amount of non-financial assets may not be recoverable. Details of property, plant and equipment and investment properties are disclosed in Notes 6 and 8, respectively.

*(b) Critical judgment in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in the Company's lease agreements have not been included in the lease liabilities because the Company's lease agreements state that extension and termination should be made upon mutual agreement by both parties and considering the estimated useful lives of the solar power plants of the related parties and the assignment of the SESC with Parent Company. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

*(c) Estimating cost of dismantling, removing or restoring items of fixed assets*

Determining the asset retirement obligation requires estimation of the costs of dismantling, installing and restoring lease properties to their original condition. The Company determined the amount of obligation by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Company's current credit-adjusted risk-free rate depending on the life of the capital costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

During 2020, the Company reversed the full amount of the provision amounting to P1.06 million as at December 31, 2019 as management assessed that this is no longer expected to be settled in the future (Note 12). No asset retirement obligation was recognized in 2021.

*(d) Income taxes*

Significant judgment is required in determining income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. The details of recognized and unrecognized deferred income taxes are shown in Note 19.

The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its deferred income tax assets to be utilized.

*(e) Distinction between investment properties and property, plant and equipment*

The Company determines whether a property is to be classified as an investment property or property, plant and equipment through the following:

- Investment properties comprise land and buildings which are not occupied, substantially for use by, or in the operations of, nor for sale in the ordinary course of business of the Company, but are held primarily to earn rental income or capital appreciation; and
- Property, plant and equipment generate cash flows that are attributable not only to them but also to the other assets used in the operations of the Company.

In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by the Company.

Some properties comprise a portion that is to earn rentals or for capital appreciation and another portion that is held for use in the operation or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as an investment property only if an insignificant portion is held for use in the operation or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Company considers each property separately in making its judgment.

**Note 24 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**24.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, PAS, and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements of the Company have been prepared using historical cost basis.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 23.

*(a) New standards, amendments to existing standards and interpretations adopted by the Company*

No new standards, amendments to existing standards or interpretations, that are effective beginning January 1, 2021, are expected to have a material impact on the Company's financial statements.

*(b) New standards, amendments to existing standards and interpretations not yet adopted by the Company*

A number of new standards, amendments to existing standards and interpretations are effective for the Company's annual periods after January 1, 2021 and have not been early adopted nor applied by the Company in preparing these financial statements. None of these are expected to be relevant and have an effect on the financial statements of the Company, while the most relevant ones are set out as follows:

- Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (effective January 1, 2023). The amendments affect only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments:
  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the 'right' to defer settlement by at least 12 months and make explicit that only rights in place 'at the end of the reporting period' should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are not expected to have a material impact on the Company's classification of liabilities. The amendments provided clear guidance which will support the Company's assessment.

- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to PAS 37 (effective January 1, 2022). The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The amendments are not expected to have a material impact on the Company's financial statements.

No other standards, amendments to existing standards or interpretations, that are effective after January 1, 2021, are expected to have a material impact on the Company's financial statements.

## **24.2 Cash and cash equivalents; Restricted cash**

Cash includes cash on hand and in banks that earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of acquisition and are subject to an insignificant risk of changes in value and bank overdrafts.

Restricted cash is subject to regulatory restrictions and therefore not available for general use of the Company. This is classified as non-current asset as this is expected to be collected more than 12 months after the end of the reporting period.

Other relevant policies are disclosed in Note 24.4.

## **24.3 Trade and other receivables**

Trade receivables from Transco which have a 60-day credit term, lease receivables and other receivables are initially recognized and carried at transaction price and subsequently measured at amortized cost, less provision for impairment loss. The fair value of trade receivables at initial recognition is equivalent to the original invoice amount (as the effect of discounting is immaterial).

The Company applies the simplified approach in measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is charged against profit or loss in the statement of total comprehensive income.

When a receivable remains uncollectible after the Company has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited to profit or loss in the statement of total comprehensive income.

The expected loss rates on trade receivables are based on the payment profiles of sales over a period of 12 months before the beginning of each reporting period and the corresponding historical credit losses experience within this period. The historical 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 gross domestic product and inflation to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Other relevant policies are disclosed in Note 24.4.

#### **24.4 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial instrument in the statement of financial position, when, and only when, it becomes a party to the contractual provisions of the instrument.

##### Financial assets

###### *(a) Classification*

The Company classifies its financial assets in the following measurement categories: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) and amortized cost. The Company did not hold financial assets under the category financial assets at FVPL and FVOCI as at December 31, 2021 and 2020.

The classification depends on the entity's business model for managing its financial assets and the contractual terms of the cash flows. The Company's financial assets measured at amortized cost comprise of cash and cash equivalents (Note 24.2), trade and other receivables (Note 24.3), security deposits and electric utility deposits (Note 24.7) and restricted cash in bank (Note 24.2) in the statement of financial position. These are included in current assets, except for those expected to be realized greater than 12 months after the reporting period which are classified as non-current assets.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, if any, is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of total comprehensive income and presented as other income or expense. Impairment losses, if any, are presented in the statement of total comprehensive income within operating expenses.

###### *(b) Recognition and measurement*

###### *(i) Initial recognition and measurement*

Regular-way purchases and sales of financial assets are recognized on the trade date (the date on which the Company commits to purchase or sell the asset). Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

(ii) Subsequent measurement

Financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method.

(c) *Impairment*

The Company recognizes an expected credit loss for all debt instruments not held at FVPL. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Expected credit losses are recognized in two stages. For credit exposure for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit loss).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss).

For cash and cash equivalents, due from related parties, other receivables, security deposits and electric utility deposits and restricted cash, the Company applies a general approach in calculating expected credit losses. The Company recognizes a loss allowance based on either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk on these financial assets since initial recognition. The carrying amount of the financial asset is reduced through the use of an allowance account, and the amount of the loss is charged against profit or loss in the statement of total comprehensive income. When the financial asset remains uncollectible after the Company has exerted all legal remedies, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss in the statement of total comprehensive income.

For trade receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Impairment testing of trade receivables is described in Note 24.3.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

(d) *Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

## Financial liabilities

### *(a) Classification*

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); and financial liabilities at amortized cost. The Company's financial liabilities are limited to financial liabilities at amortized cost.

Financial liabilities at amortized cost pertain to issued financial instruments that are not classified as fair value through profit or loss and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. These are included in current liabilities, except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

The Company's trade payables and other liabilities (excluding due to government agencies) (Note 24.11), due to a related party (Note 24.19), loans and interest payables (Note 24.15) and lease liabilities (Note 24.18) are classified under financial liabilities at amortized cost.

### *(b) Recognition and measurement*

#### *(i) Initial recognition*

Financial liabilities at amortized cost are initially recognized at fair value less transaction costs.

#### *(ii) Subsequent measurement*

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

### *(c) Derecognition*

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled, expires, or paid.

## Offsetting of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. The details of the Company's financial assets and liabilities subject to offsetting are disclosed in Note 11.

## **24.5 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use. The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3. The Company uses specific valuation technique such as discounted cash flow analysis to determine fair value for the remaining financial instruments.

The Company does not hold financial and non-financial assets and liabilities at fair value as at December 31, 2021 and 2020.

#### **24.6 Input value-added tax**

Input VAT is stated at historical cost less provision for impairment, if any. Provision for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portions of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Input VAT is derecognized once applied against output VAT or claimed for refund.

#### **24.7 Prepayments and other assets**

Prepayments and other assets are expenses paid in cash and recorded as assets before these are used or consumed, as the services or benefits will be received in the future. Prepayments and other assets expire and are recognized as expense either with the passage of time or through use or consumption.

Prepayments and other assets are carried at cost and are included in current assets, except when the related goods or services are expected to be received and rendered more than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

Security deposits and electrical utility deposits pertain to advances to lessor relating to rent and service providers, respectively, which will be refunded at the end of the service periods, as determined in the contract agreements. Other relevant policies are disclosed in Note 24.4.



## 24.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of total comprehensive income within cost of services or operating expenses whichever is applicable during the financial period in which these are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

Solar plant and equipment	30
Substation and transmission lines	15
Computer equipment	3
Service vehicle	5

The assets' residual values, depreciation method and estimated useful lives are reviewed periodically, and adjusted if appropriate, at each reporting date.

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 (Note 24.10).

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation is removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized under other income or expense in the statement of total comprehensive income.

## 24.9 Investment properties

Investment properties are properties (land or building - or part of a building - or both) held by the owner or by lessee under a lease to earn rentals or for capital appreciation or both, rather than for use in the operations or for administrative purposes; or sale in the ordinary course of business.

The initial cost of the investment properties consists of its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. After initial recognition, investment properties are measured at cost and accounted in accordance with PAS 16, "*Property, plant and equipment*". Land is not depreciated.

Investment properties are derecognized upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized under other operating income or expense in the statement of total comprehensive income in the period of the retirement or disposal.

Investment properties acquired through equity-settled transactions are measured in reference to the fair value of investment properties, unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the investment properties received, the entity shall measure the value of the investment properties, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instrument.

Other relevant accounting policies are disclosed in Note 24.8.

#### **24.10 Impairment of non-financial assets**

Assets that have an indefinite useful life such as investment properties (related to land) not subject to amortization is evaluated annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets that have definite useful lives and are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that are previously impaired are reviewed for possible reversal of the impairment at each reporting date. Subsequent reversals are credited to other income in the statement of total comprehensive income.

#### **24.11 Trade payables and other liabilities**

Trade payables and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers with average credit terms of 30 days. Trade payables and other liabilities are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

Trade payables and other liabilities are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest rate method.

Trade payables and other liabilities are derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of total comprehensive income within other income or expense.

Due to government agencies are not considered financial liabilities but are derecognized similarly.

Other relevant accounting policies are disclosed in Note 24.4.

#### **24.12 Provisions and contingencies**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. 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. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost in the statement of total comprehensive income.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed and derecognized in the statement of financial position.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

## **24.13 Equity**

### *(a) Share capital*

The Company's share capital is composed of common and preferred shares at par value. The amount of proceeds from the issuance or sale of common and preferred shares representing the aggregate par value is credited to share capital.

Proceeds in excess of par value of shares issued or additional capital contribution without corresponding issuance of shares are credited to share premium.

Redeemable preference shares are classified as equity if the redemption is at the option of the Company. However, if redeemable at the option of the holder, these are classified as liabilities.

After initial measurement, share capital and share premium, if any, are carried at historical cost and are classified as equity in the statement of financial position.

### *(b) Retained earnings (Deficit)*

Retained earnings (Deficit) includes current and prior years' results of operations, net of transactions with shareholder and dividends declared, if any.

### *(c) Dividend distribution*

Dividend distribution to Company's shareholder is recognized as a liability in its financial statements in the period in which the dividends are approved and declared by the BOD.

### *(d) Share issuance costs*

Share issuance costs are incremental costs directly attributable to the issuance or subscription of new shares. Share issuance costs which might be incurred in anticipation of an issuance of shares are recorded as an asset and deferred in the statement of financial position until the shares are issued. Upon issuance of shares, the deferred costs are charged to share premium or retained earnings, if no available share premium. If the shares are not subsequently issued, the transaction costs are recognized as expense under both approaches.

#### **24.14 Revenue and cost recognition**

(i) The following is a description of principal activities from which the Company generates its revenue.

##### *(a) Sale of solar energy*

The Company recognizes revenue from contracts with customer which pertains to generation of electricity at a point in time when control of the goods or services are transferred to the customers at transaction price that reflects the consideration to which the Company expects to be settled in exchange for the services.

The Company's generation of electricity from solar power energy is assessed by management as a single performance obligation. Sale of electricity is recognized whenever the electricity generated by the Company is transmitted through the transmission line designated by the buyer for a consideration.

Revenue from sale of electricity is based on the applicable FIT rate as transaction price as approved by the ERC. Revenue from sale of electricity is recognized monthly based on the actual energy delivered.

##### *(b) Rental income*

Rental income arising from operating lease agreements on its investment properties is recognized as income on a straight-line basis over the lease term or based on a certain percentage of the earnings of the lessees plus any variable component which are measured based on the actual results of operations of the lessees, as provided under the terms of the lease contract.

Other relevant accounting policies are disclosed in Note 24.18.

##### *(ii) Interest income*

Interest income is accrued on a time proportion basis by reference to the outstanding principal and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income is recognized using the effective interest method.

##### *(iii) Costs and expenses*

Costs and expenses are recognized in the statement of total comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Costs and expenses in the statement of total comprehensive income are presented using the function of expense method. Costs of services are expenses incurred that are associated with the services rendered. Operating expenses are costs attributable to administrative and other business activities of the Company.

#### **24.15 Borrowings and borrowing costs**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of total comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan capitalized as a contra liability account and amortised over the period of the facility to which it relates.

Borrowings are derecognized in the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of total comprehensive income under finance cost.

A substantial modification of the terms of the existing borrowings or part of the borrowings is accounted for as an extinguishment of the original financial liability and a recognition of new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid (net of any fees received and discounted using the original effective interest rate), is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. The resulting difference is recognized as a gain or loss under other income, net in the statement of total comprehensive income.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized as other income or expense in the statement of total comprehensive income, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. In cases of breaches in loan covenants prior to the end of a reporting period, borrowings are classified as current liability, unless a sufficient waiver of the covenant is granted by the lender, such that the borrowings do not become immediately repayable.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged under finance cost in the statement of total comprehensive income in the year in which they are incurred.

Other relevant accounting policies are disclosed in Note 24.4.

#### **24.16 Current and deferred income tax**

Income tax expense comprises current and deferred income taxes. Tax is recognized 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.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when relevant temporary differences have been realized and settled, respectively. The Company reassesses at each reporting the need to recognize previously unrecognized deferred income tax asset.

#### **24.17 Employee benefits**

##### *(a) Short-term benefits obligation*

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

##### *(b) Retirement benefits*

The Company has a defined benefit plan, which is unfunded and covers substantially all of its qualified employees. The defined benefit plan satisfies the minimum benefit requirements of RA No. 7641, otherwise known as the "Retirement Pay Law".

A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of service and compensation.

The retirement benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the retirement benefit obligation.

The retirement benefit obligation recognized in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions, if material, are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is charged to profit or loss.

##### *(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 the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

## 24.18 Leases

### Company as a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### *(a) Measurement of lease liabilities*

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to the statement of total comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### *(b) Measurement of right-of-use assets*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the underlying asset's useful life.

*(c) Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Right-of-use assets that meet the definition of investment property is presented in the statement of financial position as investment property. Other relevant accounting policies are disclosed in Note 24.9.

Company as a lessor

The Company determines at lease inception whether each lease is a finance lease or an operating lease.

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. Operating lease payments received are recognized as an income on a straight-line basis over the lease term except for variable rent which is recognized when earned.

**24.19 Related party relationships and transactions**

*(a) Related party relationship*

A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel or directors.

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

*(b) Related party transaction*

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party regardless of whether a price is charged or not.

**24.20 Foreign currency transactions and translation**

*(a) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of total comprehensive income through profit or loss.



#### **24.21 Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

#### **24.22 Earnings per share**

Basic EPS is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding, after considering impact of any share dividends, share splits or reverse share splits during the period. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive potential common shares.

The number of ordinary or potential ordinary shares changes as a result of a share split or reverse share split are applied retrospectively and adjust the calculation of basic and diluted EPS for all periods presented. This applies regardless of whether the change occurred during the reporting period or after the end of the period before the financial statements are authorized for issue.

#### **24.23 Events after the reporting period**

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

#### **24.24 Reclassification and correction of errors**

The Company adjusted its statements of cash flows to correct cash outflow arising from interest payments on loans from a bank by an increase amounting to P3.57 million for the year ended December 31, 2019.

The impact of the correction of error in the statements of cash flows for the year ended December 31, 2019 are as follows:

	Previously reported balances	Adjustments	Adjusted balances
Cash flows from operating activities	146,877,159	3,573,539	150,450,698
Cash flows from financing activities	(186,431,516)	(3,573,539)	(190,005,055)

The opening balances of assets, liabilities and equity as at December 31, 2020 and 2019 in the statement of financial position were not presented since the reclassification did not have any impact on the previously reported balances. The reclassification also did not impact previously reported financial position, net income and retained earnings.

#### **Note 25 - Impact of COVID-19**

In the worldwide context of COVID-19 pandemic disease and unprecedented crisis that started in the first quarter of 2020, the Philippine Government has taken measures which caused disruptions to businesses and economic activities, and its impact continues to evolve.

In 2020, the government enacted the Republic Act No. 11649, also known as the “*Bayanihan to Heal as One Act*” providing relief to loan payments, interest and penalties thereon. The Company availed of this relief which resulted in the deferral of its principal payment and interest on its loans payable to DBP. This, in effect, spreads the deferred principal and interest amount to the remaining payments to be made throughout the term of the loan.

Aside from the deferral of the principal and interest on loans payable, the Company incurred additional expenses due to the quarantine and social distancing measures required by the Philippine Government. Based on the management’s assessment, the COVID-19 pandemic had no other significant impact in the Company’s financial statements as at and for the year ended December 31, 2021.

The Company’s financial statements as at and for the year ended December 31, 2021 have been prepared applying the going concern principle. The management of the Company is not aware of any other significant uncertainties arising after the December 31, 2021 that would have any impact on its ability to continue as going concern. The Company is continuously monitoring the situation.

**Note 26 - Supplementary information required by Bureau of Internal Revenue (BIR)**

The following supplementary information required by Revenue Regulation (RR) No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

*(a) Output VAT*

Output VAT declared and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Zero-rated VAT sales	351,930,501	-
Vatable sales	-	-
Total	351,930,501	-

Revenues presented above are based on net receipts from sale of energy for VAT reporting purposes while revenues in the statement of total comprehensive income are based on revenue recognition policy per Note 24.14. Under the Renewable Energy Act of 2008, registered developers of renewable energy projects in the Philippines benefit from a zero-rated VAT on the sale of electricity to off takers. In addition, the gross receipts from the rental of real properties on its leasing business shall be subject to VAT.

*(b) Input VAT*

Movements in input VAT for the year ended December 31, 2021 follow:

	Amount
January 1	9,435,619
Add: Current year’s domestic purchases of services	2,649,746
December 31	12,085,365

*(c) Importations*

The Company did not have importations during the year ended December 31, 2021.

*(d) Excise tax*

There were no transactions subject to excise tax for the year ended December 31, 2021.

*(e) Documentary stamp tax*

Documentary stamp taxes paid for the year ended December 31, 2021 amounted to P448,783 for insurance and surety bond contracts and share issuance costs. The amount is recorded as part of taxes and licenses account under operating expenses in the statements of total comprehensive income.

*(f) Withholding taxes*

Withholding taxes paid and accrued for the year ended December 31, 2021 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	52,786	4,045	56,831
Expanded withholding tax	516,715	82,484	599,199
	569,501	86,529	656,030

*(g) All other local and national taxes*

	Amount
License and permit fees	1,413,174
Gross receipts tax on loan payments	643,257
Local government tax	823,828
Energy regulations tax	216,582
Local business tax	26,686
	3,123,527

The above local and national taxes are lodged under taxes and licenses account in cost of services and operating expenses in the statements of total comprehensive income.

*(h) Tax assessments and cases*

The Company has received letters of authority (LOAs) from the BIR for taxable years 2018 and 2017. These assessments were finalized and paid during 2021 through settlement of tax deficiencies and interests amounting to P351,219 and P2,932,393 for taxable years 2018 and 2017, respectively.

There are no other outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2021.

**Citicore Energy REIT Corp.**

(Formerly Enfinity Philippines Renewable Resources Inc.)

(A subsidiary of Citicore Renewable Energy Corporation)

Supplementary Schedules as Required by Rule 68 of the Securities Regulation Code  
December 31, 2021

Schedules	Description
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of the Financial Statements
D	Long Term Debt
E	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
F	Guarantees of Securities of Other Issuers
G	Share Capital
	Reconciliation of Retained Earnings Available for Dividend Declaration
	A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
	Schedule of Financial Soundness Indicator

**Citicore Energy REIT Corp.**

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## Schedule A - Financial Assets

December 31, 2021

Name of issuing entity and association of each issue	Principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Financial assets at amortized cost			
Cash in banks			
BDO Unibank, Inc.	-	8,299,214	5,765
Development Bank of the Philippines	-	1,790,511	12,297
Security Bank Corporation	-	693,677	600
Short-term placements			
Development Bank of the Philippines	-	38,165,946	228,280
Cash on hand	-	65,000	-
Total cash and cash equivalents	-	49,014,348	246,942
Trade and other receivables	-	127,874,799	30,136
Electric utility deposits	-	6,580,541	-
Security deposits	-	5,279,310	-
Restricted cash	-	905,831	-
Total financial assets	-	189,654,829	277,078

**Citicore Energy REIT Corp.**

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**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

December 31, 2021

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of the year
Advances to directors, officers, employees*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Due from related parties							
Citicore Renewable Energy Corporation	129,887,214	135,963,734	-	-	-	-	265,850,948
Citicore Power, Inc.**	87,021,747	-	(87,021,747)	-	-	-	-
Total due from related parties	216,908,961	135,963,734	(87,021,747)	-	-	-	265,850,948
Trade receivables							
Citicore Solar Tarlac 1, Inc.	-	9,681,801	(8,195,034)	-	-	1,486,767	1,486,767
Citicore Solar Tarlac 2, Inc.	-	8,092,091	(7,121,860)	-	-	970,231	970,231
Total trade receivables	-	17,773,892	(15,316,894)	-	-	2,456,998	2,456,998
Total receivables from related parties	216,908,961	153,737,626	(102,338,641)	-	-	2,456,998	268,307,946

\*As required by Rule 68 of the Securities Regulation Code, this schedule shall be filed with respect to each person among the directors, officers and employees from whom an aggregate indebtedness of more than P1 million or one percent (1%) of total assets, whichever is less, is owed for items arising outside the ordinary course of business. There were no advances with respect to each person among the directors, officers and employees amounting to more than P1 million outside the ordinary course of business as at December 31, 2021.

\*\*During 2021, the Company offset the intercompany receivables (except lease receivables) with intercompany payables and consolidated the ending balance to the Parent Company.

**Citicore Energy REIT Corp.**  
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Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements  
December 31, 2021

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Citicore Energy REIT Corp.**

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## Schedule D - Long Term Debt

December 31, 2021

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet	Notes
N/A	N/A	N/A	N/A	N/A



**Citicore Energy REIT Corp.**

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## Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)

December 31, 2021

Name of related party	Balance at the beginning of the year	Balance at the end of the year
Citicore Renewable Energy Corporation	-	68,521,747

**Citicore Energy REIT Corp.**

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## Schedule F - Guarantees of Securities of Other Issuers

December 31, 2021

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

**Citicore Energy REIT Corp.**

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Schedule G - Share Capital

December 31, 2021

Title of issue	Number of authorized shares	Number of issued and outstanding	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common shares	15,360,000,000	5,498,182,004	N/A	5,498,181,996	8	N/A

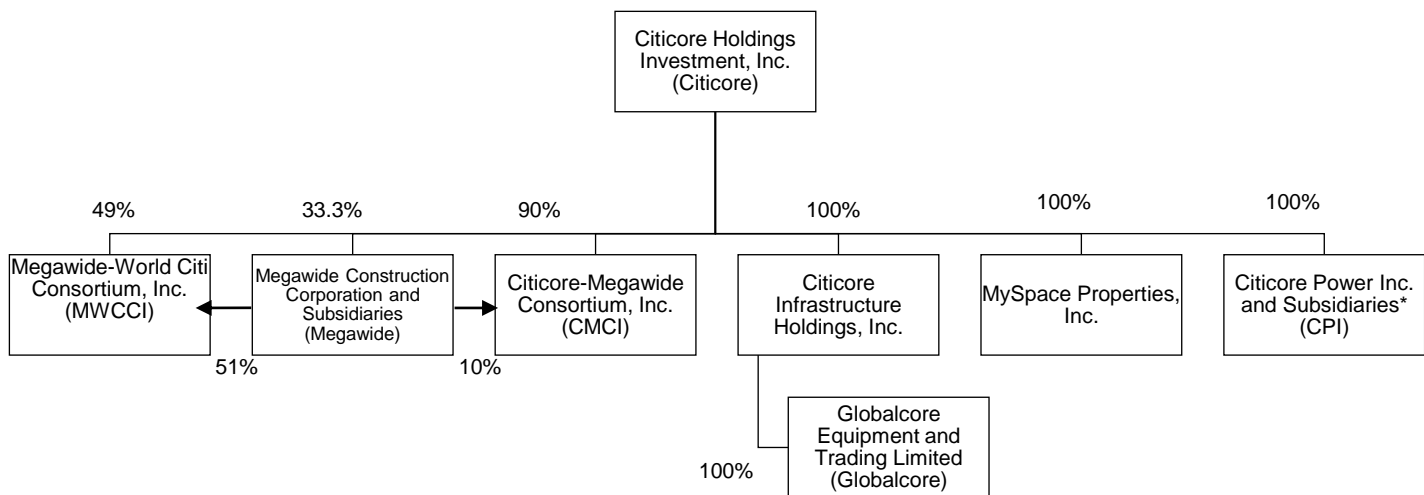
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)

Reconciliation of Retained Earnings Available for Dividend Declaration  
As at December 31, 2021  
(All amounts in Philippine Peso)

<b>Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning</b>	25,104,725
<b>Add : Net income actually earned during the period</b>	
Net income during the period closed to retained earnings	225,879,943
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS - loss	-
Loss on fair value adjustment of investment property (after tax)	-
<b>Net income actually earned during the period</b>	225,879,943
Add (Less):	
Dividends declarations during the period	-
Appropriations of retained earnings during the period	-
Reversal of appropriation	-
Effect of prior period adjustments	-
Treasury shares	-
<b>Unappropriated retained earnings available for dividend declaration, ending</b>	250,984,668

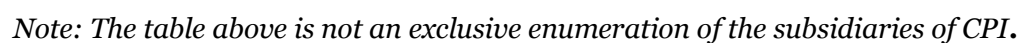
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A subsidiary of Citicore Renewable Energy Corporation)

A Map Showing the Relationships between and among the Company and its  
Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates  
December 31, 2021



*\*See Schedule A*

A Map Showing the Relationships between and among the Company and its  
Ultimate Parent Company, Middle Parent, Subsidiaries or  
Co-subsidiaries and Associates (Schedule A)  
December 31, 2021



**Citicore Energy REIT Corp.**

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## Schedule of Financial Soundness Indicator

As at and for the years ended December 31, 2021 and 2020

	2021	2020
Current ratio <sup>a</sup>	1.33x	1.36x
Acid test ratio <sup>b</sup>	0.84x	1.31x
Solvency ratio <sup>c</sup>	-	0.22x
Debt-to-equity ratio <sup>d</sup>	-	1.83x
Asset-to-equity ratio <sup>e</sup>	1.17x	3.15x
Interest rate coverage ratio <sup>f</sup>	9.61x	3.56x
Debt service coverage ratio <sup>g</sup>	9.21x	1.19x
Net debt/ EBITDA <sup>h</sup>	(0.17)x	4.23x
Earnings per share (Php) <sup>i</sup>	0.08	0.04
Book value per share <sup>j</sup>	0.30	8.06
Return on assets <sup>k</sup>	12.24%	6.00%
Return on equity <sup>l</sup>	20.60%	20.29%
Net profit margin <sup>m</sup>	64.12%	38.69%

<sup>a</sup> Current assets/current liabilities<sup>b</sup> Cash and cash equivalents + Trade and other receivables, net/Current liabilities<sup>c</sup> Net operating profit after tax + depreciation and amortization/Loans payable<sup>d</sup> Loans payable/ Total equity<sup>e</sup> Total assets/ Total equity<sup>f</sup> Earnings before interest, taxes, depreciation and amortization/Interest expense<sup>g</sup> Earnings before interest, taxes, depreciation and amortization/Current loan payable + Interest expense + Current lease liabilities<sup>h</sup> Short-term and long-term bank borrowings less cash and cash equivalents/Earnings before interest, taxes, depreciation and amortization<sup>i</sup> Net income attributable to ordinary equity holders of the Company/Weighted average number of ordinary shares<sup>j</sup> Total equity less Preferred Equity/Total number of shares outstanding<sup>k</sup> Net income attributable to owners of the Company/Average total assets<sup>l</sup> Net income attributable to owners of the Company/Average total equity<sup>m</sup> Net income/Revenue

**Citicore Energy REIT Corp.**  
**Aging of Receivables**  
**As of December 31, 2021**

[illegible]



**Exhibit "3"**  
**SUSTAINABILITY REPORT**  
**Reporting Template**

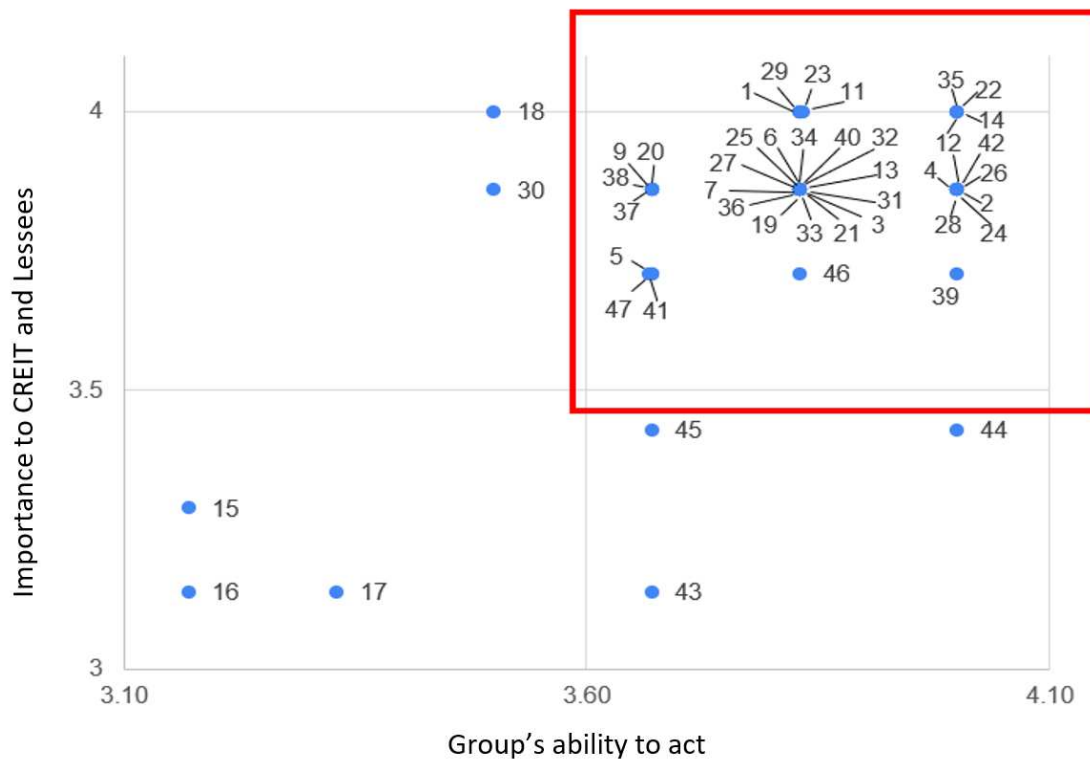
Contextual Information

Company Details	
Name of Organization	Citicore Energy REIT Corporation
Location of Headquarters	11th Floor, Rockwell Santolan Town Plaza, 276 Col. Bonny Serrano Avenue, San Juan City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	CREIT and its Lessees or "the Group"
Business Model, including Primary Activities, Brands, Products, and Services	Engaged in the business of owning income-generating real estate assets, including renewable energy generating real-estate assets, under a real estate investment trust by virtue of Republic Act No. 9856, otherwise known as "The Real Estate Investment Trust (REIT) Act of 2009" and its Implementing Rules and Regulations.
Reporting Period	December 31, 2021
Highest Ranking Person responsible for this report	Oliver Y. Tan

## Materiality Process

**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.<sup>14</sup>**

CREIT and its Lessees conducted a materiality assessment to identify topics that are important in line with the direction and goals of the Company as a Real Estate Investment Trust (REIT) to own and invest in income-generating renewable energy real estate properties, including land and properties for harvesting power. Moreover, the selected and approved topics were identified as material by the key executives, hence, the highest material topics are presented below for the 2021 report.



People	Product	Planet	Profit	Philippines
<ol style="list-style-type: none"> <li>1. Ethical Business Conduct</li> <li>2. Human Rights</li> <li>3. Non-Discrimination/ Anti-Harassment</li> <li>4. Employee Engagement</li> <li>5. Occupational Health &amp; Safety</li> <li>6. Equal Pay</li> <li>7. Labor Condition</li> <li>8. Training and Education for Employees</li> <li>9. Ensure employees and partners consistently follow our high standards for ethical business practices</li> </ol>	<ol style="list-style-type: none"> <li>1. Mitigate risk and embed resiliency across global operations and assets</li> <li>2. Develop buildings that promote the health and well-being of our customers</li> <li>3. Customer Data Privacy</li> <li>4. Customer Experience</li> <li>5. Truthful Marketing</li> </ol>	<ol style="list-style-type: none"> <li>1. Reduction of carbon emissions</li> <li>2. Protect local watersheds and biodiversity</li> <li>3. Land Use Management</li> <li>4. Sustainable Cities and communities</li> <li>5. Building Resilience to Short-Term Weather Events</li> <li>6. Building Resilience to Long-Term</li> <li>7. Climate Change Impacts</li> <li>8. Climate Change Adaptation</li> <li>9. Climate Change Strategy</li> <li>10. Tenants Driving Sustainability Innovation</li> <li>11. Alignment with Global Sustainability Frameworks/Principles</li> </ol>	<ol style="list-style-type: none"> <li>1. Accountability and transparency in Corporate Governance Practices</li> <li>2. Corporate Data Security</li> <li>3. Responsible Contracting</li> <li>4. Increasing Role in Advancing Sustainability Throughout the Market</li> <li>5. Climate Change Impacts on Financial Performance</li> <li>6. Management of Tenant Sustainability Impacts</li> <li>7. Social Equity</li> <li>8. Financial Performance</li> <li>9. Resilience and Climate Risk as a Priority for Investments</li> </ol>	<ol style="list-style-type: none"> <li>1. Contribute to our local communities by unlocking employment opportunities</li> <li>2. Corporate Social Responsibility</li> <li>3. Compliance with Corporate and Environmental Regulations</li> </ol>

<sup>14</sup> See [GRI 102-46](#) (2016) for more guidance.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	352,293,122.00	PhP
Direct economic value distributed:	-	
a. Operating costs	66,686,513.00	PhP
b. Employee wages and benefits	934,099.00	PhP
c. Payments to suppliers, other operating costs	37,045,320.00	PhP
d. Dividends given to stockholders and interest payments to loan providers	64,054,226.00	PhP
e. Taxes given to government	24,414,619.00	PhP
f. Investments to community (e.g. donations, CSR)	100,000.00	PhP

#### CREIT and its Lessees Management Approach on Economic Performance

Citicore Group was able to expand into an income-generating renewable energy Real Estate Investment Trust (REIT) through the Citicore Energy REIT Corp. (CREIT), as the Country's first Energy REIT, despite the challenges of the pandemic. All the necessary approvals and permits from the appropriate government agencies and regulatory bodies, which are material and necessary to conduct the business and operations of CREIT and its Lessees, were secured on time and are in effect. The Group's Lessees maintain comprehensive insurance policies to mitigate risks, which the Group believes are consistent with industry standards.

#### Climate-related risks and opportunities<sup>15</sup>

The operation of companies may be greatly affected by natural calamities such as different weather disturbances, earthquakes, volcanic eruptions, floods, and drought. The Philippines is susceptible to these natural disasters. It is indeed a challenge to plan and be resilient in such events and do business. CREIT and its Lessees note that seasonal weather changes and natural catastrophes, including severe weather conditions (such as typhoons and flooding), could materially disrupt operations at its land assets and affect financial performance. Extreme weather events will increase in frequency and intensity because of climatic changes, as the Group also notes in its Environmental Management Framework.

## Procurement Practices

### Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		
CREIT	36.7	%
Lessees:		
CS Cebu*	34.2	
CS South Cotabato*	5.3	
CS Bulacan*	13.5	
CS Tarlac 1	2.0	
CS Tarlac 2	1.2	
CS Negros Occidental*	7.1	

*\*Lease agreement with CREIT commences January 1, 2022.*

### CREIT and its Lessees Management Approach on Procurement Practices

The Supply Chain Policy covers procurement practices of the solar plant operators or CREIT's Lessees as well as that of CREIT, wherein property and fund management functions of the Group are performed by Citicore Property Managers Inc. (CPMI) and Citicore Fund Managers Inc, (CFMI), respectively. The properties it purchases, as endorsed by CFMI, came from its sponsor - Citicore Renewable Energy Corporation (CREC) - who is a leader in the development, construction, operation, and maintenance of solar plants, all of which are CREIT's Lessees. While we value purchasing equipment and services from the local industry providers, we still evaluate the best fit for our facilities and assets given that the industry needs unique equipment and service specifications.

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	-	%
Percentage of employees that have received anti-corruption training	100	%

### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

### CREIT and its Lessees Management Approach on Anti-Corruption Practices

CREIT and its Lessees ensure that they are free from corruption practices, influenced by the solar plant operators, and is one of the areas being seriously looked at and managed closely by the management. Anti-corruption practices and information dissemination is monitored in the Group's plan through the regular conduct of meetings on anti-corruption practices.

## ENVIRONMENTAL

### Resource Management

#### Energy consumption within the organization

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	295,488	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	58,611	GJ
Energy consumption (electricity)	1,800,000	kWh

#### Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	10,000	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	No action for now	GJ
Energy reduction (electricity)	1,118,865,600	MWh

#### CREIT and its Lessees Management Approach on Energy Consumption

CREIT and its Lessees implement sustainable initiatives that ensure efficient utilization and consumption of energy. The Group is committed to reducing its impact on the environment and to work towards achieving neutral carbon emissions by supporting renewable energy and sustainable infrastructure. CREIT produces positive energy from renewable resources, and the management is committed to ensuring the monitoring and continuity of its contribution to climate change, especially on responsible energy use.

## Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal (third-party water)	218.4	Cubic meters
Water consumption	0.02	Cubic meters
Water recycled and reused	2,140.32	Cubic meters

## Effluents

Disclosure	Quantity	Units
Total volume of water discharges	0	Megaliters
Percent of wastewater recycled	98	%

### CREIT and its Lessees Management Approach on Water and Effluents

Water and effluents are material to CREIT and its Lessees - the solar plant operators - in terms of efficiently cleaning the solar panels and optimizing their full capacity to absorb sunlight for maximum energy generation. The Group adopts sustainable water management practices, such as the introduction of drainage networks to avoid heavy water outflows and landfilling at sites. Solar power operations, inherently, are less water-consuming. It consumes minimal water volume for panel cleaning and does not generate waste water since there is no chemical used as additives. In turn, these are recycled and drained under the Solar Panel Tables (SPT), which are used for watering grass and other vegetation.

## Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	0	kg/liters
• non-renewable	0	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%



### CREIT and its Lessees Management Approach on Materials

#### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Legal Disclosure	
Habitats protected or restored	-	ha
IUCN <sup>17</sup> Red List species and national conservation list species with habitats in areas affected by operations	None	

<sup>17</sup> International Union for Conservation of Nature

### CREIT and its Lessees Management Approach on Biodiversity

CREIT and its Lessees endeavor to contribute to life preservation on earth. The Group and the solar plant operators value life and renewable energy sourcing is a significant way to reduce the effects of climate change from continuous gas emissions. In its actual reports, the Group recognizes some environmental risks during the construction of renewable energy projects, particularly with respect to poor waste handling, which also entail risks to local biodiversity and natural habitats. Environmental hazards also arise from the generation of renewable energy assets, such as the mining of raw materials found in solar panels. However, CREIT as well as its Lessees acknowledge the greater benefits of preserved ecosystems and, as such, recognizes biodiversity conservation as an integral parameter of its investment decisions, as detailed in Environmental Management Framework.

Under this Environmental Management Framework, none of its properties should be located in or adjacent to national parks or other protected areas. No IUCN 17 Red List species have also been identified near the project sites or along transmission lines, with natural habitats protected and restored. In line with national regulations, CREC also plants 100 trees for each tree it falls during site development and construction at CREIT's land assets. While there is no site record, the Group closely maintains environmentally friendly and compliant solar operations.

## Environmental impact management

### Air Emissions

#### GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	0.35904	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	-	Tonnes

#### Air pollutants

Disclosure	Quantity	Units
NO <sub>x</sub>	0	kg
SO <sub>x</sub>	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

### CREIT and its Lessees Management Approach on Emissions

CREIT and its Lessees is focused on the ownership of sustainable infrastructure projects, such as income-generating renewable energy-related real estate properties in the Philippines. Emissions are material to the Group in achieving a carbon-neutral business and, as such, the Group's solar farms do not burn fossil fuel or any materials to produce energy, thus no emissions are generated.

## Solid and Hazardous Wastes

### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	0.495	metric tonnes
Reusable (busted solar panel & metal materials)	0.195	metric tonnes
Recyclable (metal materials)	0.15	metric tonnes
Other recovery operations (busted solar panel)	0.15	metric tonnes
Composted	-	metric tonnes
Incinerated	-	metric tonnes
Residuals/Landfilled	-	metric tonnes

### Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	0	metric tonnes
Total weight of hazardous waste transported	0	metric tonnes

### CREIT and its Lessees Management Approach on Waste Management

Solar plants do not consume environmentally critical materials for energy production and operations. As a corporation engaged in sustainable infrastructure, waste management is also material to the Group. After its operating life, future possible hazardous waste from site equipment will be disposed of through the Department of Environment and Natural Resources (DENR) accredited processing units. Other recyclable site wastes will be donated to local barangay units to support infrastructure projects, such as waiting sheds, and other initiatives that will aid the local community.

In addition, solar panels have a service life of twenty-five to thirty years, with no significant waste generated during its operating life. After the serviceable life, the solar panels will be disposed of by accredited suppliers. The Group ensures that these accredited suppliers adhere to regulatory standards, comply with all rules and regulations, and have excellent track records, as may be applicable.

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

CREIT and its Lessees secured all government approvals and permits from appropriate agencies and regulatory bodies, which are material and necessary to allow them to conduct the business and operations of the Group and its Lessees. These documents were obtained in a timely manner and are in full force and effect. Each operating plant is environmentally compliant, with an assigned Pollution Control Officer (PCO) to oversee processes and ensure that environmental concerns are managed.

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>18</sup>	68	#
a. Number of female employees	16	#
b. Number of male employees	52	#
Attrition rate <sup>19</sup>	10%	rate
Ratio of lowest paid employee against minimum wage	None	ratio

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	-	
PhilHealth	Y	-	-
Pag-ibig	Y	-	-
Parental leaves	Y	-	-
Vacation leaves	Y	100%	100%
Sick leaves	Y	-	-
Medical benefits (aside from PhilHealth)	Y	-	-
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	-	-
Company stock options	Y	-	-
Telecommuting	Y	100%	100%
Flexible-working Hours	Y	100%	100%
(Others)	-	-	-

<sup>18</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>19</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

CREIT and the solar plant operators (CREIT's Lessees) value people and remain committed to building a strong foundation for future growth and expansion. These organizations aim to maintain a

progressive work environment, promote business ethics, and harness a strong and harmonious relationship between the management and employees. The Group is compliant with minimum wage and benefits standards, pursuant to labor laws in the Philippines, and no incidence of work stoppage has been reported. The Group recognizes the efforts of its employees, using a performance management system that evaluates and rewards its employees accordingly. The Group also believes that a collective effort among its stakeholders will achieve greater goals and be instrumental to the overall success of CREIT and its Lessees.

#### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	96	hours
b. Male employees	96	hours
Average training hours provided to employees		
a. Female employees	24	hours/employee
b. Male employees	24	hours/employee

#### **CREIT and its Lessees Management Approach on Training and Development**

The Human Resources Department of CREIT, as well as of its Lessees, believes that well-skilled and highly-trained personnel in their respective fields are necessary to sustain the Group's growth momentum in the long-run. To develop a deep bench and steady supply of competent human capital, the Group and its Lessees provide employee training programs and adhere to regulatory requirements to ensure personnel growth and development.

#### Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	NA	%
Number of consultations conducted with employees concerning employee-related policies	3	#

## Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	24	%
% of male workers in the workforce	76	%
Number of employees from indigenous communities and/or vulnerable sector*	-	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

### CREIT and its Lessees Management Approach on Diversity and Equal Opportunity

As emphasized, the Human Resources Department of CREIT and its Lessees values people, and the Group prioritizes local hiring within the periphery of its operations. However, the Group is cognizant that skill requirements for the jobs are sometimes elusive in the local area. To address this, the Group employs senior and experienced personnel to serve as on-the-job trainers to develop competencies for employees who pass the medical clearance process and are found fit to work.

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	239,040	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	None	#
No. of safety drills	6	#

### CREIT and its Lessees Management Approach on Occupational Health and Safety

### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

#### CREIT and its Lessees Management Approach on Labor Laws and Human Rights

CREIT and its Lessees are compliant with the Department of Labor Employment's (DOLE) requirements, in all labor laws, from organic, contractual, and project based positions.

### Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:  
Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Yes	Supplier Code of Conducts/Supplier Accreditation & Evaluation
Forced labor	Yes	Supplier Code of Conducts/Supplier Accreditation & Evaluation
Child labor	Yes	Supplier Code of Conducts/Supplier Accreditation & Evaluation
Human rights	Yes	Supplier Code of Conducts/Supplier Accreditation & Evaluation
Bribery and corruption	Yes	Supplier Code of Conducts/Supplier Accreditation & Evaluation

#### CREIT and its Lessees Management Approach on Supply Chain Management

CREIT and its Lessees adhere to the same Supply Chain Policies established by the mother company Citicore Energy Corporation (CREC). On the other hand, CREC and CREIT's Lessees handle all procurement and supplier relations for development, construction, operation, and maintenance separately. The third-party suppliers of the solar power plants operated by the Lessees provide manpower services, such as housekeeping and security, among others. Neither the Group nor any of its Lessees are dependent on a single third-party supplier.



## Relationship with Community

### Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Grass Cutting Operations (trimming of grass plant that grow underneath, in between and around the solar panels)	Toledo City, Cebu Clark, Pampanga Tarlac City Bulacan Silay City, Negros Occidental Surallah, South Cotabato	None	None	None	For a more cost efficient operations and maintenance, consolidate grass cutting operations with Agro Solar initiative

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

Certificates	Quantity	Units
Change of name in the FPIC which is now under process	1	1
CP secured	1	1

### CREIT and its Lessees Management Approach on Local Communities

CREIT and its Lessees are guided by its vision to partner with communities for environmental programs and advocacies, where the surrounding communities are beneficiaries especially during the ongoing pandemic. The Group has implemented community-building activities, such as training programs and provision of scholarships and employment opportunities to local communities, to promote inclusive growth around the areas where the leased properties are located.

CREIT and its Lessees are active in advocating sustainability, through the AgroSolar project, where high value crops are grown underneath and around the solar panel installations. The initiative maximizes land use and engages the farmers in the community to pursue economic and social self-sufficiency through sustainable business ventures. Such programs and activities also educate the locals, which can upskill them in the future and open opportunities for potential employment in CREIT and/or its Lessees.

## Customer Management

### Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	-	N

### Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

### CREIT and its Lessees Management Approach on Customer Health and Safety

CREIT as well as its Lessees have no direct contact with its customers on customer safety and health but the Group encourages plans to include sustainability considerations in selecting industrial customers.

### Marketing and labeling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labeling*	0	#
No. of complaints addressed	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

### Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

### Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

### **CREIT and its Lessees Management Approach on Customer Privacy and Data Security**

CREIT and its Lessees keep the data of its customers and clients with utmost confidentiality to protect the interests of the Group, its stakeholders, and customers. The Group strictly observes the Data Privacy Act of the National Privacy Commission.

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Real estate	<p><b><u>SDG 6: Clean Water and Sanitation</u></b> Minimal consumption and proper handling of water, wastewater and effluents through sustainable water management.</p> <p><b><u>SDG 7: Affordable and clean energy</u></b> Compliant and adapted DOE's Energy Efficiency program</p> <p><b><u>SDG 9: Industry, Innovation and Infrastructure</u></b> Has programs promoting inclusive and sustainable industrialization in renewable energy.</p> <p><b><u>SDG 11: Sustainable Cities and Communities</u></b> Extending programs to the community through scholarships, training initiatives, local employment and livelihood</p> <p><b><u>SDG 13: Climate Action</u></b> Committed to sustain Group's contribution in the achievement of carbon neutral sustainable business through the use of renewable energy for wind and sun</p>	These are not expected to generate negative impacts as they address and have existing management policies and systems.	Programs are monitored and implemented to address and manage risks.

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

CREIT as well as its Lessees are committed to achieve the UN Sustainable Development Goals (SGDs) by setting priority targets aligned to Citicore Group as its main company. The Group believes that achieving financial growth through sustainable business operations, without neglecting the environmental and social responsibilities, should be prioritized and embraced. The Group (CREIT and its Lessees) is also committed to institute and implement sustainable commercial practices, to enable the Company to thrive and grow as a responsible and sustainable renewable energy-themed Real Estate Investment Trust (REIT).

# Annex B: Topic Guide

In line with the Disclosure Topic and Management Approach discussion above, this Annex will provide a guide on what to disclose in the Topics provided in the Reporting Template. The guide is based on the GRI Standards, SASB Standards and Recommendations of the Task Force on Climate-related Financial Disclosures.

## ECONOMIC

Economic disclosures relate to how the company directly increases the pool of economic resources that flows in the local and national economy. Included in the disclosures are the risks and opportunities due to climate change, procurement practices with respect to local suppliers and anti-corruption.

### Economic Performance

Measuring the direct economic value generated, measured as revenue and distributed (costs) shows that an organization does not just create economic value for itself but also ensures that this value flows back to its various stakeholders such as stockholders, suppliers, employees, government, and the community. This also discloses the remaining value that is retained in the company for liquidity and for future investments. Figures for this disclosure can be derived using the audited financial statement with the revenue as the economic value generated for the reporting period.

This disclosure answers the questions:

- How much direct economic value (revenue) did you generate?
- How much of this flowed back to society (costs disaggregated according to stakeholders)?
- How much of this was retained in the company for liquidity and to fund future investments?

See [GRI 201-1](#) for more guidance on the disclosure.

Disclosure of an organization's climate-related issues helps stakeholders make sound and reasonable assessments of the impact climate change may have on the organization. Companies should disclose the climate-related risks and opportunities they have identified and how they assess and manage those issues. See [GRI 201-2](#) and [the Recommendations of the Task Force on Climate-related Financial Disclosures](#) for more guidance on the disclosure.

### Procurement Practices

Disclosure on the proportion of spending on local suppliers show an organization's support for local groups, including those owned by women or members of vulnerable sectors. Supporting local suppliers can indirectly attract additional investments to the local economy. The disclosure describes the policies and practices used to select locally-based suppliers and to promote economic inclusion when selecting suppliers. See [GRI 204](#) for more guidance on disclosures

### Anti-corruption

Disclosures on training on anti-corruption policies and procedures show how the company ensures that it has the necessary capability to fight against corruption through proper training and awareness building for its directors, management, employees and business partners. Disclosures on incidents of corruption and how

the company responded on the incidents show how serious an organization is on combatting corruption. See GRI 205 and SASB Standards General Issue Category: Business Ethics for more guidance on the disclosures.

## ENVIRONMENT

Environmental disclosures relate to how the company manages the natural resources it needs for its business, as well as how it minimizes its negative impacts to the environment, including biodiversity. The company's ability to access materials needed for its operations is critical to company's long-term success.

### Resource Management

Disclosures on resource management such as energy consumption, water consumption, and materials use show how efficiently an organization uses scarce natural resources, which has implications on reduction of environmental impacts from extraction and processing of these resources. The efficiency of managing resources relates to profitability of the organization. See GRI 301, GRI 302, GRI 303 and SASB Standards General Issue Categories: Energy Management; Water and Wastewater Management; Material Sourcing and Efficiency for more guidance on the disclosures.

### Ecosystems and Biodiversity

Disclosure on activities that show how an organization protects, conserves, or rehabilitates ecosystems and biodiversity therein such as in watersheds and coastal and marine areas gives an idea of how that organization appreciates the ecosystem and the services it gives that make business thrive. Ecosystems and Biodiversity is vital to human existence. Companies have the responsibility and clear business case for ensuring ecosystems and biodiversity around its sites are protected and restored. See GRI 303, GRI 304 and SASB Standards General Issue Category: Ecological Impacts for more guidance on the disclosures.

### Environmental Impact Management

Reporting on an organization's impact on air, soil, and water through emissions, wastes, and effluents provides basis for companies to manage these impacts. Responsible companies take an effort to minimize such impacts through cleaner production and pollution prevention measures. Companies should disclose on their performance on these topics including how well the organization mitigates, reduces, and/or prevents these impacts to the environment in compliance to Philippine Environmental Laws or on efforts beyond compliance. See GRI 305, GRI 306 and SASB Standards General Issue Categories: GHG Emissions; Air Quality; Water & Wastewater Management; Waste & Hazardous Materials Management for more guidance on the disclosures.

### Environmental Compliance

Disclosure on organization's compliance with environmental laws and/or regulations shows an organization's ability to conform to certain performance parameters. The strength of an organization's compliance indicates its concern for environmental protection. See GRI 307 and SASB Standards General Issue Categories: Ecological Impacts; Air Quality; Water & Wastewater Management; Waste and Hazardous Materials Management for more guidance on the disclosures.

# SOCIAL

Disclosures on social topics relate to how the organization relates and manages its relationship with its stakeholders such as employees, communities, customers, and suppliers.

## Employee Management

Disclosing on employee management indicates of how good an employer the organization is in engaging its employees. It also provides a sense on how the organization develops its employees and gives equal opportunity for all, such as indigenous people and those coming from vulnerable groups which include elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E). See [GRI 401](#), [GRI 402](#), [GRI 404](#), [GRI 405](#), [GRI 406](#), [GRI 407](#), [GRI 102-8](#), [GRI 102-41](#) and

[SASB Standards General Issue Categories: Labor Practices; Employee, Engagement Diversity & Inclusion](#) for more guidance on the disclosures.

## Workplace Conditions, Labor Standards and Human Rights

Disclosures on workplace conditions and labor standards show how an organization gives importance to occupational health and safety and how it upholds labor standards and human rights in the workplace. See [GRI 403](#), [GRI 408](#), [GRI 409](#), [GRI 412](#) and [SASB Standards General Issue Category: Employee Health & Safety](#) for more guidance on the disclosures.

## Supply Chain Management

Disclosures on supply chain management is most relevant for companies with a significant portion of value creation carried out by suppliers. Organizations can report on how the reporting company ensures that supplier upholds with sustainability standards and practices including compliance to Philippine laws. The reporting company may also disclose how it influences its suppliers to be sustainable through supplier accreditation processes, among other approaches. See [GRI 308](#), [GRI 414](#) and [SASB Standards General Issue Category: Supply Chain Management](#) for more guidance on the disclosures.

## Relationship with Community

These disclosures show how an organization meaningfully engages the community around their sites and how it aims to create a net positive impact to its host or neighbors. These also includes how the company contributes in addressing issues of indigenous people and those coming from vulnerable groups [youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)] in its business operations. See [GRI 411](#), [GRI 412](#), [GRI 413](#) and [SASB Standards General Issue Category: Human Rights & Community Relations](#) for more guidance on the disclosures.

## Customer Management

Disclosing on customer management shows how well an organization upholds the rights of its customers to privacy, safety, and security from probable negative impacts of its products and services. See [GRI 416](#), [GRI 417](#), [GRI 418](#) and [SASB Standards General Issue Categories: Product Quality & Safety; Customer Welfare; Selling Practices & Product Licensing](#) for more guidance on the disclosures.



## Data Security

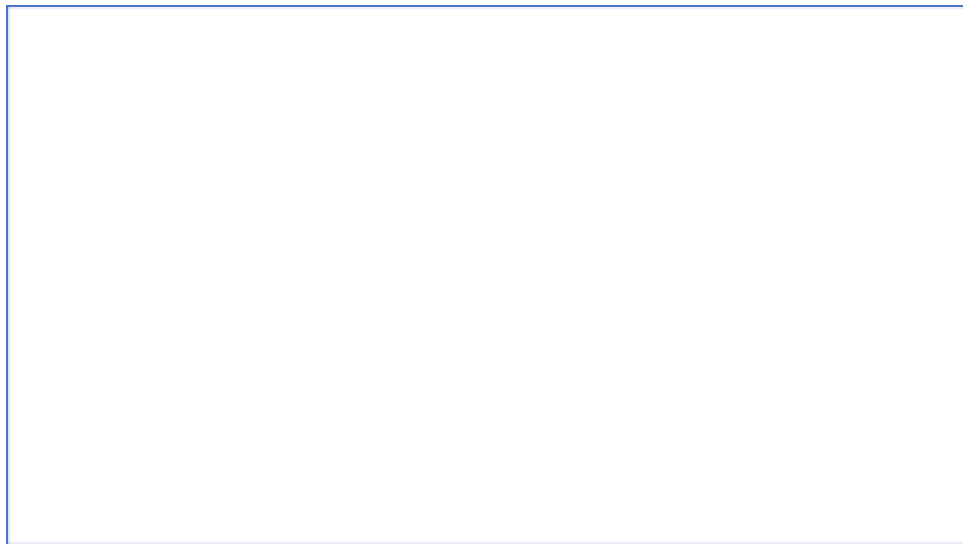
Reporting on the number of data breaches, including leaks, thefts and losses of data shows how much importance an organization places on keeping data secure. Organizations can indicate how they manage risks related to the collection, retention and use of sensitive information. See *SASB Standards General Issue Category: Data Security* for more guidance on the disclosure.

## UN SUSTAINABLE DEVELOPMENT GOALS

The SDG Compass can be used as guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs. The SDG Compass can be accessed at <https://sdgcompass.org/>

Moreover, a recent publication with the title: *Integrating the SDGs into Corporate Reporting: A Practical Guide*,<sup>20</sup> helps companies of all sizes to prioritize SDG targets to act and report on, set related business objectives, and measure and report on progress. This is a co-production between GRI and UN Global Compact (UNGC).

Companies may also use the following framework to determine which area of sustainable development its company is contributing to improve people's quality of life.



For more information on how private sector can contribute to sustainable development, companies may visit [www.sdgsbiz.ph](http://www.sdgsbiz.ph).

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<sup>20</sup> This publication may be accessed at [https://www.globalreporting.org/resource/library/GRI\\_UNGC\\_Reporting-on-SDGs\\_Practical\\_Guide.pdf](https://www.globalreporting.org/resource/library/GRI_UNGC_Reporting-on-SDGs_Practical_Guide.pdf)