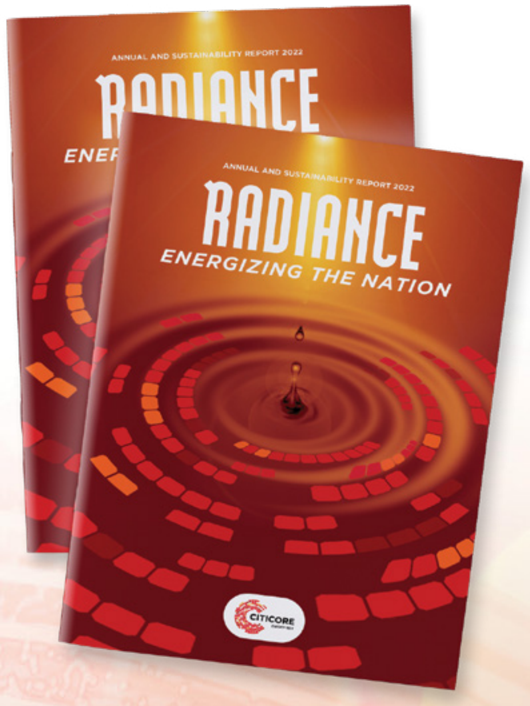
ANNUAL AND SUSTAINABILITY REPORT 2022

RADIANCE

ENERGIZING THE NATION

CITICORE ENERGY REIT



About the Cover

CREIT exemplifies the need and potential for investment opportunities that benefit all stakeholders, most specially the environment. As the first renewable energy REIT in the country, CREIT aims to influence other companies to contribute more actively to sustainable development.

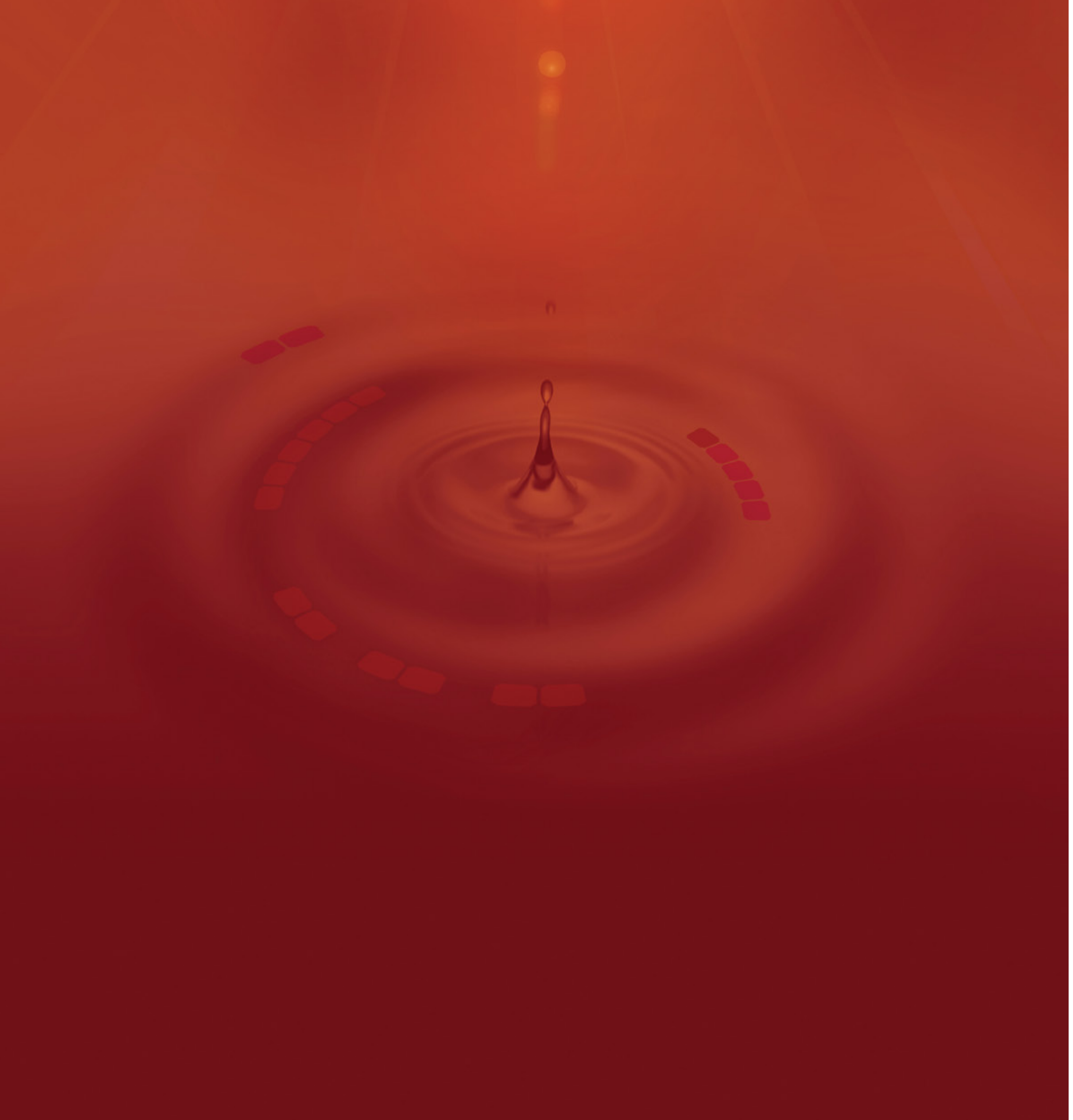
About the Report

GRI 2-2 | GRI 2-3

Radiance: Energizing the Nation discloses CREIT's annual financial, operational, and sustainability performance from January 1, 2022 to December 31, 2022. The scope encompasses the sites indicated in the Company's property portfolio. This report was prepared in accordance with Global Reporting Initiative (GRI) reporting framework. CREIT's President and CEO, Oliver Y. Tan, is the highest-ranking person responsible for the report.

About the Company

GRI 2-1 | GRI 2 - 2 | GRI 2-6



Citicore Energy REIT Corporation (CREIT) is the first real estate investment trust in the Philippines engaging in renewable energy real estate assets, with Citicore Renewable Energy Corporation (CREC) as the Sponsor. CREIT offers an attractive investment platform through its unique green asset portfolio, 100% occupancy at all times, and steady dividend payout. It operates in a crisis-proof and essential industry, considering the shift towards renewable energy use.

CREIT joins the global efforts towards achieving a low-carbon and climate-resilient future. CICERO Shades of Green recognized the Company's sustainability commitment. In November 2021, they awarded CREIT its highest rating or the 'Dark Green' rating, with CREIT being the first to receive this in Southeast Asia.

MISSION

To be the foremost Energy REIT investment in the Philippines, delivering superior yields from a portfolio of sustainable prime land and solar assets.

VISION

CREIT intends to deliver a sustainable investment platform with a renewable energy asset portfolio for shareholders and investors.

VALUES

SUSTAINABLE INVESTMENT

CREIT ensures a clear path for growth and expansion, socially inclusive programs, and environmentally sustainable business practices by evaluating its environmental and social impacts and practicing corporate governance.

COMMUNITY UPLIFTMENT

The Company prioritizes empowering its communities through local employment. CREIT also places various community development programs in the local communities where it operates to ensure inclusive growth.

STEWARDSHIP FOR ENVIRONMENT

As the primary energy REIT in the country, CREIT and its lessees aim to directly contribute to mitigating climate risks through its renewable energy plants.

2022 At a Glance

AWARDS AND RECOGNITION

FINANCEASIA'S BEST MANAGED COMPANIES IN 2022 POLL

Country Awards

• Best Managed Company
• Best Investor Relations
• Best Small-cap Company
• Best CEO (Oliver Tan)
• Most Committed to Environmental Stewardship
• Most Committed to High Governance Best Standards
• Most Committed to Social Causes

Regional Awards

• Best Managed Company, Energy Category

INTERNATIONAL FINANCE AWARDS 2022

Best REIT Portfolio Management – Renewable Energy (Philippines)

THE ASSET TRIPLE A COUNTRY AWARDS FOR SUSTAINABLE FINANCE 2022

Best IPO (Philippines)

OPERATIONAL HIGHLIGHTS

2 million sqm
Total landbank

145MW
Total installed capacity

99%
Average plant availability

100%
Occupancy rate

20.8 years
WALE (Weighted Average Lease Expiry)

CREIT's P4.5-billion ASEAN Green Bonds
get PRS Aa+ rating

FINANCIAL HIGHLIGHTS

P1.37 billion
Revenues

P1.25 billion
Net income

P1.28 billion
Gross profit

P1.35 billion
EBITDA

P1.37 billion
Rental income

P0.20
Earnings per share

P1.19 billion
Dividends

P4.35 billion
Equity

P5.11 billion
Total assets

P571.4 million
Cash and cash equivalent

SUSTAINABILITY HIGHLIGHTS

186GWh
Lessees' Solar Generation

98%
of Wastewater recycled

7 Lessee
host community beneficiaries of the Citicore Foundation

Green Financing Framework
recognized as credible and impactful by Sustainalytics

3 Communities
engaged through the AgroSolar project

Chairman's Message

One year after gracing the Philippine Stock Exchange (PSE) for its Initial Public Offering (IPO), the Philippines' first renewable energy real estate investment trust (REIT), Citicore Energy REIT or CREIT, has created ripples in the market – radiating across the industry and paving the way for the proliferation of non-traditional REITs being listed in the country.

> **"From being the first renewable energy REIT, CREIT has become the largest renewable energy landlord and clearly transformed from creating a ripple to making waves."**

This was even against a backdrop of growing uncertainties over the past twelve months, as the country and the rest of the world slowly tried to regain their footing after COVID-19 wreaked havoc across local and global economies.

Two days after CREIT's landmark listing, the world watched as Russia invaded Ukraine, resulting in a surge in fuel prices, further highlighting the importance and urgency of the transition to renewable energy. The past year also painted an inflationary and recessionary environment, demanding a more conservative response for many.

Yet amid the generally cautious business environment, your Company pursued its growth agenda by expanding CREIT's asset portfolio by acquiring two properties – Bulacan and South Cotabato – as set out in our IPO prospectus. This brings to seven the total green assets under CREIT's portfolio, equivalent to almost two million square meters of leasable space.

In the aftermath of the pandemic, we have seen commercial space vacancies rising to unprecedented levels, which continues to hound the office leasing business. CREIT, on the other hand, has shown the resilience of its business model, being the only REIT that enjoys 100% occupancy starting day one of the lease agreements with its tenants and solidifying CREIT's platform of providing land parcels to renewable energy developer tenants to roll out the much-needed solar energy capacity.

Our Annual Report cover illustration depicts a ripple – a befitting testament to what CREIT has achieved in just one year. CREIT will continue to grow its green asset portfolio, evaluating and investing in properties that instantly contribute to rental revenues on day one of the contracts. Our choice of tenants, specifically renewable energy developers and operators, allow us to develop a sizeable renewable energy platform and support the government's Renewable Portfolio Standard (RPS) target of achieving 50% supply from renewable energy by 2040. From being the first renewable energy REIT, CREIT has become the largest renewable energy landlord and clearly transformed from creating a ripple to making waves.

Moving forward, CREIT's Sponsor, Citicore Renewable Energy Corporation (CREC), has embarked on an aggressive 1,000MW capacity roll-out per year with a target of 5GW capacity in the next five years. This represents a potential asset expansion and growth opportunity for your Company through the acquisition of the land where the Sponsor's future solar plants will be located, ensuring the continued growth of CREIT's green portfolio. We are confident that this kind of green energy will radiate across investors and further empower them to participate in an ESG-compliant instrument with a consistent dividend yield and a heart for the future generations.

Thank you very much.

EDGAR SAAVEDRA
Chairman

President's Report

2022 PERFORMANCE HIGHLIGHTS

Citicore Energy REIT's (CREIT's) transformation – from a solar power generation company (with electricity sales as the main source of revenue) to a pure renewable energy real estate investment trust (REIT) company – has rippled through the Company's operating results.

After a full year as a listed REIT in 2022, we recorded leasing revenues of P1.37 billion, more than three times the amount generated the previous year.

We also expanded our clean and green asset portfolio, now totaling six land parcels and one operating solar plant geographically spread over Luzon, Visayas, and Mindanao. We also ensured that these are tenanted by solar plant operators to provide a steady and recurring rental revenue stream over a long period. While heightened commercial and office vacancies – an offshoot of the pandemic and hybrid working environment – affected real estate assets, CREIT showed its resiliency and immunity from cyclical occupancy struggles with its 1:1 tenant-to-asset ratio and 100% occupancy.

With these metrics, we delivered a net income after tax of P1.25 billion – more than six times the P225.9 million we generated the previous year. Our landmark structure enabled us to pay out total higher dividends of P0.047 per share – P0.044 from the Guaranteed Base Lease and a special dividend of P0.007 per share from the Variable Lease component, coming from 50% share of the incremental revenues earned by the Lessees from its actual energy generation over its base revenues.

COMPELLING EESG PLATFORM

Integral to all these is a strong commitment to Economic, Environmental, Social, and Governance (EESG), especially the environmental aspect, as we primarily lease land to renewable energy operators. This allows the REIT to share the economic prosperity stemming from its steady and recurring rental income stream from its long-term tenants.

Regarding asset expansion, we also continue to target renewable energy companies as tenants, in line with our shared goal of a net zero carbon future. The fluidity of our commitment to the environment, from the very nature of our business operations, flows into our community relations projects as well.

Our stakeholders within the area of our asset locations are beneficiaries of our Balik-Eskwela, Brigada Basa, and EcoShed programs. More importantly, having pioneered the Agro-Solar initiative in the country, wherein we plant high-value crops and vegetables alongside or underneath solar PV panels, enabled us to work with local farmers and provide them with income augmentation as the main thrusts for our social initiatives.

These programs, we believe, were primary considerations for why CREIT was awarded the highest rating, Dark Green, by the world-renowned climate research agency Cicero, ascertaining the Company's sustainability and governance practices. This is also the first in the Philippines and Southeast Asia, continuing our tradition of trailblazing achievements.

Above all these, we continue to exercise sound corporate governance with the guidance and leadership of our three independent directors and the support of Citicore Property Management, Inc. and Citicore Fund Management, Inc.

RADIATING ONWARDS

We remain true to our core strategy of investing and acquiring real estate properties dedicated to renewable energy development and operations. From our initial portfolio of one solar plant and four land parcels upon listing, we have acquired Bulacan and South Cotabato properties, bringing to seven the CREIT asset portfolio, and solidified our unique positioning as the largest renewable energy landlord with about 2,000,000 square meters in total leasable area.

As CREC, our Sponsor, ramps up its pipeline by an additional capacity of 1,000MW per year, CREIT has a natural growth potential to mirror the Sponsor's expansion, as it has the option to acquire the underlying land parcels where future solar farms will be built on. Our investment strategy for asset acquisition continues to be centered on choosing strategic land parcels that are value accretive to the REIT on day one. We believe this will further cement CREIT's position as the largest renewable energy landlord, with desirable dividend yields, year in and year out.

"To our shareholders and management team, we are committed to radiating positive energy that we, in the Citicore Group, are harnessing and generating, not just for our power consumers but, ultimately, for the land we will leave behind for the next generations to come.
Let's power on!"

A MESSAGE OF THANKS

CREIT's landmark listing in February 2022 would not have been possible were it not for the progressive support of our regulators as they paved the way to enable a renewable energy-themed REIT to debut in the capital markets. We extend our deepest gratitude to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). We are more than grateful to our underwriting syndicate, financial institutions, and trading participants who were instrumental in pushing forth the CREIT story and value proposition as a solid EESG-worthy investment.

To our shareholders and management team, we are committed to radiating positive energy that we, in the Citicore Group, are harnessing and generating, not just for our power consumers but, ultimately, for the land we will leave behind for the next generations to come.

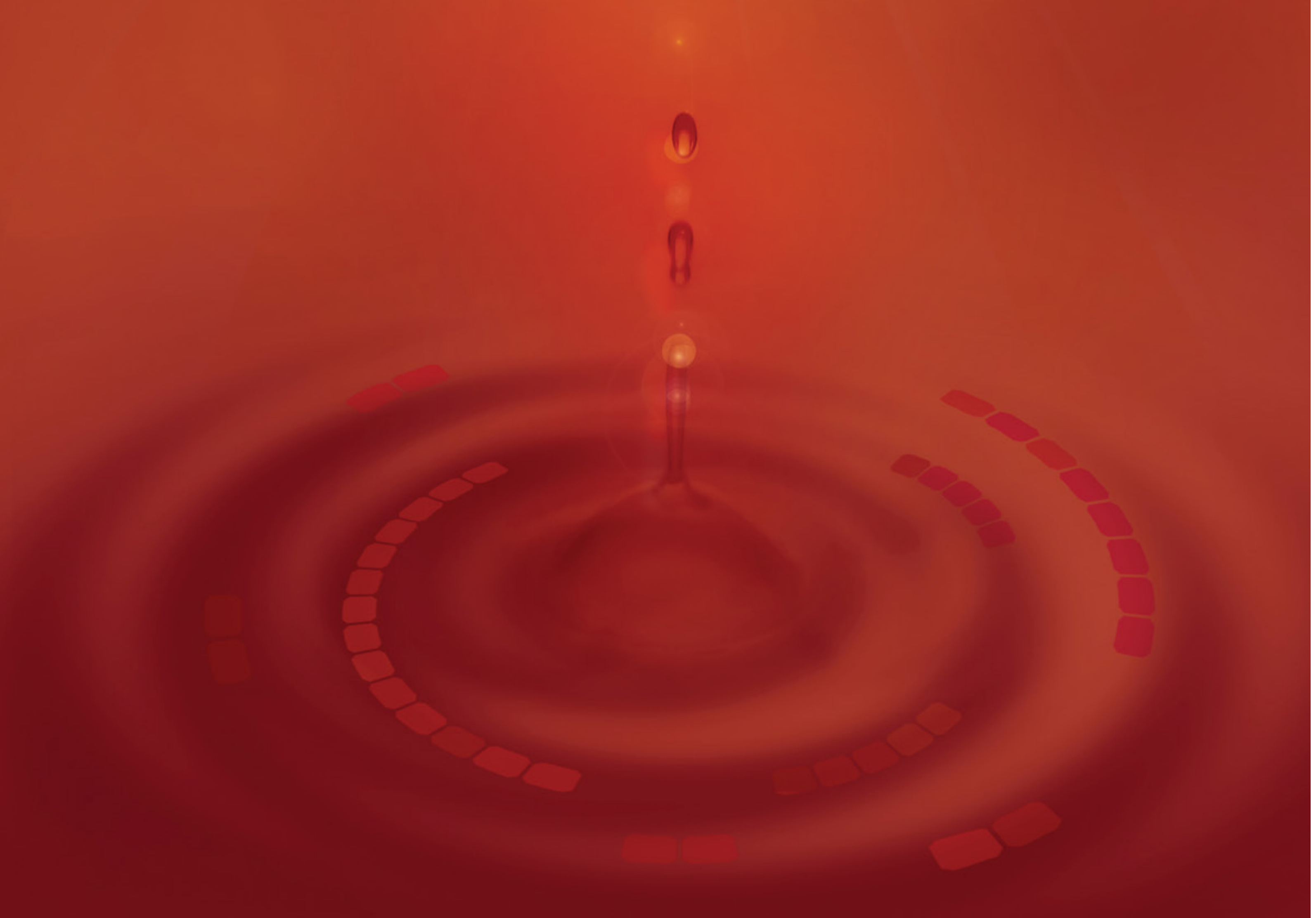
Let's power on!

Thank you very much.

OLIVER TAN
President & CEO

Business Review

GRI 201 - 1



PSE recognized CREIT as having the best IPO debut since 2007. From its P2.55 IPO price, it closed 11% higher at P2.84 per share. Since then, the Company has been committed to providing a sustainable investment opportunity with stable yield and increasing returns.

FINANCIAL PERFORMANCE

CREIT reported significantly higher year-over-year (YOY) revenues and profits in 2022. The total revenues amounted to P1.37 billion with 290% increase YOY and EBITDA to P1.33 billion with 310% increase YOY. This increase in revenues is mainly attributable to lease revenue from its freehold properties (P381.7 million), leasehold properties (P709.9 million), and solar plant (P282.9 million).

Gross profit increased by 362% or to P1.28 billion, translating into a gross profit margin of 93%. The Company expanded its leasing activities in 2022 due to various acquisitions and transfers of freehold and leasehold assets, including parcels of land in the Armenia Property (Citicore Tarlac 1), Bulacan Property (Citicore Bulacan), and South Cotabato Property (Citicore South Cotabato). Operating expenses in 2022 amounted to P8.4 million, an 85% YOY decrease due to the shift in CREIT's business operations from plant operation and maintenance in 2021 to full REIT operations in 2022.

CREIT commenced lease contracts on its freehold and leasehold properties upon acquisition. As a result, CREIT's net income shot up by 454% and registered at P1.25 billion compared to P225.9 million in 2021.

PORTFOLIO

The Company's renewable energy property portfolio consists of leased properties, with the tenants being solar power plant operators in the Citicore Group. Its clean and green asset portfolio comprises one solar plant and six land parcels.

CREIT is currently the largest REIT landlord with approximately 2 million sqm worth of properties with a total installed capacity of 145MWdc, appraised at P14.2 billion as of December 31, 2022 based on the Valuation Reports issued by Cuervo Appraisers. In 2022, the Company purchased lots in the Bulacan and South Cotabato Properties, acquiring an additional land area of 333,877 sqm.

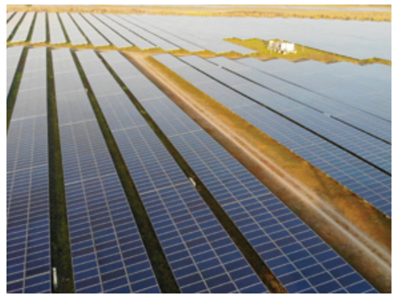
IRRADIATION
All solar assets are in high irradiation regions between c.4.7 – 5.5 kWh/m2/day.

DISTANCE TO MAJOR CITIES
Assets are located near key metropolitan areas, with steady demand for electricity.

GRID CONNECTION SCHEME
The plants enjoy priority dispatch to the national grid. Customers may opt to have the solar plant embedded at their site when feasible.

Armenia Property
(Citicore Tarlac 1)
Location: **Brgy. Armenia, Tarlac City**
Capacity: **8.8MW**
Area: **14 ha**
Freehold
Appraised value: **P0.69 billion**

Dalayap Property
(Citicore Tarlac 2)
Location: **Brgy. Dalayap, Tarlac City**
Capacity: **7.6MW**
Area: **10 ha**
Leasehold
Appraised value: **P0.46 billion**



Clark Solar Power Plant
(CREC)
Location: **Clark Freeport Zone, Pampanga**
Capacity: **22.3MW**
Area: **25 ha**
Freehold
Appraised value: **P3.03 billion**

Bulacan Property
(Citicore Bulacan)
Location: **Brgy. Pasong Bangkal, San Ildefonso, Bulacan**
Capacity: **15MW**
Area: **25 ha**
Freehold
Appraised value: **P2.41 billion**

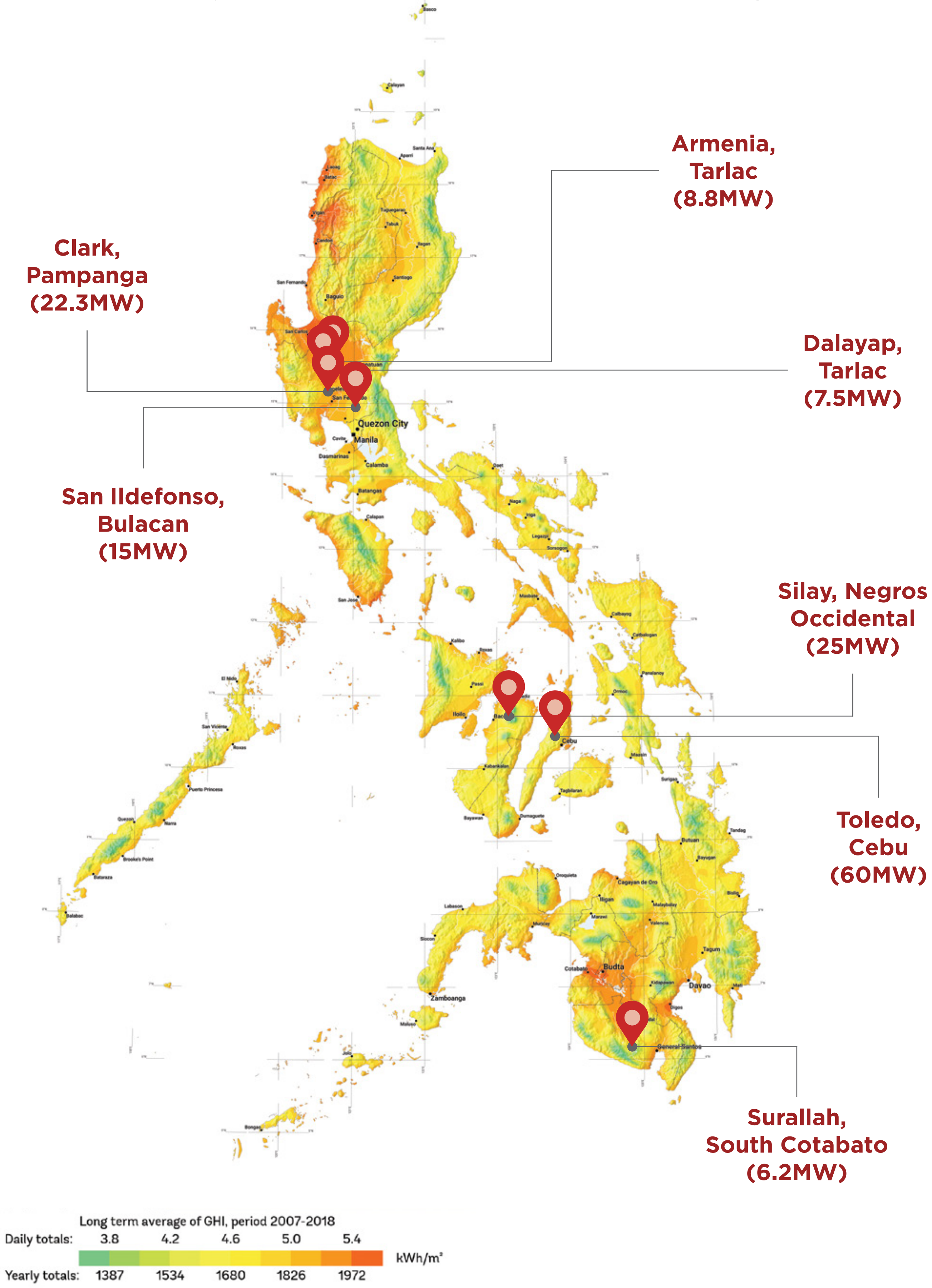
South Cotabato Property
(Citicore South Cotabato)
Location: **Brgy. Centrala, Suralla, South Cotabato**
Capacity: **6.2MW**
Area: **8 ha**
Freehold
Appraised value: **P1.05 billion**

Silay Property
(Citicore Negros Occidental)
Location: **Silay City, Negros Occidental**
Capacity: **25MW**
Area: **43 ha**
Leasehold
Appraised value: **P2.85 billion**

Toledo Property
(Citicore Cebu)
Location: **Brgy. Talavera, Toledo City, Cebu**
Capacity: **60MW**
Area: **73 ha**
Leasehold
Appraised value: **P3.76 billion**

CREIT's portfolio is strategically located in high irridiation regions

Basemap attribution: © 2020 The World Bank, Source: Global Solar Atlas 2.0, Solar resource data: Solargis



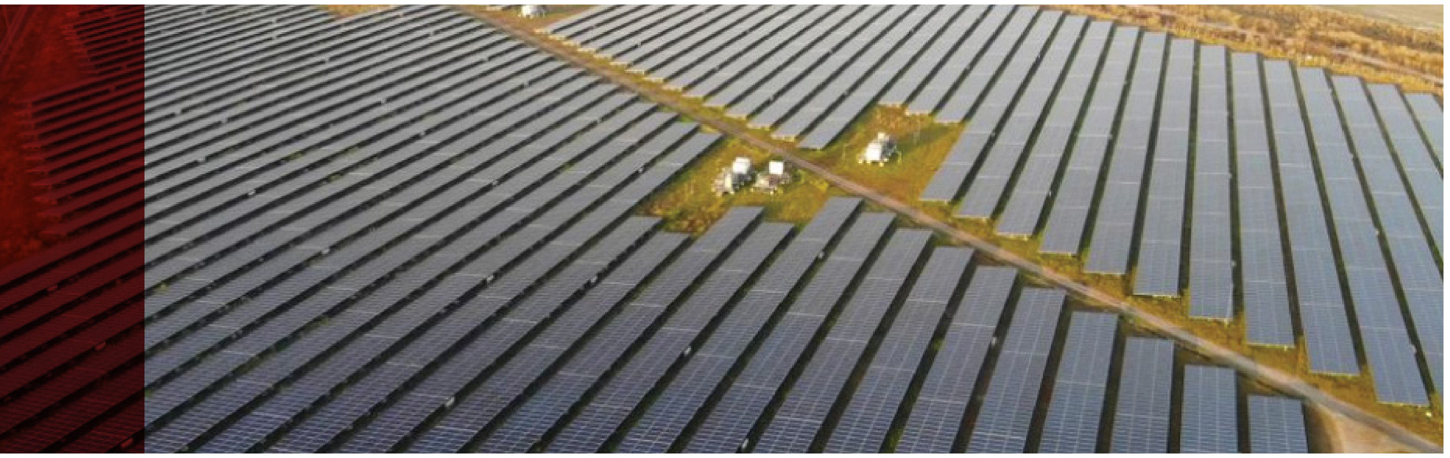
DIVIDENDS

GRI 201 - 1

CREIT initially listed its shares in PSE at P2.55 offer prices per share on February 22, 2022. Net proceeds from the primary shares were used to acquire the Bulacan and South Cotabato Properties. The secondary shares were allotted for CREC's renewable energy capacity build-up in the next five years.

The Company distributed common shares quarterly, with the highest price per share being P2.65 and the lowest at P1.97. The closing price per share of CREIT's common shares as of December 31, 2022 was P2.29. By the end of the year, the Company had a total of 6,545,454,004 outstanding common shares.

CREIT declared quarterly dividends and paid out P1.19 billion cash dividends equivalent to P0.183 per share in 2022, which exceeded the P1.17 billion with P0.18 price per share projected in the initial REIT Plan.



GROWTH PROSPECTS

The year's exemplary performance demonstrates the mechanisms by which CREIT can generate higher profits and expand its sustainability impacts in the future.

As a REIT company, passive income in the form of lease revenues makes up the Company's topline. On top of the guaranteed base lease, CREIT will share in the expected organic growth of its lessees through variable lease revenues, especially given the country's increasing demand for renewable energy.

The lessees optimize their operations by improving their performance ratios by maintaining solar panels, modifying sections of the solar power plants to reduce shading effects, and regular thermal scanning to optimize the generation. Initiatives such as the Agro-Solar initiative have also helped minimize grass-cutting costs while generating livelihood for the community.

CREC has 5GW pipeline solar energy projects in various development stages to be constructed, completed, and commissioned in the next five years. With this, the Company is well-positioned to benefit from the Citicore Group's pipeline of renewable energy assets and expand CREIT's portfolio.

CREIT has been acquiring land parcels and renewable energy assets to enhance its green lease revenue stream following the Company's investment strategy to enhance total return for shareholders and increase potential opportunities for future income and capital growth. To execute this, the Company will acquire properties in high-growth areas from the Sponsor or third parties to cater to economic development that provides meaningful investment for social contribution.

CREIT plans to issue up to P4.5 billion in ASEAN Green Bonds in February 2023 to bankroll project expansion ventures. Its base offer will amount to P3.0 billion with an oversubscription of up to P1.5 billion. The Philippine Rating Services Corporation (PhilRatings) assigned an issue credit rating of investment grade PRS Aa+, signifying the Company's creditworthiness.

Business Model

GRI 2-6

The Group established CREIT to own and invest in income-generating renewable energy real estate properties that meet the Company's investment criteria, including land and properties used to harness power. CREIT's revenue streams primarily source from land leases, providing steady recurring revenues, cashflows, and stable distributions.

The lease rental rates for the leased properties comprise a guaranteed annual base rental rate, payable on equal monthly installments, and a variable rental rate equivalent to 50% of the incremental gross revenue earned by the lessee from any excess in its solar power generation or pricing from its contract renewals for the current fiscal year.

This business model enables the Company to maximize the value of the leased properties by increasing the certainty of base lease fees while also allowing the Company to benefit from any outperformance by its Lessees.

CREIT has various competitive advantages that have led to its success and will enable the Company to capitalize on future development prospects.

CREIT COMPETITIVE ADVANTAGES

UNIQUE REIT ASSETS WITH A GREEN REVENUE PORTFOLIO

- CREIT is the first renewable energy REIT, with seven assets leased out to solar plant operators
- Provides investors the opportunity to invest in an ESG-conscious REIT

STABLE OCCUPANCY RATE

- CREIT's business model is crisis-resilient, with a 100% occupancy rate since the first day of the lease
- The seven assets are backed by long-term lease agreements, protecting the recurring revenue stream from REIT investors.

EFFICIENT OPERATIONAL TRACK RECORD

- CREIT's tenants have been operating since 2015, with renewing customers from the government and multinational companies.
- All tenants use an advanced computerized system to monitor and manage solar panels and facilities in real-time.

ROBUST GROWTH THRU PIPELINE PROJECTS

- CREC has over 5GW pipeline solar energy projects to be rolled out in the next five years
- CREC follows a clustering strategy to fast-track development lead time, optimizing the capacity in its existing areas of operations
- CREIT can acquire land parcels and renewable energy assets to enhance its green lease revenue stream

GROWING DEMAND FOR RENEWABLE ENERGY

- Supportive government incentives have been established to level with ASEAN neighbors.
- There is a growing energy demand along with the country's renewable energy transition plan.

CREIT IS SUSTAINABLE ESG INVESTING

- The Group pioneered the Agro-Solar initiative that allows solar power generation and agricultural crop production to co-exist
- CREIT has a sound ESG investment criterion with a green asset portfolio of solar plant operations

INVESTMENT STRATEGY

GRI 203 - 1

The Company's principal investment strategy is to invest in income-generating renewable energy real estate properties. A core tenet of CREIT's investment policy is to invest in properties that meet a select set of criteria designed to provide a competitive investment return to investors.

CREIT INVESTMENT CRITERIA

RENEWABLE ENERGY SUITABILITY

The property should primarily, but not exclusively, be suitable for solar power plants. This may include other renewable energy properties available in the market.

DEVELOPMENT POTENTIAL

The property must be located in underdeveloped areas where the Company has completed and validated the availability of resources and the potential of such a site for future township developments to drive long-term appreciating land value.

Citicore Property Managers, Inc. maximize investment returns by increasing the gross revenue and net operating income over time through active management of the properties. They aim to promote growth in returns by carefully selecting properties, optimizing the properties owned by CREIT, and taking advantage of desirable opportunities for property acquisition.

Citicore Fund Managers, Inc. will strategically manage the portfolio by holding properties on a long-term basis or divesting properties to optimize their market potential and value, free up capital, and reinvest proceeds into other properties that meet the Company's investment criteria.

CITICORE GREEN FINANCING FRAMEWORK

As part of the Citicore Group, CREIT will adopt and benefit from the developed Green Financing Framework. Citicore has developed a Green Financing Framework under which it may issue green bonds and loans to fund selected projects that are expected to contribute to the expansion of renewables, improved forest conservation, and facilitate sustainable water and wastewater management.

Citicore has engaged Sustainalytics to review the Framework. Sustainalytics, a Morningstar company and a globally-recognized provider of environmental, social and governance research, ratings and data, has issued a second party opinion confirming that Citicore's Green Financing Framework is credible and impactful.

This Framework outlines the criteria and guidelines for the allocation of proceeds of Green Bond/Loan instruments as per the following standards:

- International Capital Market Association ("ICMA") Green Bond Principles 2021
- ASEAN Green Bond Standards ("GBS") published by ASEAN in Collaboration with ICMA
- Loan Market Association ("LMA") Green Loan Principles ("GLP") 2021

In alignment with the above principles and guidelines, Citicore's Green Financing Framework is structured based on the following key pillars:

1. USE OF PROCEEDS

GRI 2 - 22

The Framework guides the Group's strategic focus in the renewable energy industry, allowing for meaningful contributions to the United Nations Sustainable Development Goals (UN SDG). The net proceeds of Citicore's Green Bond/Loan will be used to finance or refinance Eligible Projects, whether in whole or in part.

GREEN FINANCING FRAMEWORK ELIGIBILITY CRITERIA

RENEWABLE ENERGY

GRI 302 - 1

Expenditures related to the development and acquisition of the following renewable energy projects, which may include supporting infrastructure such as grid networks and battery energy storage systems involving:

- Solar (including AgroSolar projects)
- Offshore wind
- Run-of-River Hydro (a facility in operation in 2020 or after)
  - Conduct environmental and social risk assessment with no significant risk or negative impact identified.
  - A power density >10W/m2 or GHG emissions intensity <50g CO2e/kWh

ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES AND LAND USE

GRI 305-5 | GRI 302-1

Expenditures related to (1) acquisition of land/ acquisition of use and access rights to expand and restore forested areas, (2) purchase of equipment and cost of resources needed for the ongoing establishment, maintenance, and management of forestry projects, and (3) certification of sustainable forestry projects involving:
Reforestation and afforestation

- Implementation and execution of a sustainable management plan
- Certification of the forests and sustainable management plan by credible third-party certification systems such as FSC or PEFC
- Limited to the planting of native and endemic species that are well adapted to the site conditions
- Landslide, soil erosion prevention
- Protection of wildlife diversity
- Prevention or deferral of planned and unplanned deforestation
- Maintain carbon stocks through good forestry management practices

SUSTAINABLE WATER AND WASTEWATER MANAGEMENT

GRI 303 - 1 | GRI 303-4

Expenditures related to the construction, development, installation, expansion, and maintenance of projects and infrastructures involving:

- Clean and drinking water production and treatment facilities (including wastewater treatment facilities)
- Water distribution facilities
  - Infrastructure Leakage Index ≤1.5
- Seawater desalination facilities
  - Waste management plan put in place for brine disposal
  - Powered by renewable energy or the electricity consumption has carbon intensity below 100g CO2 e/kW

EXCLUSIONARY CRITERIA

The Green Bonds/Loans will not be used to finance investments associated with the exploration and production of fossil fuels, weapons and defense, mining, gambling activities and establishments, alcohol, tobacco, child and forced labor, and the destruction of critical habitats.

2. PROJECTS EVALUATION AND SELECTION PROCESS

GRI 2 - 10

Citicore has designed and implemented a process to ensure that only projects aligned with the Eligibility Criteria will be selected as eligible projects for financing under Green Bonds/Loans.

The Board of Directors (BOD) formed the Sustainability Financing Committee as the corporate body responsible for sustainable investment matters, including promoting, monitoring, implementing, and improving cross-functional sustainability strategies.

1. The Committee meets annually to review the Green Bond/Loan Principles and if the projects identified and selected and the proceeds used align with the Framework.
2. The Chairperson of the Committee reports to the BOD at least annually on an annual basis to review sustainable investment policies and monitor their implementation and the status of the project rollouts.
3. Citicore's Corporate Finance Team and other relevant working groups conduct a detailed technical due diligence process and assessment per their course of business and Site Selection Policy.
4. The Committee screens for new eligible projects, also considering the environmental and social risks of the prospective project sites.

3. MANAGEMENT OF PROCEEDS

GRI 201 - 1

The net proceeds of each Green Bond/Loan will be allocated for financing and refinancing existing or new assets considered eligible based on the criteria. Citicore intends to achieve the total allocation of the proceeds within three years after the Green Bond/Loan issuance. The Green Bond/Loan can finance investments for new projects or assets during the construction and operational phase. For refinancing, the Green Bond/Loan could be used for Eligible Projects completed within three years before the Green Bond/Loan issuance year.

Until the proceeds are fully allocated, all or a portion of the net proceeds may be used to pay off all or a portion of outstanding debt or temporarily invest in cash, cash equivalents, investment grade securities, or other marketable securities and short-term instruments, or engage in other capital management activities.

Citicore's treasury team will internally track the proceeds raised from the Green Bonds/Loans to be allocated to eligible projects. Citicore will establish a green financing register regarding the green financing instruments issued by Citicore to monitor eligible projects and allocate the net proceeds from such instruments in the eligible projects to track the net proceeds.

If an eligible project ceases to satisfy the criteria or is divested, Citicore will remove the said project from the portfolio and replace it immediately.

4. REPORTING

GRI 2 - 3

The Group conducts allocation and impact reporting. The allocation reporting includes details such as allocation per eligible project categories; examples of projects financed by the proceeds, including their description (date, location, category, progress) and the corresponding allocated amount (in US$); remaining balance of unallocated proceeds; and a portion of financing and refinancing.

On an annual basis, until total allocation, Citicore will provide impact reporting, whereby, for each category of Eligible Projects, and where feasible, Citicore will report on relevant impact metrics.

5. EXTERNAL REVIEW

Citicore has engaged Sustainalytics to review the Framework and issued a second-party opinion confirming the alignment of Citicore's Green Financing Framework with 2021 Green Bond Principles and 2021 Green Loan Principles.

Citicore will continue to engage an external reviewer or auditor to provide independent verification on its reporting and management of proceeds following the Framework until all the net proceeds of the Green Bonds/Loans have been allocated.

EXTERNAL ENVIRONMENT

The main external factors that can impact the Company's growth are the increasing demand for electricity and renewable energy, competition in the electricity market, and natural calamities.

Projects conducted by different institutions show that power consumption and electricity demand will continue to grow. The Fitch Group, for instance, forecasts power consumption to grow at an annual average of 4.6% from 2020 to 2029. In the Power Development Plan 2016-2040 published by the Department of Energy (DOE), the added power capacity in the Philippines will need 43,765MWDC to meet demands. Additionally, a power supply shortage will begin in 2022-2023.

Due to the increasing electricity demand, the national government has encouraged expanding renewable energy capacity. The National Renewable Energy Program (NREP) details the country's focused strategy toward energy security and access to clean energy. Additionally, the National Renewable Energy Board (NREB) proposed renewable portfolio standards ("RPS") that mandate distribution utilities to source a portion of their power from renewable energy and Competitive Renewable Energy Zones for enhanced renewable infrastructure.

CREIT is well-positioned to take advantage of this market opportunity due to the Group's healthy pipeline of renewable energy projects, which can be infused into CREIT. Given the low levelized cost of electricity (LCOE), solar energy is among the best options to bridge the supply and demand gap. Additionally, solar energy developments will help meet the peaking demand driven by household and commercial consumption.

However, the overall electricity demand is also a market opportunity for competitors. CREIT's and its tenants' competition in the Philippine electricity market are coal, oil, and natural gas electricity generators and 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 essential drivers of energy pricing and competition in most energy markets, including the Philippines. As the first energy REIT in the Philippines, CREIT has also opened doors for other companies to follow suit, which may increase competition in the local REIT market.

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

The Company is aware of the potential impacts of natural calamities, given the country's susceptibility to them. 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 notes in its Environmental Management Framework.

Sustainability Approach

GRI 2 - 29

CREIT shares the Citicore Group's commitment to sustainability. The Group designs and plans operations to ensure maximum land use, continually improve its environmental performance, and enhance projects and services' economic and social benefits across the entire business life cycle.

THE FIVE PILLARS

GRI 2 - 22 | GRI 2 - 23 | GRI 2 - 24

The Five Pillars reflect CREIT's commitment to uphold ethical labor practices and care for its stakeholders, deliver exceptional returns to shareholders, promote environmental stewardship, and contribute to national development.

PEOPLE

Empowering the workforce and communities

PRODUCT

Providing a sustainable and reliable investment opportunity

PLANET

Promoting environmental stewardship and managing environmental impacts

PROFIT

Ensuring financial growth through a solid investment strategy and good governance

PHILIPPINES

Contributing to the country's sustainable development

MATERIALITY

GRI 2 - 29 | GRI 2 - 25 | GRI 2 - 26

CREIT's material topics were based on a review of its references containing information on positive and negative impacts that could directly affect the economy, environment, or society. These topics were assessed and aligned with the GRI Reporting Framework, ASEAN Green Bonds Standards, and UN SDGs.

The material topics list shows the Company's far-reaching economic, environmental, and social impacts. It is crucial for CREIT to be a vertically integrated renewable energy company with the Sponsor to manage better the impacts related to the material topics.

The Company continuously aims for a low-carbon and circular economy aligned with the Group's Environmental Management Policy. CREIT and its lessee's commitment to sustainable business operations are included in the list.

MATERIAL TOPIC	IMPACTS
ECONOMIC PERFORMANCE	ACTUAL • CREIT foresees that global power consumption will grow annually from 2020-2029 as renewable energy is becoming a requirement for local, national, and international growth and development POTENTIAL • The fluctuating cost of raw materials and manpower due to changing global economic environment, such as the effects of inflation, threatens local development.
INDIRECT ECONOMIC IMPACT	ACTUAL • CREIT's tenants operate in the power generation industry, a crisis-resilient sector, which supports the Sponsor's vision of "operating renewable and sustainable energy" formats. • The Company has a risk management program that aims to identify risks and manage and minimize their potential adverse effects on the Company's financial and operational performance.
PROCUREMENT PRACTICES	ACTUAL • CREIT has a Supply Chain Policy which includes the procurement practices of the solar plant operators and that of CREIT. • Acquisitions of real properties by the Company are subject to the requirements under the REIT Act of 2009. POTENTIAL • Lapses in regulatory compliance not only affect business performance but also have adverse effects on revenue growth.
ANTI-CORRUPTION	ACTUAL • The Company strives to realize the highest possible standards of integrity and accountability within the organization as included in the Supplier Code of Conduct/Supplier Accreditation and Evaluation that bans corruption practices. POTENTIAL • Omission to communicate to CREIT stakeholders the Supplier Code of Conducts/Supplier Accreditation and Evaluation may cause corrupt practices to spur.
MATERIALS	ACTUAL • CREIT continues to use its resources judiciously, embodying an efficient practice of Resource Management. POTENTIAL • If no proper monitoring or lapses in resource management strategies are implemented, waste accumulation of scrap or discarded materials can occur.

MATERIAL TOPIC	IMPACTS
ENERGY	ACTUAL • CREIT ensures that the Company and its lessees implement sustainable initiatives that promote efficient energy utilization and consumption. It produces positive energy from renewable resources and consistently reduces its energy consumption. While it is unavoidable to use energy, the Company can offset this in its reduction efforts. POTENTIAL • The rising cost of maintenance services by partners due to the economic instability of companies could affect the budgetary allotment for such services. Therefore, lapses or changes in routine check maintenance could be affected.
WATER AND EFFLUENTS	ACTUAL • Since solar power operations are inherently less water-consuming, no wastewater is generated. In addition, with no additives and harmful chemicals, water in sites is recycled and drained under the Solar Panel Tables to vegetate grass and other plants. These form part of the Group's sustainable water management practices, like drainage networks, to avoid heavy water outflows and landfilling in the area. POTENTIAL • CREIT has low wastewater generated and is addressed in the AgroSolar initiative of the Company
BIODIVERSITY	ACTUAL • CREIT has an existing Environmental Management Framework that prioritizes the preservation of Philippine ecosystems and biodiversity by implementing an innovative business model with clean and green revenue streams and circular economic principles. POTENTIAL • If not monitored regularly, by-products from all daily operations may cause pollution that significantly affects the quality of life of terrestrial and marine biodiversity in the areas adjacent to CREIT's operational sites.
EMISSIONS	ACTUAL • Group's solar farms do not generate direct emissions since they do not burn fossil fuel or materials to produce energy. Considering indirect GHG emissions, CREIT only generated 0.36 tCO_2e in 2021.

MATERIAL TOPIC	IMPACTS
WASTE	**ACTUAL** • Possible hazardous wastes from other site equipment are properly treated or hauled through the Department of Environment and Natural Resources (DENR's) accredited third-party treaters and haulers. • The Company launched the EcoShed Program. After the serviceable life of solar panels in 25-30 years or those that are defective and can no longer be used in the solar plant, to be converted into Eco-infrastructure projects like community waiting sheds that benefit residents of the LGU communities where the solar plants are located. **POTENTIAL** • If not treated properly, unserviceable panels may pose a health hazard to the community.
SUPPLIER ENVIRONMENTAL ASSESSMENT	**ACTUAL** • The Company also established a Supplier Code of Conduct/ Supplier Accreditation and Evaluation that bans forced labor, child labor, bribery, and corruption. It upholds human rights and good environmental performance. **POTENTIAL** • Lapses in monitoring and compliance with the Supplier Code of Conduct/Supplier Accreditation and Evaluation affect business performance and revenue growth.
EMPLOYMENT	**ACTUAL** • The Company complies with government employment requirements with mandated benefits, minimum wage, and others, such as other medical benefits, a retirement fund, company stock options, telecommuting, and flexible working hours. **POTENTIAL** • Problems with employee retention from poor planning and management may affect the general working conditions and thus affect other facets of employee management (health and safety, training and development, and business integrity).
LABOR MANAGEMENT RELATIONS	**ACTUAL** • CREIT ensures that its employees work within safe man-hours. It also conducted six safety drills and three consultations with employees focused on employee-related policies. This shows the Company's commitment to implementing inclusive procedures and maintaining a productive and healthy environment for its employees. • Changes in government policies and regulations may affect CREIT labor-management relations. Thus, it may also affect the retention rate and operations, considering finances in maintaining quality business operations.
OCCUPATIONAL HEALTH AND SAFETY	**ACTUAL** • The Company continuously improves its occupational health and safety management to prevent ill health and work-related injuries and ensure a safe and healthy working environment for all its employees and concerned stakeholders. • CREIT provides a conducive working environment for the social development of its employees as part of employee management and engagement. **POTENTIAL** • If the OHS system is not followed correctly and implemented, work-related accidents (although low risk) may occur and could result in injuries.
TRAINING AND EDUCATION	**ACTUAL** • The Company provides employee training programs, including financial and mental wellness, that more than adheres to regulatory requirements to help its personnel grow and develop. **POTENTIAL** • Employee turnover could mean retraining new hires and affecting the Company's training programs, which could also affect employees' competitiveness and productivity.
CHILD LABOR	**ACTUAL** • CREIT has its Supplier Code of Conduct/Supplier Accreditation and Evaluation that bans child labor. **POTENTIAL** • Lapses in monitoring and compliance with the Supplier Code of Conduct/Supplier Accreditation and Evaluation affect business performance and adversely affect revenue growth.
FORCED OR COMPULSORY LABOR	**ACTUAL** • The Company implements the Supplier Code of Conduct/ Supplier Accreditation and Evaluation that bans forced labor and child labor. **POTENTIAL** • Lapses in monitoring and compliance with the Supplier Code of Conduct/Supplier Accreditation and Evaluation affect business performance and revenue growth.

MATERIAL TOPIC	IMPACTS
LOCAL COMMUNITIES	ACTUAL • CREIT prioritizes local hiring within the periphery of its operations. • CREIT and its lessees are driven by the values of and vision for environmentally and socially inclusive growth in the surrounding communities. • The Company also organized other community-building, educational, and eco-infra-related activities and livelihood initiatives to further its vision. Also, extended provision of health and hygiene kits to partner schools in preparation for face-to-face classes of students during 2022 Brigada Eskwela. • The Company piloted an initiative combining solar generation and agricultural crop production to co-exist in the same land where the solar farms are located, allowing farmers to augment their income by planting and growing Turmeric underneath the panels of the solar farms. • The Company is also focused on managing sustainable infrastructure projects. It continues to monitor the impacts, specifically on responsible energy use, to ensure that the Company and its partner communities remain responsive to mitigating climate change.
SUPPLIER SOCIAL ASSESSMENT	ACTUAL • CREIT upholds human rights and good environmental performance, ensuring CREIT employees embody the Company's values. Again, it enforces the established Supplier Code of Conduct/Supplier Accreditation and Evaluation. POTENTIAL • Lapses in monitoring and compliance with the Supplier Code of Conduct/Supplier Accreditation and Evaluation affect business performance and revenue growth.
MARKETING AND LABELING	ACTUAL • CREIT upholds truthful product marketing through the Citicore Power Group, wherein collaborating with local and national authorities through a plant tour as part of honest marketing. POTENTIAL • Dishonest marketing could cause distrust from lessees and investors
CUSTOMER PRIVACY	ACTUAL • The Company strictly observes the National Privacy Commission's Data Privacy Act. All data of the Company's customers and clients are kept confidential to protect the interests of its customers, stakeholders, and the Group. POTENTIAL • Disclosure of sensitive information to lessees and in observance of the National Privacy Commission's Data Privacy Act may lead to lessees' distrust of CREIT.

UN SDG ALIGNMENT

GRI 2-22 | GRI 2 - 23

CREIT and its Lessees are committed to achieving the UN Sustainable Development Goals (UN SDGs) by setting priority targets aligned with Citicore Group as its main company. The Group is also committed to instituting and implementing sustainable commercial practices to enable the Company to thrive and grow as a responsible and sustainable renewable energy-themed Real Estate Investment Trust (REIT).

4 QUALITY EDUCATION

SDG 4: QUALITY EDUCATION
Through the Usbong Scholarship Program, Citicore Foundation aims to provide ample support for extraordinary young adults in the surrounding local communities of the Group and its Lessees.

6 CLEAN WATER AND SANITATION

SDG 6: CLEAN WATER AND SANITATION
Minimal consumption and proper handling of water, wastewater, and effluents through sustainable water management

7 AFFORDABLE AND CLEAN ENERGY

SDG 7: AFFORDABLE AND CLEAN ENERGY
Compliant and adopted the Department of Energy's (DOE) Energy Efficiency Program

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG 9: INDUSTRY, INNOVATION, AND INFRASTRUCTURE
Has programs promoting inclusive and sustainable industrialization in renewable energy

11 SUSTAINABLE CITIES AND COMMUNITIES

SDG 11: SUSTAINABLE CITIES AND COMMUNITIES
Extending programs to the community through scholarships, training initiatives, local employment, and livelihood

13 CLIMATE ACTION

SDG 13: CLIMATE ACTION
Committed to sustaining the Group's contribution to the achievement of carbon-neutral sustainable business through the use of renewable energy for wind and sun

Championing the Environment

GRI 305 - 1 | GRI 306 - 2 | GRI 304 - 2

CREIT is committed to providing sustainable investments for shareholders by integrating climate and environmental considerations in its business operations. The Company's Environmental Management Framework focuses on three pillars:

CLIMATE ACTION
Working towards negligible to zero carbon footprint for internal operations and providing green solutions to reduce emissions by investing in renewable energy assets

ECOSYSTEM AND BIODIVERSITY
Ensuring the highest standard of environmental management and reducing environmental impact

RESOURCE MANAGEMENT
Efficiently using resources by implementing an innovative business model and circular economy principle

CLIMATE ACTION

CREIT's investment criteria and Green Financing Framework eligibility criteria ensure that the Company prioritizes renewable energy projects and properties, contributing to the country's goal of reducing carbon emissions.

Based on estimates, the solar plants operating on CREIT leased properties reduce approximately 231,720 tons of CO2 annually, or an aggregate of 7,000,000 tons of CO2, for the entire design life of the power plants.

The Group also 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 operate while providing livelihood and augmenting the income of the farmer communities where the leased properties are located. The Clark Property, Armenia Property, Dalayap Property, and Bulacan Property currently implement the agro-solar concept.

RESOURCE MANAGEMENT

By implementing an innovative business model with clean and green revenue streams and circular economic principles, the Company continues to use its resources judiciously, embodying an efficient practice of Resource Management.

CREIT aims to continuously increase its operational efficiency by responsibly managing its resource use. In doing so, the Company can further minimize its negative impacts on ecosystems and biodiversity. CREIT adopts its Sponsor's continuous improvement initiative of its Environmental Management System (EMS), which focuses on the following practices:

1. Using efficient technologies and innovative measures that optimize the consumption of renewable energy resources
2. Participation in Integrated Watershed Management initiatives in applicable areas
3. Implementing community-based environmental management programs
4. Providing EMS-related training and education to achieve greater environmental awareness
5. Launch high-impact and socially responsible initiatives to influence communities toward environmental protection

ENERGY AND EMISSIONS

GRI 301 - 1 | GRI 302 - 1 | GRI 302 - 4 | GRI 305 - 1 | GRI 305 - 2

The Citicore Group is committed to reducing its environmental impact and achieving neutral carbon emissions by supporting renewable energy and sustainable infrastructure. Apart from the current solar energy projects, the Group expanded its renewable energy project pipeline across different technologies to include onshore and offshore wind, run-of-river hydro, and battery storage systems. CREIT ensures that the Company and its lessees implement sustainable initiatives that promote efficient utilization of energy.

Energy	Consumed	Reduced
Gasoline	294,872 GJ	10,000 GJ
Diesel	39,074 GJ	N/A
Electricity	1,041,328,800 GJ	90,000,000 GJ
Total	1,041,328,846 GJ	

CREIT consumed 1,041,328,846 GJ during the year, most of it attributable to electricity use. CREIT ensures that the Company and its lessees implement sustainable initiatives that promote efficient utilization and consumption of energy. It produces positive energy from renewable resources and remains consistent in reducing its consumption of energy. While it is unavoidable to use energy, the Company is able to offset this through various reduction efforts.

GHG emissions	
Direct GHG emissions (Scope 1)	N/A
Indirect GHG emissions (Scope 2)	0.36 tCO_2e

GHG emissions is a particularly important topic for the Group and its goal of achieving a carbon-neutral business. Since its main activity is producing renewable energy, monitoring is vital to verifying that the Company emits little to no GHGs or pollutants. In 2022, CREIT generated 0.36 tCO_2e or in indirect GHG emissions.

The Citicore Group aims to continuously innovate to provide more reliable and affordable renewable energy solutions towards a net zero carbon future.

WATER AND EFFLUENTS

GRI 303 - 2 | GRI 303 - 4

Water and effluents are material to CREIT and its Lessees in terms of efficiently cleaning the solar panels and optimizing their total capacity to absorb sunlight for maximum energy generation. To accomplish this, CREIT and its Lessees have an existing Sustainable Water and Wastewater Management expansion project to thoroughly monitor, assess, and improve existing sustainable policies and programs. Additionally, this includes practices like introducing drainage networks to avoid heavy water outflows, landfilling at sites, and exploring other cleaning methods to further optimize the solar panel cleaning process.

Water and Effluents	
Water withdrawal (third-party)	1,147 cu m
Water consumption	0.03 cu m
Water recycled and reused*	1,124.06 cu m 98%

Note: The Company produces a negligible or zero volume of effluents.
*Data from Clark Solar Plant

Water withdrawal and consumption increased in 2022, although it reused and recycled 98% of the wastewater. Solar power operations require minimal water for domestic use and solar panel cleaning. These activities also do not generate wastewater since no chemicals are used as additives. The water is recycled and drained under the Solar Panel Tables (SPT) for watering grass and other vegetation. The Company also performs its due diligence by testing the quality of nearby water bodies with experts through an accredited third-party laboratory.

SOLID AND HAZARDOUS WASTE

GRI 306 - 1 | GRI 306 - 2 | GRI 306 - 3 | GRI 306 - 4

CREIT continues to use materials and manage waste appropriately. In 2022, the Company recorded no significant use of materials, whether renewable, non-renewable, or recycled input. While there are new acquisitions for solar plants, the materials for building new infrastructure and installing solar PV occur in the planning and construction phase of the Lessees and the Sponsor.

Solar power plants do not consume environmentally critical materials during the energy production phase, which is the scope of the Company's operations. Additionally, solar panels have 25 to 30 years of service life, with no significant waste generated during their operating life.

Solid and hazardous waste	
Total solid waste generated*	12.13 MT
Reusable (busted solar panels and metal materials)	*0.8 MT*
Recyclable (paper and metal materials)	*12.05 MT*
Total hazardous waste generated	0.015 MT
Total waste generated	12.14 MT

*Data from Clark Solar Plant

The Company generated more solid and hazardous waste than in the previous year due to increased operations and rigorous monitoring efforts. CREIT aims to continue tracking its solid and hazardous waste to ensure these impacts are properly managed.

After a power plant's operating life, the Company will dispose of future possible hazardous waste from site equipment such as solar panels through the Department of Environment and Natural Resources (DENR) accredited processing units. Aside from being DENR-accredited waste handlers, the Citicore Group ensures that these agencies adhere to regulatory standards, comply with all rules and regulations, and have excellent track records. For instance, the Clark Waste Disposal Management System is the accredited partner disposal company that processes busted solar panels and other hazardous waste for the Group. Other recyclable site waste will be donated to local barangay units to support infrastructure projects such as waiting sheds and other beneficial initiatives for the local community.

ECOSYSTEM AND BIODIVERSITY

GRI 2 - 27 | GRI 304 - 2 | GRI 304 - 4

As part of the Citicore Group, CREIT also recognizes the potential impacts of constructing renewable energy projects. In particular, poor waste handling poses risks to local biodiversity and natural habitats. Ecological hazards also arise from generating renewable energy assets, such as mining for raw materials used in solar panels. Recognizing the inherent benefits and value of preserved ecosystems, CREIT and its Lessees endeavor to conserve biodiversity and consider it a critical parameter in their investment decisions. The Company details this in its 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 International Union for Conservation of Nature (IUCN) Red List species have been identified near project sites or along transmission lines, and every effort is extended to ensure that natural habitats are protected and restored. In line with national regulations, the Sponsor also plants 100 trees for every felled tree during site development and construction at CREIT's land assets. While there is no site record, the Group closely maintains environmentally safe and compliant solar operations.

Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, the Group may finance or refinance expenditures related to reforestation, afforestation, and the acquisition of land or land use access rights. It may also fund the purchase of equipment and related resources for the ongoing establishment, maintenance, and management of forestry projects or the certification of sustainable forestry projects.

ENVIRONMENTAL COMPLIANCE

GRI 2 -27 | GRI 304 - 2

CREIT and its Lessees secured all government approvals and permits from concerned agencies and regulatory bodies necessary for conducting the Group's and Lessees' business and operations. These documents were obtained promptly and are in full force and effect. Each operating plant is compliant with current environmental standards, with an assigned Pollution Control Officer (PCO) to oversee processes and manage environmental concerns.

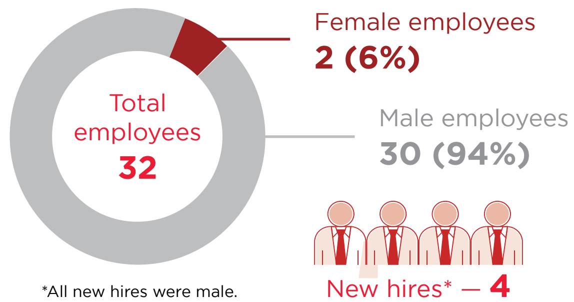
The Company assessed the impacts of projects during the planning and construction phase, operation phase, and decommissioning phase through Environmental and Social Impact Assessment (ESIA) reports. Experts evaluated the potential extent, intensity, duration, probability, and sensitivity of project impacts based on the appropriate analysis and modeling, available studies, and expert analyses. Following this, each plant has its own social and environmental management plans and a secured Environmental Compliance Certificate (ECC) issued by the DENR.

Empowering Our Workforce

GRI 2 - 7 |GRI 403 - 3 | GRI 402 - 1

CREIT and its Lessees value people and remain committed to building a solid foundation for employees' wellbeing and development as well as the Company's growth and expansion. By fostering a stable and harmonious relationship between management and employees, CREIT continues to contribute to sustainable development with the Citicore Group.

CREIT'S WORKFORCE



*All new hires were male.

HIRING AND BENEFITS

GRI 2 - 7 | GRI 401 - 1 | GRI 401 - 2 | GRI 403 - 1 | 403 - 8

CREIT considers competitive compensation and benefits crucial to attracting and retaining quality employees. The low attrition rate of 6% attests to the Company's efforts to ensure the welfare of its employees. This was made possible by adopting the practices of its Sponsor and the Citicore Group.

The Citicore Group complies with minimum wage and benefits standards, and no incidence of a work stoppage has been reported. Beyond this, the Group recognizes the efforts of its employees using a performance management system that evaluates and rewards them accordingly. The Group also believes that collective action among its stakeholders, including attracting and retaining competent, dynamic, and diversified employees, will help achieve more meaningful goals and be instrumental to the overall success of CREIT and its Lessees.

EMPLOYEE BENEFITS

- SSS
- PhilHealth
- Pag-IBIG
- Medical benefits (aside from PhilHealth)
- Parental leaves
- Vacation leaves
- Sick leaves
- Retirement fund (aside from SSS)
- Telecommuting
- Flexible working hours
- Company stock options

Since Occupational Health and Safety (OHS) is among the Company's key concerns, CREIT issues its organic employees with a Health Maintenance Organization (HMO) or health insurance plan to support them in case of workplace incidents. Apart from mandated benefits, the Group ensures its employees' health and well-being through the Citicore Wellness Program, which consists of online wellness webinars and physical activities.

Recognizing employees' exceptional work is essential to celebrating Citicore's wins. The Group launched employee engagement activities throughout the year, like the "Citicore Fiesta" held on Labor Day and a thanks-giving dinner for CREIT's successful IPO listing.

CITICORE'S HOLISTIC APPROACH TO EMPLOYEE HEALTH

GRI 403 - 6

The Citicore Group throughout the year initiated several activities under its wellness program which is focused on the following Pillars: Financial, Spiritual, Emotional, Social, Intellectual, Occupational, Physical, and Environmental.

Some programs held throughout the year were financial wellness seminars, physical and mental health seminars, physical activities including individual or team sports, the implementation of the 'Weekly Habit's program promoting work-life balance in the workplace, and quarterly town hall sessions, among others.

TRAINING AND DEVELOPMENT

GRI 2 - 27 | GRI 404 - 1

CREIT and its Lessees believe that skilled and highly-trained personnel are necessary to sustain the Group's long-term growth momentum. Continued learning and development initiatives are essential to ensuring organizational competency.

As such, it adheres to regulatory requirements and provides employee training programs to develop a deep pool of talent from which to draw. This also ensures employee career growth and development, which will be a workforce advantage for the Group.

TRAINING AND DEVELOPMENT

Total training hours of employees

Male employees	Female employees
96 HOURS	**96 HOURS**

Average training hours of employees

Male employees	Female employees
24 HOUR/EMPLOYEE	**24 HOUR/EMPLOYEE**

LABOR STANDARDS AND HUMAN RIGHTS

GRI 2 - 27 | GRI 403 - 1 | GRI 403 - 3 | GRI 405 - 1

CREIT and its Lessees prioritize the interests of all its employees and comply with the Department of Labor Employment's (DOLE) requirements in all labor laws, from organic to contractual and project-based positions.

The Company promotes diversity and equal opportunity while prioritizing local hiring to contribute to social development in the periphery of its operations. The Group also employs senior and experienced personnel as on-the-job trainers to develop competencies for employees who pass the medical clearance process and are considered fit to work.

Citicore maintains the quality of its work processes while ensuring the health and safety of all in the workplace.

OCCUPATIONAL HEALTH AND SAFETY (OHS)

GRI 403 - 1 | GRI 403 - 3 | 403 - 4 | GRI 403 - 5 | GRI 403 - 7 | GRI 403 - 8

The Citicore Group has mechanisms in place to minimize and mitigate hazards and risks in the workplace. It follows a comprehensive Occupational Health and Safety Management Systems (OHSMS) to ensure that all activities across all the sites are safe for all persons within the workplace.

OCCUPATIONAL HEALTH AND SAFETY

Safe Man-Hours	No. of Safety Drills	
239,040 MAN-HOURS	**6**	**There were no work-related injuries, fatalities, and ill-health**

The Group uses the Hazard Identification, Risk Assessment, and Control (HIRAC) Tool to identify work-related hazards and assess risks. All safety officers are trained in Basic Occupational Safety and Health (BOSH) to ensure the quality of the execution of risk assessment and control. Additionally, all site crew members are given safety orientations before commencing work.

The Engineering Department is primarily responsible for detecting potential hazards and risks and conducting safety meetings with contractors as needed. The Group also conducts toolbox meetings monthly for identifying hazards and implementing the required safety precautions. Aside from the regular monthly meetings, special toolbox sessions may also be conducted for new works to be done.

EMPLOYEE OHS TRAINING

- **Basic Occupational Safety and Health**
- **8-Hour Mandatory Safety and Health Training**
- **Refresher Site Training**
- **Fire and Emergency Preparedness**

Citicore communicates a "Safety First and Safety Always" policy and upholds the belief that safety is everyone's responsibility. Each member is encouraged to actively participate in safety implementation. As such, the Group has respective checklists for each of its sites and conducts monthly meetings to ensure that all OHS issues are addressed.

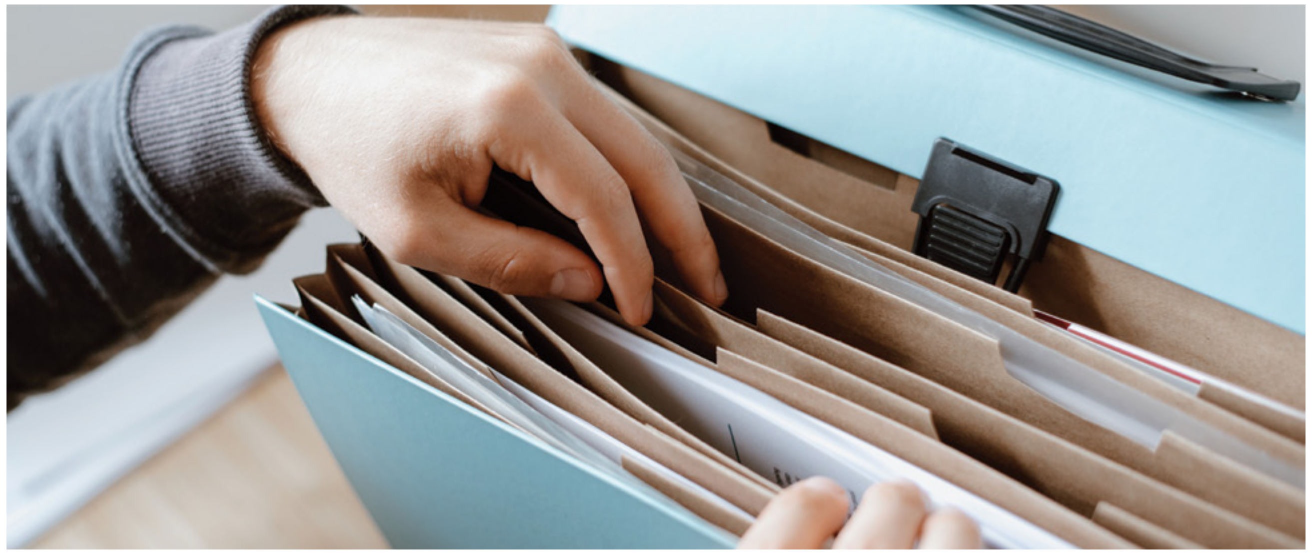
If work-related hazards occur, the Safety Officer and the Site Supervisor assigned to the site are trained to follow safety procedures. They must prepare a Safety Report to determine what safety precautions were missed and what improvements should be made to prevent such incidents from recurring. They are also tasked with orienting new employees on Site Safety and Health Policy.

SUPPLY CHAIN MANAGEMENT

GRI 204 | GRI 205 | GRI 408 | GRI 409 | GRI 414 - 1

CREIT and its Lessees adhere to the same supply chain policies established by its Sponsor, Citicore Energy Corporation (CREC). The Supplier Code of Conduct and Supplier Accreditation and Evaluation process ensure that all suppliers and contractors adhere to the Company's policies on environmental performance, forced labor, child labor, human rights, and bribery and corruption.

CREC and CREIT's Lessees separately handle all procurement and supplier relations for development, construction, operation, and maintenance. The third-party suppliers of the solar power plants operated by Lessees provide workforce services such as housekeeping and security. Both the Group and its Lessees depend on a single third-party supplier.



DATA PRIVACY

GRI 2 - 27 | GRI 418

The Group strictly observes the Data Privacy Act 2012 of the National Privacy Commission. The Company and its Lessees handle the data of its customers and clients with the utmost confidentiality to protect the interests of the Group, its stakeholders, and its customers. As of 2022, CREIT continues to have no complaints about data privacy and no cases of breaches, leaks, thefts, or loss of data.

Supporting Communities

GRI 203 - 1 | GRI 413 - 1 | GRI 306 - 4

The Citicore Group puts great importance and focus to the communities it serves, d and considers its stakeholders' wellbeing and development throughout all project phases. This vision guides CREIT and its Lessees to partner with communities for environmental and social programs, wherein the communities become partner beneficiaries, both moving towards progressive business operations and corporate social responsibility.

The Group has implemented holistic community-building activities that are focused on providing livelihood opportunities and sustainable infrastructure.

DEVELOPING COMMUNITIES WITH SOLAR ENERGY

GRI 413 - 1 | GRI 413 - 2

The Citicore Group acknowledges the potential impact of displacing local communities at its project sites. It addresses this by providing community support programs that address livelihood and income, capacity-building, and infrastructure. Citicore's AgroSolar initiative, as pioneered in the Philippines, demonstrates this dedication to promoting inclusive and sustainable development, mainly by focusing on green energy and food security.

CREIT and its Lessees cultivate high-value vegetable crops underneath and around solar panel installations, thus maximizing land use and augmenting local farmers' livelihoods. AgroSolar also includes upskilling activities for community residents that can open opportunities for potential employment in the Citicore Group.

The Group introduced the EcoShed Program to maximize end-of-life, defective, or deformed panels. When solar panels have reached the end of their service life or are no longer serviceable, they are integrated with other materials to produce beneficial infrastructure, such as waiting sheds, for the host communities.

These initiatives ensure that the race for renewable energy development does not displace communities. CREIT upholds and empowers them as integral elements of the country's economic growth.

T2E OR TRAINING-TO-EMPLOYMENT

T2E helps develop the necessary skills and competencies among trainees from the local communities to achieve the required capabilities and ensure employment after receiving the necessary technical training certifications.

USBONG SCHOLARSHIPS

Citicore Foundation's Usbong is a bridge scholarship grant program focused on providing educational, financial, and technical support to deserving but underprivileged students from its host communities.

BANTAY BASA

Bantay Basa is a school-based literacy program anchored on improving reading competencies among communities. The program is established at the school level and extended to the rest of the community members, making it proximally advantageous in identifying and targeting those who may have the greatest need but have the least in terms of resources and opportunities.

BRIGADA ESKWELA

Through the Adopt-A-School Program (ASP) of the Department of Education, CREIT and its Lessees contribute to improving the public education system in the country.

Corporate Governance

GRI 2 - 9 | GRI 2 - 11 | GRI 2 - 12 | GRI 2 - 19

GRI 2 - 12

CREIT considers good corporate governance the cornerstone of sound and strategic business management, with its Board of Directors and key officers responsible for the Company's long-term success. The Board manages CREIT's business affairs to preserve its assets and properties, as well as acting in the best interests of its shareholders and stakeholders.

BOARD OF DIRECTORS

EDGAR B. SAAVEDRA

Chairman of the Board

He is also the Chairman of CPI and CREC. Mr. Saavedra is the founder of Megawide Construction Corporation (Megawide), where he holds the positions of Director, Chairman of the Board, Chairman of the Executive Committee, and Member of the Board Risk Oversight Committee.

He is also the Chairman of the Board of MWM Terminals, Inc. (MWMTI), Megawide Terminals, Inc. (MTI), Altria East Land Inc. (Altria), PH1 World Developers, Inc. (PH1), Cebu2World Development, Inc. (Cebu2World), Citicore Infrastructure Holdings, Inc. (CIHI), Citicore-Megawide Consortium, Inc. (CMCI), Megawide Land, Inc. (MLI), and Wide-Horizons Inc. (Wide-Horizons). Moreover, he is a Director and President of Citicore Holdings Investment Inc. (CHII), a Trustee and Vice President of Megawide Corporate Foundation, Inc. (MCFI), and a Director of GMR Megawide Cebu Airport Corporation (GMCAC), and GlobeMerchants, Inc. (GMI).

Mr. Saavedra's engineering experience spans over 20 years. He received his bachelor's degree in Engineering from De La Salle University. After obtaining his license as a civil engineer, he pursued special studies in Foundation Formworks in Germany through the Philippine Institute of Civil Engineers.

OLIVER Y. TAN

Director, CEO, and President

He is a Director, President, and CEO of CREC. Mr. Tan also serves as Director, Vice Chairman of the Finance Committee, and Member of the Executive Committee and Audit and Compliance Committee of Megawide. Mr. Tan also serves as a Director and President of CIHI and CMCI. He is also a Director, Vice President, and Treasurer of CHII, a Director and Treasurer of MTI and MLI, and a Director of Megawide World Citi Consortium, Inc.

Mr. Tan holds a degree in Business Administration from the Philippine School of Business Administration.

MANUEL LOUIE B. FERRER
Director

Mr. Ferrer is also the Treasurer of CPI. He holds the positions of Director, Executive Director, Infrastructure Development, Vice Chairman of the Executive Committee, and Member of the Governance, Nominations, and Compensation Committee of Megawide. Mr. Ferrer has acted as Megawide's Chief Corporate Affairs and Branding Officer since 2011. He is the Chairman of the Board of Trustees and President of MCFI, and the Vice Chairman of the Board of PH1. He is also a Director and President of GMCAC, MWMTI, MTI, Altria, Cebu2World, and Wide-Horizons. He is a Director of Citicore, MLI, and GMI. He previously served as a Managing Director at MagicWorx Licensing Inc.

Mr. Ferrer obtained his degree in Industrial Design from De La Salle University.

JEZ G. DELA CRUZ
Director

He has been an Assistant Vice President and Head of Corporate Finance and Planning of Megawide since 2018. He is also a Director of CREC, GMCAC, and GMI. Before joining Megawide, he worked as a banker at BPI Capital Corporation and Citibank NA. Corporate and Investment Banking Group, and a former financial planning manager for San Miguel Beer's international business.

Mr. Dela Cruz has an MBA from the Asian Institute of Management and is a Certified Management Accountant (CMA).

LEONILO G. CORONEL
Independent Director

He is also an Independent Director of CFMI. Mr. Coronel is currently the Vice Chairman and has been a Director of the Philippine National Bank since 2013. He has held directorship positions in various financial institutions such as DBP Daiwa Securities, RBB Microfinance Foundations, and companies such as Software Ventures International Corporation, Philippine Business for Social Progress, and the Bankers Association of the Philippines. He was previously one of the Independent Directors of Megawide from 2011 to 2020.

Mr. Coronel holds a Bachelor of Arts, Major in Economics degree from the Ateneo de Manila University.

ATTY. JOSE M. LAYUG, JR.
Independent Director

He is the Chairman and an independent director of CPMI. Mr. Layug is a Senior Partner of Divina Law. Prior to this post, he was a Senior Partner of Puno and Puno Law Offices. He has also been the Dean at the University of Makati School of Law since 2018. Atty. Layug has been the President of the Developers of Renewable Energy for Advancement, Inc. since 2019. He was the Chairman of the Department of Energy's National Renewable Energy Board from 2016 to 2018. He also served as the Undersecretary for the Department of Energy from 2010 to 2012.

Atty. Layug has a Master of Law from Cornell University, a Bachelor of Laws and a Bachelor of Science in Business Economics, both from the University of the Philippines.

PACITA U. JUAN
Independent Director

Ms. Juan has been the President of MD Juan Enterprises Inc. since 1978 and has also held the positions of Vice President for Finance and Treasurer of Centro Manufacturing Corporation since 1997. She also served as Treasurer of Peace and Equity Holdings Inc. from 2016 to 2019.

Ms. Juan earned her Bachelor of Science in Hotel and Restaurant Administration from UP Diliman.

ELIZABETH ANNE C. UYCHACO
Independent Director

She is an Independent Director of CFMI. Ms. Uychaco has also been the Senior Vice President of SM Investment Corporation, and a Director and the Vice Chairperson of Belle Corporation since 2009. She has served as the Chairman of the NEO Group since 2020 and holds other directorship positions in Republic Glass Corporation, Goldilocks, and PULS.

Ms. Uychaco holds a Doctor of Business Administration with 18 units in Corporate Finance from Walden University, a Master's in Business Administration from the Ateneo Graduate School of Business, and a Master's in Business Economics from the University of Asia and the Pacific.

EXECUTIVE OFFICERS

MIA GRACE PAULA S. CORTEZ
Chief Financial Officer

She is also the Chief Financial Officer of CPI and has been the Group Controller for Megawide since 2015. She was the Controller for AG&P from 2013 to 2014 and a Senior Manager for Punongbayan & Araullo from 2010 to 2013.

Ms. Cortez holds a Bachelor of Science in Accountancy from St. Scholastica's College and is a Certified Management Accountant from the Institute of Certified Management Accountants in Australia. She is a public accountant certified by the Philippine Professional Regulatory Commission.

MICHELLE A. MAGDATO
Investor Relations Officer

She was first elected as the Investor Relations Officer of CREIT in August 2021. She also served as the Investor Relations Officer of Megawide Construction Corporation from 2019 to 2021. Ms. Magdato served as Financial Reporting Manager of Megawide from 2016 to 2018 and handled various positions including Accounting Supervisor and Financial Analyst since she joined Megawide in 2012. Before joining Megawide, Ms. Magdato was in public practice for audit and accounting in Balicas, Lamboso and Co., CPAs for two years. She is a Certified Public Accountant and passed her CPA Licensure Examination in 2010. She also obtained her Bachelor of Science in Accountancy from University of Negros Occidental-Recoletos.

ATTY. RAYMUND JAY S. GOMEZ
Compliance Officer

Atty. Gomez is concurrently the Chief Legal Counsel, Compliance Officer, and Data Protection Officer of Megawide. He is also a Director of Altria, CIHI, CMCI, MLI, MTI, and MWMTI. Before joining Megawide, he was the Vice President of the Human Resources, Legal and Regulatory Affairs Department of Beneficial Life Insurance Company, Inc. He also served as Assistant Vice President of the Legal and Corporate Services Department of Aboitiz Equity Ventures, Inc., as Director of the Corporate Legal Affairs and Litigation Department at JG Summit Holdings, Inc., as Legal Counsel for Cebu Air, Inc. (Cebu Pacific Air), and as an Associate Lawyer of Ledesma Saludo & Agpalo Law Office.

He obtained his Bachelor of Laws degree from San Beda University.

JAIME P. DEL ROSARIO
Corporate Secretary and Chief Information Officer

He is also a Director and Treasurer of CPMI. Atty. Del Rosario is currently the Vice President for Legal and Compliance for CPI. He served as Legal Counsel in the Alsons Power Group and was a Senior Associate in SYMECS (San Diego, Ycasiano, Macias, Estorco, Castañeda, and Sanchez) Law.

He holds a Juris Doctor degree from San Beda University and a Bachelor of Science in Legal Management degree from the same university.

BOARD MATTERS

BOARD MEETINGS AND ATTENDANCE

In 2022, all of CREIT's directors attended all board and committee meetings held from January 1, 2022, to December 31, 2022.

NAME	POSITION	DATE OF ELECTION/ REELECTION	MEETINGS ATTENDED
Edgar Saavedra	Chairman of the Board	May 25, 2021 / June 8, 2022	7/7
Manuel Louie Ferrer	Director	May 25, 2021 / June 8, 2022	7/7
Oliver Tan	Director, CEO, and President	May 25, 2021 / June 8, 2022	7/7
Jez Dela Cruz	Director	May 25, 2021 / June 8, 2022	7/7
Leonilo Coronel	Independent Director	May 25, 2021 / June 8, 2022	7/7
Atty. Jose Layug, Jr.	Independent Director	May 25, 2021 / June 8, 2022	7/7
Pacita Juan	Independent Director	May 25, 2021 / June 8, 2022	7/7
Elizabeth Anne Uychaco	Independent Director	May 25, 2021 / June 8, 2022	7/7

REMUNERATION

GRI 2- 19 | GRI 2 - 20

Under the By-Laws of CREIT, Directors receive a reasonable per diem allowance for their attendance at each board meeting. The Board shall receive and allocate not more than 10% of the net income before the Company's income tax during the preceding year. Such compensation is subject to the approval of stockholders representing at least the majority of the outstanding capital stock at a regular or special meeting of the stockholders. On July 26, 2021, the Board approved allocating P50,000.00 as Director's per diem and a P25,000.00 allowance as reimbursable expenses for each regular Director.

The Citicore Group and the Sponsor are responsible for compensating the Company's executive officers. Apart from the President and CEO, the Treasurer, Compliance Officer, and CFO are the highest-compensated officers of the Company in 2022.

Name and Principal Position	Salary (in P million)	Bonus (in P million)	Other Annual Compensation and Benefits (in P million)	Total (in P million)
CEO and top three highest compensated officers				
Oliver Tan (President and CEO)	28.72	2.39	5.14	36.25
Jez Dela Cruz (Treasurer)				
Raymund Jay Gomez (Compliance Officer)				
Mia Grace Paula Cortez (CFO)				
All officers and directors as a group unnamed	28.72	2.39	5.14	36.25

BOARD COMMITTEES

The Board established committees to support the effective performance of the Board's different functions, particularly auditing, risk management, related party transactions, and other corporate governance concerns.

EXECUTIVE COMMITTEE

The Executive Committee acts on behalf of the Board on specific matters as delegated by the Board under the Company's By-Laws, except concerning the following matters:

- Approval of any action for which shareholders' approval is required
- Filling vacancies on the Board or the Executive Committee
- Amendment or repeal of By-Laws or the adoption of new By-laws
- Amendment or repeal of any resolution of the Board which is not amendable or repealable
- Distribution of cash dividends
- Exercise of powers delegated by the Board exclusively to other committees

Name	Position	Meetings attended
Edgar Saavedra	Chairman	12/12
Oliver Tan	Member	12/12
Manuel Louie Ferrer	Member	12/12
Jez Dela Cruz	Member	12/12

AUDIT AND RISK OVERSIGHT COMMITTEE

The Audit Committee oversees the Company's senior management by establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes ensure factual reporting, monitoring compliance with laws, regulations and internal policies, the efficiency and effectiveness of operations, and the safeguarding of assets.

The Risk Oversight Committee assists the Board in its fiduciary responsibilities by providing independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations, and the proper safeguarding and use of its resources and assets. It provides a general evaluation and assistance in improving its risk management, control, and governance processes. The Risk Oversight Committee also develops a formal enterprise risk management plan, which contains the following information:

- Registry of risks
- Well-defined risk management goals, objectives, and oversight
- Uniform processes of assessing risks and developing strategies to manage prioritized risks
- Designing and implementing risk management strategies
- Continuing assessments to improve risk strategies, processes, and measures.

Name	Position	Meetings attended
Leonilo Coronel	Chairman	5/5
Atty. Jose Layug, Jr.	Member	4/5
Elizabeth Anne Uychaco	Member	5/5

RELATED PARTY TRANSACTION REVIEW AND COMPLIANCE COMMITTEE

The Related Party Transactions Review Committee evaluates existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified and monitored and that the Company captures subsequent changes in relationships with counterparties (from non-related to related and vice-versa). It ensures that the Company provides appropriate disclosures and information to regulating and supervising authorities relating to the Company's related party transaction exposures and policies on conflicts of interest or potential conflicts of interest. The Committee regularly reports to the Board the status and aggregate exposures of each related party and the total amount of exposures to all related parties.

- Registry of risks
- Well-defined risk management goals, objectives, and oversight
- Uniform processes of assessing risks and developing strategies to manage prioritized risks
- Designing and implementing risk management strategies
- Continuing assessments to improve risk strategies, processes, and measures.

Name	Position	Meetings attended
Atty. Jose Layug, Jr.	Chairman	1/1
Elizabeth Anne Uychaco	Member	1/1
Leonilo Coronel	Member	1/1

NOMINATIONS, COMPENSATION, AND PERSONNEL COMMITTEE

GRI 2 - 10

The Nomination, Compensation, and Personnel Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and its key executives to enable them to run the Company successfully.

Name	Position	Meetings attended
Jez Dela Cruz	Chairman	3/3
Pacita Juan	Member	3/3
Leonilo Coronel	Member	3/3

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE COMMITTEE

The ESG Committee regularly reviews its composition, considering the progressing standards of the Company and best practices in sustainable development. The ESG Committee provides oversight, identifies, and assesses significant social, ethical, and environmental interdependencies that can impact the Company's long-term business objective of being recognized as a responsible and sustainable corporation in the property sector.

Name	Position	Meetings attended
Pacita Juan	Chairman	3/3
Oliver Tan	Member	3/3
Manuel Louie Ferrer	Member	3/3

COMPANY POLICIES

GRI 2 - 23 | GRI 2 - 26

BOARD MEETINGS AND ATTENDANCE

CREIT follows the highest ethical standards of honesty, integrity, and accountability in its business. The Company adopted its Sponsor's Code of Business Conduct, specifying its current policies, professional practices, and procedures. While it is not exhaustive, the Code is a commitment to the Company's implementation of good governance.

Policy on Conflict of Interest	This policy provides guidelines on avoiding or handling situations wherein an associate's personal interest influences their judgment in matters related to their professional responsibilities with the Company.
Policy on Insider Trading	This policy assists the Company, its subsidiaries, and its associates in complying with various laws and regulations regarding securities trading. The Company depends upon the diligence and integrity of its associates, both in their personal and professional capacities, to ensure full compliance with this policy.
Policy on Related Party Transactions	This policy was established to promote transparency and fairness among its stakeholders by ensuring all related party transactions are overseen, reviewed, and approved to ensure they are conducted in the regular course of business and on an arm's length basis. It ensures that they are not undertaken on more favorable economic terms for the related parties than with independent parties under similar circumstances.
Policy on Health and Safety Welfare	This policy highlights the standards and procedures that ensure its associates' physical and psychological health, safety, and welfare, as well as the prevention of ill health and work-related injuries.
Policy on Whistle Blowing	This policy provides an avenue for raising corruption, fraud, and other misconduct concerns. It allows the whistle-blower to pursue the matter further if dissatisfied with the response of the Company.
Policy on Acquisitions	This policy specifies the terms, conditions, and procedures for acquisitions of real property.

SPONSOR AND PARTNERS

GRI 2 - 2 | GRI 2 - 9 | GRI 2 - 12

Citicore Power Inc. is a community-focused renewable energy company with a healthy mix of operating assets and solutions in the renewable energy, water, and biomass spaces. CREIT leverages Citicore's assets and resources as part of the Group, especially as the REIT of Citicore Renewable Energy Corp. (CREC).

CITICORE RENEWABLE ENERGY CORP.

BOARD OF DIRECTORS

EDGAR B. SAAVEDRA
Chairman of the Board

OLIVER Y. TAN
President and CEO

MANUEL LOUIE B. FERRER
Director

RAMON H. DIAZ
Director

JEZ G. DELA CRUZ
Director

KEY OFFICERS

MANOLO T. CANDELARIA
Executive Vice President, Sales and Operations

MIA GRACE PAULA S. CORTEZ
Chief Financial Officer

FIONA NICOLAS
Head - Corporate Affairs, Branding, and Foundation

ATTY. JAIME DEL ROSARIO
Vice President - Head of Legal and Regulatory

LALAINE ROSALES
Sr. Manager - Human Resources and Administration

CITICORE FUND MANAGERS, INC.

BOARD OF DIRECTORS

LEONILO G. CORONEL
Independent Director and Chairman

ABIGAIL JOAN R. COSICO
Director

CHRISTOPHER NADAYAG
Director and President

ELIZABETH ANNE C. UYCHACO
Independent Director

RHOEL ALBERTO B. NOLIDO
Independent Director

KEY OFFICERS

AUBREY MARIE P. SOBREVINAS
Senior Manager, Accounting

JAMES A. JUMALON
Corporate Secretary

CITICORE PROPERTY MANAGERS, INC.

BOARD OF DIRECTORS

LEONILO G. CORONEL
Independent Director and Chairman

ABIGAIL JOAN R. COSICO
Director

CHRISTOPHER NADAYAG
Director and President

ELIZABETH ANNE C. UYCHACO
Independent Director

RHOEL ALBERTO B. NOLIDO
Independent Director

KEY OFFICERS

MANOLO T. CANDELARIA
Responsible Officer

RUEL L. ALMA, JR.
Facilities Manager

JAMES A. JUMALON
Corporate Secretary

ENTERPRISE RISK MANAGEMENT

GRI 2 - 25 | GRI 203 - 2

The Enterprise Risk Management (ERM) Program aligns with the Company's Manual of Corporate Governance, which mandates the Board of Directors to ensure the presence of organizational and procedural controls supported by an effective risk management system. It aims to enhance shareholder value and improve competitive advantage by effectively managing risks through a standard and informed decision-making mechanism under a common risk culture and language understood by every individual within the Company.

CREIT is exposed to various financial risks related to its financial instruments: market, credit, and liquidity. The Company's overall risk management program seeks to minimize potential adverse effects on its financial performance.

MARKET RISK

This pertains to changes in market prices, like interest, security, and foreign exchange rates, that will affect the Company's total comprehensive income or the value of its financial instruments. Managing market risks entails controlling market risk exposures within acceptable parameters while optimizing return. Security price is not applicable since the Company has no debt or equity instruments traded in an active market.

Interest Rate Risk	This arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Company's exposure to risk from changes in market interest rates relates to loans payable, cash in banks, short-term placements, and lease liabilities. The management assessed that this instrument's related interest rate risk is relatively insignificant given its fixed interest rate. Additionally, the related cash flow and interest rate risk on cash in banks and short-term placements are relatively low due to immaterial changes in 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 has a diminishing impact on the Company over the lease term.
Foreign Exchange Risk	The Company is exposed to foreign exchange risk from various currency exposures, primarily concerning the US 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, the management monitors the timing of settlements and payments to ensure that the Company is not unfavorably exposed to fluctuations in foreign exchange rates. 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.

CREDIT RISK

This refers to the risk that the 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. Credit risk exposure arises from the counterparty's potential default, 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 those fully provided for.

LIQUIDITY RISK

This pertains to the risk of being unable to meet the Company's financial obligations as they fall due. The Company aims to maintain a balance between continuity of funding and flexibility by using credit lines from related parties and local banks. The policy of the Company is to first exhaust lines available from related parties before availing of local bank lines. The Company also has available dues from related parties, which can be readily collected to settle maturing obligations.

The Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fundraising activities.

GRI CONTENT INDEX

STATEMENT OF USE
Citicore Energy REIT Corp. has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022.

For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report.

GRI 1 USED
GRI 1: Foundation 2021

GRI CONTENT INDEX ESSENTIALS SERVICE 2023

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	DIRECT ANSWER(S)/ REASON(S) FOR OMISSION
GENERAL DISCLOSURES			
GRI 2: GENERAL DISCLOSURES 2021	2-1 Organizational details	5	
	2-2 Entities included in the organization's sustainability reporting	2, 4-5	
	2-3 Reporting period, frequency and contact point	2	
	2-4 Restatements of information		CREIT do not have restatements from the previous report.
	2-5 External assurance		This report has not undergone external assurance.
	2-6 Activities, value chain and other business relationships	13	
	2-7 Employees	39	
	2-8 Workers who are not employees		CREIT manpower complement is only three as for the reporting period.
	2-9 Governance structure and composition	46-50, 56-57	
	2-10 Nomination and selection of the highest governance body	54	
	2-11 Chair of the highest governance body	2	
	2-12 Role of the highest governance body in overseeing the management of impacts	47	
	2-13 Delegation of responsibility for managing impacts	53	
	2-14 Role of the highest governance body in sustainability reporting	47	
	2-15 Conflicts of interest	55	
	2-16 Communication of critical concerns		Critical concerns on the impacts and risks on economic, environmental and social aspects of the business are communicated during the regular board meeting.
	2-17 Collective knowledge of the highest governance body		Comprehensive and continuous improvement with the inclusion of stakeholders concerns are communicated to the board.
	2-18 Evaluation of the performance of the highest governance body		Long term perspective and planning is a top priority of the board and management, a formal evaluating process is on progress.
	2-19 Remuneration policies	52	
	2-20 Process to determine remuneration	52	
	2-21 Annual total compensation ratio	52	
	2-22 Statement on sustainable development strategy	31	
	2-23 Policy commitments	55	
	2-24 Embedding policy commitments	55	
	2-25 Processes to remediate negative impacts	25, 58	
	2-26 Mechanisms for seeking advice and raising concerns	55	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	DIRECT ANSWER(S)/ REASON(S) FOR OMISSION
	2-27 Compliance with laws and regulations	37, 40-42	
	2-28 Membership associations		The Group do not have an in place membership association policy
	2-29 Approach to stakeholder engagement	24, 25	
	2-30 Collective bargaining agreements		The Group do not have an in place collective bargaining agreement policy
MATERIAL TOPICS			
GRI 3: MATERIAL TOPICS 2021	3-1 Process to determine material topics	25	
	3-2 List of material topics	26-30	
ECONOMIC PERFORMANCE			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	12	
GRI 201: ECONOMIC PERFORMANCE 2016	201-1 Direct economic value generated and distributed	16	
INDIRECT ECONOMIC IMPACTS			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	19	
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1 Infrastructure investments and services supported	19	
	203-2 Significant indirect economic impacts	58-59	
PROCUREMENT PRACTICES			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics		2022 SEC17A p 156
GRI 204: PROCUREMENT PRACTICES 2016	204-1 Proportion of spending on local suppliers		2022 SEC17A p 157
ANTI-CORRUPTION			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics		2022 SEC17A p 157
GRI 205: ANTI-CORRUPTION 2016	205-1 Operations assessed for risks related to corruption		No reported risks related to corruption were identified.
	205-2 Communication and training about anti-corruption policies and procedures		No reported risks related to corruption were identified.
	205-3 Confirmed incidents of corruption and actions taken		No incident/s of corruption were reported.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	DIRECT ANSWER(S)/ REASON(S) FOR OMISSION
MATERIALS			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics		CREIT judiciously practice resource management and maximizes its usability for project builds as part of its operations and for the community.
GRI 301: MATERIALS 2016	301-1 Materials used by weight or volume		2022 SEC17A p 159
	301-2 Recycled input materials used		2022 SEC17A p 159
ENERGY			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	34	
GRI 302: ENERGY 2016	302-1 Energy consumption within the organization	20, 34-35	
	302-4 Reduction of energy consumption		2022 SEC17A p 158
WATER AND EFFLUENTS			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	35	
GRI 303: WATER AND EFFLUENTS 2018	303-1 Interactions with water as a shared resource	21, 35	
	303-2 Management of water discharge-related impacts	35	
	303-3 Water withdrawal	35	
	303-4 Water discharge	21, 35	
	303-5 Water consumption	35	
BIODIVERSITY			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	37	
GRI 304: BIODIVERSITY 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	37	
	304-2 Significant impacts of activities, products and services on biodiversity	37	
	304-3 Habitats protected or restored	37	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		The Group maintains that no species has been affected and identified near or surrounding its business operations.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	DIRECT ANSWER(S)/ REASON(S) FOR OMISSION
EMISSIONS			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	34	
GRI 305: EMISSIONS 2016	305-1 Direct (Scope 1) GHG emissions	35	
	305-2 Energy indirect (Scope 2) GHG emissions	35	
	305-5 Reduction of GHG emissions	20	
WASTE			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	36	
GRI 306: WASTE 2020	306-1 Waste generation and significant waste-related impacts	36	
	306-2 Management of significant waste-related impacts	36	
	306-3 Waste generated	36	
SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	42	
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-1 New suppliers that were screened using environmental criteria		The Group follows its in place Supplier Code of Conduct and Supplier Accreditation and Evaluation.
	308-2 Negative environmental impacts in the supply chain and actions taken		The Group follows its in place Supplier Code of Conduct and Supplier Accreditation and Evaluation.
EMPLOYMENT			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	41	
GRI 401: EMPLOYMENT 2016	401-1 New employee hires and employee turnover	41	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	39	
	401-3 Parental leave	39	
LABOR/MANAGEMENT RELATIONS			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	28	
OCCUPATIONAL HEALTH AND SAFETY			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	39	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1 Occupational health and safety management system	39, 41	
	403-2 Hazard identification, risk assessment, and incident investigation	41	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	DIRECT ANSWER(S)/ REASON(S) FOR OMISSION
	403-3 Occupational health services	38, 41	
	403-4 Worker participation, consultation, and communication on occupational health and safety	41	
	403-5 Worker training on occupational health and safety	41	
	403-6 Promotion of worker health	40, 55	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	41	
	403-8 Workers covered by an occupational health and safety management system	39, 41	
	403-9 Work-related injuries		No work-related injuries occured and reported by the Group
	403-10 Work-related ill health		No work-related ill health were reported
TRAINING AND EDUCATION			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	40	
GRI 404: TRAINING AND EDUCATION 2016	404-1 Average hours of training per year per employee	40	
	404-2 Programs for upgrading employee skills and transition assistance programs	45	
	404-3 Percentage of employees receiving regular performance and career development reviews		CREIT is planning to create a career development and performance review system.
CHILD LABOR			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	42	
GRI 408: CHILD LABOR 2016	408-1 Operations and suppliers at significant risk for incidents of child labor		CREIT has its Supplier Code of Conduct/Supplier Accreditation and Evaluation that bans child labor.
FORCED OR COMPULSORY LABOR			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	42	
GRI 409: FORCED OR COMPULSORY LABOR 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		CREIT has its Supplier Code of Conduct/Supplier Accreditation and Evaluation that bans any forced labor.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	DIRECT ANSWER(S)/ REASON(S) FOR OMISSION
LOCAL COMMUNITIES			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	44	
GRI 413: LOCAL COMMUNITIES 2016	413-1 Operations with local community engagement, impact assessments, and development programs	44	
	413-2 Operations with significant actual and potential negative impacts on local communities	44	
SUPPLIER SOCIAL ASSESSMENT			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	42	
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	414-1 New suppliers that were screened using social criteria	42	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	DIRECT ANSWER(S)/ REASON(S) FOR OMISSION
MARKETING AND LABELING			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics		2022 SEC17A p 173
GRI 417: MARKETING AND LABELING 2016	417-3 Incidents of non-compliance concerning marketing communications		CREIT observes ethical and truthful product marketing practices.
CUSTOMER PRIVACY			
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	42	
GRI 418: CUSTOMER PRIVACY 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		The Group adheres and implements the 2012 Data Privacy Act.

Financial Statements

GRI 2 - 7 | GRI 402 - 1

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, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	3	571,423,464	49,014,348
Trade and other receivables, net	4	52,446,926	41,892,701
Prepayments and other current assets	5	36,130,547	54,208,397
Total current assets		660,000,937	145,115,446
Non-current assets			
Trade and other receivables, net of current portion	4	213,970,456	85,982,098
Property, plant and equipment, net	6	1,272,055,348	1,331,185,212
Investment properties, net	8	2,925,297,244	288,013,130
Right-of-use assets, net	20	35,426,372	37,559,128
Deferred income tax assets, net	19	-	8,200,316
Other non-current assets	7	5,279,310	12,765,682
Total non-current assets		4,452,028,730	1,763,705,566
Total assets		5,112,029,667	1,908,821,012
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other liabilities	9	51,253,584	51,397,336
Dividends payable	9, 14	280,442,419	-
Due to a related party	11	53,223,717	56,144,929
Lease liabilities	20	2,406,282	1,263,480
Total current liabilities		387,326,002	108,805,745
Non-current liabilities			
Lease liabilities, net of current portion	20	227,201,879	103,132,719
Security deposits and deferred rent income	11	143,130,106	-
Due to a related party, net of current portion	11	-	68,521,747
Retirement benefit obligation	13	314,672	314,672
Total non-current liabilities		370,646,657	171,969,138
Total liabilities		757,972,659	280,774,883
Equity			
Share capital	14	1,636,363,501	1,374,545,501
Additional paid-in-capital	14	2,307,335,739	2,465,066
Remeasurement on retirement benefits	13	50,894	50,894
Retained earnings		410,306,874	250,984,668
Total equity		4,354,057,008	1,628,046,129
Total liabilities and equity		5,112,029,667	1,908,821,012

The notes on pages 1 to 54 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 each of the three years in the period ended December 31, 2022
(All amounts in Philippine Peso)

	Notes	2022	2021	2020
Rental income	11, 15	1,374,529,631	17,773,892	-
Sale of electricity	15	-	334,519,230	269,076,808
Revenues		1,374,529,631	352,293,122	269,076,808
Cost of services	16	(91,269,041)	(74,207,762)	(94,623,573)
Gross profit		1,283,260,590	278,085,360	174,453,235
Operating expenses	17	(8,440,959)	(56,972,789)	(7,987,959)
Income from operations		1,274,819,631	221,112,571	166,465,276
Finance costs	18	(17,584,040)	(29,438,870)	(64,054,226)
Other income, net	18	3,377,749	26,005,926	1,703,762
Income before income tax		1,260,613,340	217,679,627	104,114,812
Income tax (expense) benefit	19	(8,200,316)	8,200,316	-
Net income for the year		1,252,413,024	225,879,943	104,114,812
Other comprehensive income				
Other comprehensive income that will not be subsequently reclassified to profit or loss				
Remeasurement gain on retirement benefits, net of tax	13	-	50,894	-
Total comprehensive income for the year		1,252,413,024	225,930,837	104,114,812
Earnings per share				
Basic and diluted	21	0.20	0.08	0.04

The notes on pages 1 to 54 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 each of the three years in the period ended December 31, 2022
(All amounts in Philippine Peso)

	Common shares (Note 14)	Preference shares (Note 14)	Total share capital (Note 14)	Additional paid-in-capital (Note 14)	Remeasurement on retirement benefits	Retained earnings	Total
Balances at January 1, 2020	72,860,309	467,139,690	539,999,999	-	-	(79,010,087)	460,989,912
Comprehensive income							
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
Balances at December 31, 2020	72,860,309	467,139,690	539,999,999	-	-	25,104,725	565,104,724
Comprehensive income							
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
Transactions with owners							
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
Total transactions with owners	1,301,685,192	(467,139,690)	834,545,502	2,465,066	-	-	837,010,568
Balances at December 31, 2021	1,374,545,501	-	1,374,545,501	2,465,066	50,894	250,984,668	1,628,046,129
Comprehensive income							
Net income for the year	-	-	-	-	-	1,252,413,024	1,252,413,024
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	1,252,413,024	1,252,413,024
Transactions with owners							
Issuance of shares	261,818,000	-	261,818,000	2,408,725,600	-	-	2,670,543,600
Share issuance costs	-	-	-	(103,854,927)	-	-	(103,854,927)
Cash dividends	-	-	-	-	-	(1,093,090,818)	(1,093,090,818)
Total transactions with owners	261,818,000	-	261,818,000	2,304,870,673	-	(1,093,090,818)	1,473,597,855
Balances at December 31, 2022	1,636,363,501	-	1,636,363,501	2,307,335,739	50,894	410,306,874	4,354,057,008

The notes on pages 1 to 54 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 each of the three years in the period ended December 31, 2022
(All amounts in Philippine Peso)

	Notes	2022	2021	2020
Cash flows from operating activities				
Income before income tax		1,260,613,340	217,679,627	104,114,812
Adjustments for:				
Depreciation and amortization	6,20	71,363,428	61,751,372	61,285,334
Finance costs	18	17,584,040	29,438,870	64,054,226
Unrealized foreign exchange losses, net	22	113,799	55,318	11,175
Provision for doubtful account of other receivable	4	-	-	1,944,096
Reversal of provision for asset retirement obligation	12	-	-	(1,056,902)
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)	-
Interest income	3,4,18	(3,070,975)	(277,078)	(662,181)
Operating income before working capital changes		1,346,603,632	280,897,098	232,606,224
Changes in working capital:				
Trade and other receivables		(136,326,810)	(166,432,084)	(132,219,223)
Prepayments and other current assets		(17,586,521)	(6,942,596)	(158,182)
Other non-current assets		7,486,370	(3,790,634)	(306,840)
Trade payables and other liabilities		(7,701,307)	(17,741,987)	19,004,500
Due to a related party		(71,442,959)	-	-
Security deposits		141,239,078	-	-
Net cash generated from operations		1,262,271,483	85,989,797	118,926,479
Interest received		855,202	277,078	662,181
Net cash provided by operating activities		1,263,126,685	86,266,875	119,588,660
Cash flows from an investing activity				
Additions to investment properties	8	(2,507,918,610)	-	-
Cash flows from financing activities				
Proceeds from issuance of shares	14	2,670,543,600	-	-
Principal payment of loans from a bank	10	-	(31,611,570)	(61,363,636)
Interest payment on loans from a bank	10	-	(36,940,830)	(29,438,488)
Principal payment of lease liabilities	20	(20,109,933)	(955,048)	(87,598)
Interest payment on lease liabilities	20	(9,951,228)	(4,464,960)	(4,026,048)
Payments of share issuance costs	5,14	(68,190,556)	(35,017,592)	-
Payments of dividends	14	(805,090,842)	-	-
Net cash provided by (used in) financing activities		1,767,201,041	(108,990,000)	(94,915,770)
Net increase (decrease) in cash and cash equivalents		522,409,116	(22,723,125)	24,672,890
Cash and cash equivalents at January 1	3	49,014,348	71,737,473	47,064,583
Cash and cash equivalents at December 31	3	571,423,464	49,014,348	71,737,473

The notes on pages 1 to 54 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 December 31, 2022 and 2021 and
for each of the three years in the period ended December 31, 2022
(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'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 Citicore Renewable Energy Corp. (the "Parent Company" or CREC), making the latter the operator of the Clark Solar Power Plant. The assignment was approved by the DOE on December 24, 2021.

On May 25, 2021, the Company's Board of Directors (BOD) and shareholders 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 2.4 billion 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 vogt 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. Prior to October 12, 2021, the Parent Company owns 100% of the Company.

The Company's ultimate parent company 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 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 REIT in the main board of the PSE. As a public company, it is covered by the Part II of Securities Regulation Code ("SRC") Rule 68.

As at December 31, 2021, the Company has two (2) shareholders, each owning one hundred (100) or more shares. As at December 31, 2022, the Company has 135 shareholders, each owning one hundred (100) or more shares.

The total shares outstanding are held by the following shareholders as at December 31, 2022:

	Percentage
CREC	47.63%
CST1	14.04%
Public	38.33%
	100.00%

On June 8, 2022, the Company's stockholders approved the issuance of fixed-rate bonds not exceeding thirty five percent (35%) of the value of the deposited property of the Company or up to the allowable leverage under the REIT Act of 2009 and its implementing rules and regulations. On February 10, 2023, the Company listed its maiden ASEAN Green Bonds amounting to P4.5 billion which bear a coupon interest rate of 7.0543% in the Philippine Dealing and Exchange Corp.

(b) 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. Based on the management's assessment, the COVID-19 pandemic had no significant impact on the Company's financial statements for the years ended December 31, 2022 and 2021.

The Company's financial statements as at and for the year ended December 31, 2022 have been prepared applying the going concern principle. The management of the Company is not aware of any significant uncertainties arising after December 31, 2022 that would have any impact on its ability to continue as going concern. The Company is continuously monitoring the situation.

(c) Russia-Ukraine conflict

The Russian military invasion of Ukraine (the "Russian-Ukraine conflict") has a wide economic impact on entities in the immediate region, but also impact entities globally where businesses engage in economic activities that might be affected by the conflict. The entities in the intermediate region could be impacted through imposed economic sanctions, disruptions to the supply chain, equity and commodity market volatility and other uncertainties.

Based on the management's assessment, the Russian-Ukraine conflict had no significant impact in the Company's financial statements as at and for the years ended December 31, 2022.

(d) 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 22, 2023.

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. National Transmission Corporation (TransCo) is the Company's sole customer for its sale of solar energy. As a result of assignment of SESC 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 effective December 25, 2021 (Note11). The assignment entailed the transfer of rights as a service contractor with the Philippine government but did not convey ownership over the assets. This was a change in the revenue model using the same solar plant and equipment. The Company still generates cash flows from these assets in the form of lease income instead of sale of solar energy before the assignment. Notwithstanding the change in revenue model, the cash-generating unit remains intact and owned by the Company.

(b) Leasing

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

All amounts reported in the financial statements of the Company as at and for the years ended December 31, 2022 are attributable to this segment except for trade receivables from TransCo amounting to P86.20 million and interest income arising from amortization of discount on trade receivables amounting to P2.68 million (Note 4), which are attributable to sale of solar energy segment.

The results of operations of the reportable segments of the Company for the years ended December 31 are as follows:

	2022			2021		
	Leasing	Sale of solar energy	Total	Leasing	Sale of solar energy	Total
Revenue	1,374,529,631	-	1,374,529,631	17,773,892	334,519,230	352,293,122
Cost of services	(91,269,041)	-	(91,269,041)	(806,147)	(73,401,615)	(74,207,762)
Gross profit	1,283,260,590	-	1,283,260,590	16,967,745	261,117,615	278,085,360
Operating expense	(8,440,959)	-	(8,440,959)	(47,238,419)	(9,734,370)	(56,972,789)
Finance costs	(17,584,040)	-	(17,584,040)	(453,855)	(28,985,015)	(29,438,870)
Other income, net	690,020	2,687,729	3,377,749	-	26,005,926	26,005,926
Income before income tax	1,257,925,611	2,687,729	1,260,613,340	(30,724,529)	248,404,156	217,679,627
Income tax expense	-	(8,200,316)	(8,200,316)	16,597,226	(8,396,910)	8,200,316
Net income for the year	1,257,925,611	(5,512,587)	1,252,413,024	(14,127,303)	240,007,246	225,879,943

The segment assets and liabilities of the reportable segments of the Company as at December 31 are as follows:

	2022			2021		
	Leasing	Sale of solar energy	Total	Leasing	Sale of solar energy	Total
Segment assets						
Current	653,134,328	6,866,609	660,000,937	35,664,371	109,451,075	145,115,446
Non-current	4,372,694,328	79,334,402	4,452,028,730	307,067,354	1,465,035,122	1,772,102,476
	5,025,828,656	86,201,011	5,112,029,667	342,731,725	1,574,486,197	1,917,217,922
Segment liabilities						
Current	387,326,002	-	387,326,002	940,077	107,865,668	108,805,745
Non-current	370,646,657	-	370,646,657	52,699,238	127,666,810	180,366,048
	757,972,659	-	757,972,659	53,639,315	235,532,478	289,171,793

Difference in total assets and total liabilities under segment reporting and in the statements of financial position as at December 31, 2021 pertains to the deferred income tax assets, net of leasing segment and deferred income tax liabilities, net of sale of solar energy amounting to P16.60 million and P8.40 million, respectively, which were presented as deferred income tax assets, net amounting to P8.20 million in the statements of financial position (Note 19).

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 for the year ended December 31, 2020 are attributable to this segment.

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"*.

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2022	2021
Cash on hand	65,000	65,000
Cash in banks	571,358,464	10,783,402
Short-term placements	-	38,165,946
	571,423,464	49,014,348

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 0.076% to 1.00% (2021 - 0.087% to 1.00%).

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

	Note	2022	2021	2020
Interest income	18	383,246	246,942	662,181

Note 4 - Trade and other receivables, net

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

	Note	2022	2021
Current			
Trade receivables from TransCo		6,866,609	41,892,701
Lease receivables	11	43,875,912	-
Other receivable		3,648,501	1,944,096
Allowance for doubtful account of other receivable		(1,944,096)	(1,944,096)
		1,704,405	-
		52,446,926	41,892,701
Non-current			
Trade			
Receivables from TransCo		79,334,402	83,525,100
Lease receivables	11	134,636,054	2,456,998
		213,970,456	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 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%. There are no interest income arising from late payments of TransCo for the years ended December 31, 2022, 2021 and 2020.

Details of trade receivables from TransCo as at reporting periods are as follows:

	Current	Non-current	Total
December 31, 2022			
Trade receivables	11,282,887	84,972,301	96,255,188
Discount on receivables	(4,416,278)	(5,637,899)	(10,054,177)
	6,866,609	79,334,402	86,201,011
December 31, 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

In 2020, the ERC issued 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 reversal 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 P9.16 million as at December 31, 2022 (December 31, 2021 - P12.74 million). Interest income arising from amortization of discount on trade receivables from TransCo for the year ended December 31, 2022 amounted to P2.68 million (2021 - P30 thousand; 2020 - nil) (Note 18).

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, 2022 and 2021, 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 except from non-current portion of receivable from TransCo related to FIT-rate adjustments. All previous billings of the Company 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:

	2022	2021
Input value-added tax (VAT)	18,353,780	12,081,806
Prepaid taxes	11,441,865	906,900
Deferred bond issuance costs	6,334,902	-
Deferred share issuance costs	-	35,664,371
Advances to suppliers	-	5,094,408
Advances to employees	-	448,662
Others	-	12,250
	36,130,547	54,208,397

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.

Prepaid taxes include creditable withholding tax, overpayment of withholding taxes and income taxes.

Deferred bond issuance costs pertain to expenses incurred relative to the maiden ASEAN Green Bonds offering of the Company (Note 1).

Deferred share issuance costs pertain to expenses incurred relative to the listing and offering of the Company's shares to the public (Note 1).

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

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

(6)

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, 2021, December 31, 2021 and 2022	1,664,296,964	44,477,618	40,000	135,500	1,708,950,082
Accumulated depreciation					
January 1, 2021	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
Depreciation	55,895,001	3,204,430	3,333	27,100	59,129,864
December 31, 2022	418,715,895	18,041,731	40,000	97,108	436,894,734
Net book values					
December 31, 2022	1,245,581,069	26,435,887	-	38,392	1,272,055,348
December 31, 2021	1,301,476,070	29,640,317	3,333	65,492	1,331,185,212

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, 2022 and 2021.

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

	Notes	2022	2021	2020
Cost of services	16	59,099,431	59,111,784	59,118,913
Operating expenses	17	30,433	40,434	40,433
		59,129,864	59,152,218	59,159,346

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, 2022 and 2021.

Note 7 - Other non-current assets

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

	Note	2022	2021
Security deposits	20	5,279,310	5,279,310
Electric utility deposits		-	6,580,541
Restricted cash		-	905,831
		5,279,310	12,765,682

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.

(7)

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.

During 2022, the electric utility deposits and restricted cash were assigned and transferred to the Parent Company in line with the assignment of SESC of the Clark Solar Plant to its Parent Company.

Note 8 - Investment properties, net

Details and movements of investment properties as at December 31 are as follows:

	Freehold land assets	Leasehold land assets	Total
Cost			
January 1, 2021	-	-	-
Additions	234,545,502	53,940,794	288,486,296
December 31, 2021	234,545,502	53,940,794	288,486,296
Additions	2,507,918,610	139,466,312	2,647,384,922
December 31, 2022	2,742,464,112	193,407,106	2,935,871,218
Accumulated amortization			
January 1, 2021	-	-	-
Amortization	-	473,166	473,166
December 31, 2021	-	473,166	473,166
Amortization	-	10,100,808	10,100,808
December 31, 2022	-	10,573,974	10,573,974
Net book values			
December 31, 2022	2,742,464,112	182,833,132	2,925,297,244
December 31, 2021	234,545,502	53,467,628	288,013,130

The amounts recognized in the statements of total comprehensive income for the years ended December 31 (December 31, 2020 - nil) related to the investment properties are as follows:

	Notes	Freehold land assets	Leasehold land assets	Total
2022				
Rental income		380,451,085	708,621,591	1,089,072,676
Amortization of deferred rent income		1,220,610	1,291,823	2,512,433
Total revenue	15	381,671,695	709,913,414	1,091,585,109
Cost of services				
Depreciation		-	(10,100,808)	(10,100,808)
Property management fee		(3,810,812)	(7,804,735)	(11,615,547)
Fund management fee		(1,953,054)	(2,601,578)	(4,554,632)
	16	(5,763,866)	(20,507,121)	(26,270,987)
Finance costs	18	-	(11,346,680)	(11,346,680)
Profit arising from investment properties		375,907,829	678,059,613	1,053,967,442
2021				
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

(8)

(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 P4.87 million 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 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 P229.68 million 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 with reference to its fair value. The approval of the increase in the authorized share capital was obtained from the SEC on October 12, 2021. The actual transfer and registration of the parcels of land to the Company's name were finalized on October 27, 2021.

In 2022, the Company executed a deed of absolute sale with Citicore Solar Bulacan, Inc. (CSBI) (formerly Bulacan Solar Energy Corporation) and Citicore Solar South Cotabato, Inc. (CSSCI) (formerly nv vogt Philippine Solar Energy One, Inc.), entities under common control, for the purchase of several parcels of land located in San Ildefonso, Bulacan and Brgy. Centrala, Suralla, South Cotabato for a total consideration of P1.75 billion and P753.80 million, respectively (Note 11).

The aggregate fair value of these parcels of land as determined by an independent appraiser as at December 31, 2022 amounted to P4.15 billion (October 31, 2021 - P4.24 billion). 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. As required by the REIT Implementing Rules and Regulations (REIT IRR), a full valuation of the Company's assets shall be conducted by an independent property valuer at least once a year. Management assessed that there are no significant changes in the business environment from the date of last valuation up to reporting date which would impact the fair value of the properties.

The fair value is sensitive to the following unobservable inputs: (1) lease income growth rates (fixed and variable lease) which were based on the signed lease contracts and (2) discount rate 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.

(9)

(b) Leasehold land assets

The Company, as a lessee, entered on the following lease agreements:

- 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 of these 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 subleased the land back to CST2 effective November 1, 2021 (Note 11). These lease 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.

- On July 26, 2021, the Company entered into a deed of assignment with Citicore Solar Cebu, Inc. (CSCI) (formerly First Toledo Solar Energy Corp.) (assignor), an entity under common control, and a third-party lessor, to transfer, assign, and convey unto the Company (assignee) all of the assignor's rights and obligations under the contract of lease dated November 12, 2015 for the lease of parcel of land with total aggregated area of approximately 73 hectares located in Brgy. Talavera, Toledo City, Cebu. The third-party lessor consented to the assignment of the contract of lease in favor of the Company and the sublease of the leased area by the Company in favor of the assignor. CSCI operates a 60 MW installed capacity solar power plant in the leased area that was successfully commissioned on June 30, 2016. The Company shall pay an advance rental every two years, subject to escalation rate of 12% every five years, for a period of 25 years, reckoned from the effective date stipulated in the Renewable Energy Payment Agreement but not later than May 31, 2016, subject to renewal. The agreement took effect on January 1, 2022. On July 26, 2021, the Company entered into sublease agreement with CSCI (sublessee) related to the identified leased area effective January 1, 2022 (Note 11).

- On July 28, 2021, the Company entered into a lease agreement with an owner of several parcels of land located in Brgy. Rizal, Silay City, Negros Occidental. These land properties are covered by an existing lease contract that commenced on June 1, 2016 with Citicore Solar Negros Occidental, Inc. (CSNO) (formerly Silay Solar Power, Inc.), an entity under common control. The Company subleased the land back to CSNO. The new lease agreement commenced on January 1, 2022 until October 31, 2040 which may be extended for additional five (5) years unless the parties agreed to terminate the lease agreement at the end of the initial term. The lease payment is subject to annual escalation rate of 2% beginning in the third year of the lease. CSNO operates a 25 MW installed capacity solar power plant in the leased area that was successfully commissioned on March 8, 2016. On July 28, 2021, the Company entered into sublease agreement with CSNO (sublessee) to sublease the identified leased area effective January 1, 2022 (Note 11).

The aggregate fair value of these parcels of land classified as leasehold land assets as determined by an independent appraiser as at December 31, 2022 amounted to P7.06 billion (October 31, 2021 - P7.13 billion). The same valuation technique was used in measuring the fair value as that of the freehold land assets.

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 assets would be grouped if these were owned by the Company.

Note 9 - Trade payables and other liabilities

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

	Note	2022	2021
Trade payables		44,629	16,798,407
Due to government agencies		41,421,188	33,723,763
Deferred rent income, current portion	11	6,126,256	-
Accrued expenses		3,661,511	875,166
		51,253,584	51,397,336

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. The remaining balance of due to government agencies pertains to unpaid real property taxes and business taxes to a local government unit, withholding taxes and mandatory government contributions. Withholding taxes include P7.55 million final withholding tax for cash dividends declared on November 9, 2022 and paid on January 5, 2023 (Note 14).

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

Note 10 - Loans payable

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.

The Company made a principal payment amounting to P31.61 million for the year ended December 31, 2021.

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 recognized 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.

Finance costs including amortization of debt issuance cost for the year ended December 31, 2021 recognized in the statements of total comprehensive income amounted to P24.97 million (Note 18).

Movements in loans payable for the year ended December 31, 2021 are as follows:

	Amount
Principal amount	
January 1	1,043,181,818
Assignment of loan	(1,011,570,248)
Payments	(31,611,570)
December 31	-
Debt issuance cost	
January 1	(6,925,986)
Amortization	6,925,986
December 31	-
	-

Movements in interest payable for the year ended December 31, 2021 are as follows:

	Amount
January 1	31,916,918
Interest expense	18,047,924
Assumed by Parent Company	(13,024,012)
Interest payments	(36,940,830)
December 31	-

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 December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 with related parties are as follows:

	Transactions			Outstanding balance Receivables (Payables)		
Related parties	2022	2021	2020	2022	2021	Terms and conditions
Parent Company						
Lease income	282,393,829	-	-	16,226,090	-	Refer to (e) and Notes 4 and 15.
Advances to (from)	71,442,959	265,850,948	39,525,344	(53,223,717)	265,850,948	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)	Refer to Note 10.
				(53,223,717)	(124,666,676)	
Security deposits						
Additions	22,180,645	-	-	(22,180,645)	-	Refer to (e).
Accretion of interest expense	406,868	-	-	10,066,877	-	
				(12,113,768)	-	
Deferred rent income						
Additions	10,473,745	-	-	(10,473,745)	-	Refer to (e).
Amortization	550,694	-	-	550,694	-	
				(9,923,051)	-	
Issuance of shares	-	607,330,352	-	-	-	Refer to (c), Notes 8, 10 and 14.
Entities under common control						
Lease income	1,089,072,676	17,773,892	-	162,285,876	2,456,998	Refer to (e) and Notes 4 and 15.
Advances to	-	87,021,747	87,021,747	-	87,021,747	Refer to (a).
Acquisition of properties	2,507,918,610	-	-	-	-	Refer to (e) and Note 8.
Property management fee	14,942,644	-	-	-	-	Refer to (f).
Fund management fee	4,980,881	-	-	-	-	Refer to (g).
Security deposits						
Additions	128,247,815	-	-	(128,247,815)	-	Refer to (e).
Accretion of interest expense	1,484,160	-	-	82,945,307	-	
			-	(45,302,508)	-	
Deferred rent income						
Additions	84,429,467	-	-	(84,429,467)	-	Refer to (e).
Amortization	2,512,432	-	-	2,512,432	-	
				(81,917,035)	-	
Issuance of shares	-	229,680,216	-	-	-	Refer to (c) and Notes 8 and 14.

(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, 2022.

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

	2022	2021
Current	53,223,717	56,144,929
Non-current	-	68,521,747
	53,223,717	124,666,676

In December 2022, the Company and the Parent Company agreed that the remaining balance of due to Parent Company amounting to P53.22 million is to be settled in cash within 12 months from December 31, 2022.

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
Beginning		1,043,181,818
Cash settlement prior assignment		(31,611,570)
Assignment of loan	10	1,011,570,248
Cash settlement after assignment		(31,611,570)
Subscription of shares	14 (c)	(602,465,066)
Ending amount subsequently classified as advances		377,493,612

On May 7, 2021, the Company made another cash settlement which was after the assignment, amounting to P31.61 million. This was paid by the Company on behalf of the Parent Company, hence, offset against due from the Parent Company account.

(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, 10, 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, 2022 amounted to P1.98 million (2021 - P0.84 million and 2020 - 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 each of the three years in the period ended December 31, 2022.

(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 CST2

      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, 2022 amounting to P61.76 million (2021 - P8.09 million) (Note 15).

    - Land property located in Brgy. Rizal, Silay City, Negros Occidental with CSNO

      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. The Company recognized lease income related to this property for the year ended December 31, 2022 amounting to P279.05 million (Note 15).

    - Land property located in Brgy. Talavera, Toledo City, Cebu with CSCI

      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. The Company recognized lease income related to this property for the year ended December 31, 2022 amounting to P369.10 million (Note 15).

- Lease agreement of below land properties to related parties:
    - 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, 2022 amounting to P72.38 million (2021 - P9.68 million) (Note 15).

- Land property located in San Ildefonso, Bulacan with CSBI

  In 2021, the Company entered into a memorandum of agreement with CSBI for the future sale of land properties owned by CSBI to the Company. In 2022, the Company executed a deed of absolute sale for the purchase of several parcels of land located in San Ildefonso, Bulacan from CSBI for a total consideration of P1.75 billion (Note 8). The purchase price was fully paid as at December 31, 2022. The land properties were recognized as part of investment properties as at December 31, 2022. Subsequently, the Company and CSBI entered into a lease agreement for the same land properties.

  The lease agreement is effective for 25 years commencing on January 1, 2022 until December 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 these land properties for the year ended December 31, 2022 amounting to P215.46 million (Note 15).

- Land property located in Brgy. Centrala, Suralla, South Cotabato with CSSCI

  In 2021, the Company entered into a memorandum of agreement with CSSCI for the future sale of land properties located in Brgy. Centrala, Suralla, South Cotabato to the Company. In 2022, the Company entered into a contract to sell with CSSCI related to the acquisition of said property, on which CSSCI committed that from the signing of the contract until the signing of deed of absolute sale, CSSCI shall not make any offer, or entertain or discuss any offer, for the sale, mortgage, lease of said property with any person other than the Company. This has resulted in addition to the Company's investment properties. On June 6, 2022, the Company executed a deed of absolute sale for the purchase of said properties for a total consideration of P753.80 million. The purchase price was fully paid as at December 31, 2022. Subsequently, the Company and CSSCI entered into a lease agreement for the same property.

  The lease agreement is effective for 25 years commencing on January 1, 2022 until December 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 these properties for the year ended December 31, 2022 amounting to P93.84 million (Note 15).

- Assignment of SESC 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. The Company recognized lease income related to this property for the year ended December 31, 2022 amounting to P282.94 million (Note 15).

In addition to the clauses discussed above, 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 lease payment for the lease agreements above is equivalent to the sum of fixed and variable lease rates.

The recognized lease receivables from related parties as at December 31, 2022 and 2021 pertain to accrued rent resulting from the straight-line method of recognizing rental income.

During 2022, the Company received security deposits from its lessees amounting to P150.43 million, which is equivalent to three-month lease payments for freehold land properties and one-month lease payment for solar property and leasehold land properties. The security deposits shall remain valid until expiration of the lease agreements and shall serve as guarantee for the lessees' faithful compliance with the terms, conditions, and obligations of lease agreements. The security deposits shall be adjusted annually and the lessees shall provide the necessary amount to keep the security deposits equivalent to the number of months' rent. Upon termination of the lease agreements, the security deposits will be refunded without interest by the Company less payment of all remaining monetary obligations of the lessees to the Company. The security deposits, or the balance thereof, whichever is applicable shall be refunded to the lessees within 60 days from the return of the leased properties to the Company. These security deposits were presented as non-current liabilities in the statements of financial position as at December 31, 2022.

Details of security deposits and deferred rent income as at December 31, 2022 are as follows:

	Notes	Amount
Security deposits		
Gross amount		150,428,460
Allowance for amortization of security deposits		
Additions		(94,903,212)
Accretion of interest expense	18	1,891,028
		93,012,184
		57,416,276
Deferred rent income		
Additions		94,903,212
Amortization	15	(3,063,126)
		91,840,086
Less: Current portion	9	(6,126,256)
Non-current portion		85,713,830

Accretion of interest expense for the year ended December 31, 2022 amounted to P1.89 million (Note 18).

Deferred rent income pertains to the difference between the nominal values of the deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method. Amortization of deferred rent income for the year ended December 31, 2022 amounted to P3.07 million which was recognized as part of rental income in the statements of total comprehensive income (Note 15).

(f) Property management fee

On August 9, 2021, the Company entered into a property management agreement with Citicore Property Managers, Inc. (CPMI), an entity under common control. 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. Property management commenced in 2022 in line with the date of Company's listing to PSE. Property management fee amounted to P14.94 million for the year ended December 31, 2022 (Note 16).

(g) Fund management fee

On July 26, 2021, the Company entered into a fund management agreement with Citicore Fund Managers, Inc. (CFMI), an entity under common control. 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 and 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. Fund management agreement commenced in 2022 in line with the date of Company's listing to PSE. Fund management fee amounted to P4.98 million for the year ended December 31, 2022 (Note 16).

(h) Agreement for future assignment and sale transactions

In September 2022, the Company entered into an agreement with the Parent Company and Greencore Power Solutions 2, Inc. (GPS2) and Greencore Power Solutions 4, Inc. (GPS4), entities under common control, for the future assignment of rights to purchase several parcels of land owned by the Parent Company, GPS2 and GPS4 to the Company.

In addition, the Company also entered into an agreement with Sunny Side Up Power Corp. (SSUPC), entity under common control, for the future sale of solar rooftops system owned by SSUPC to the Company.

This will result in the recognition of investment properties and property, plant and equipment in the statements of financial position for the parcels of land and solar rooftop systems, respectively, to be acquired.

(i) Agreement for future lease agreement

In September 2022, the Company entered into a memorandum of agreement with the Parent Company, GPS2, GPS4 and SSUPC for the subsequent lease of parcels of land and solar rooftop systems owned by the Parent Company, GPS2, GPS4 and SSUPC 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 lease agreements 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 upon the consummation of the agreement.

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, 2022 from the date of last actuarial valuation.

The retirement benefit obligation recognized in the statement of financial position as at December 31, 2022 and 2021 amounted to P314,672.

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 for the periods December 31 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, 2022 and 2021 is 17.8 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
December 31, 2021			
Discount rate	+/-1.00%	(0.03 million)	0.04 million
Salary increase rate	+/-1.00%	0.04 million	(0.03 million)
December 31, 2020			
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 details and movements of the Company's share capital as at December 31 are as follows:

	2022		2021		2020	
	Number of shares	Amount	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	15,360,000,000	3,840,000,000	The number of shares and amount are the same as the issued and outstanding shares.	
Issued and outstanding						
Common shares - P0.25 par value						
January 1	5,498,182,004	1,374,545,501	-	-	-	-
Reclassification	-	-	15,031,366	539,999,999	-	-
Effect in reduction in par value	-	-	2,144,968,628	-	-	-
Issuances	1,047,272,000	261,818,000	3,338,182,010	834,545,502	-	-
December 31	6,545,454,004	1,636,363,501	5,498,182,004	1,374,545,501	-	-
Common class A - P1 par value						
January 1	-	-	7,291,011	7,291,011	7,291,011	7,291,011
Reclassification	-	-	(7,291,011)	(7,291,011)	-	-
December 31	-	-	-	-	7,291,011	7,291,011
Common class B - P13.5 par value						
January 1	-	-	4,856,985	65,569,298	4,856,985	65,569,298
Reclassification	-	-	(4,856,985)	(65,569,298)	-	-
December 31	-	-	-	-	4,856,985	65,569,298
Redeemable preference shares A - P27 par value						
January 1	-	-	1,729,922	46,707,894	1,729,922	46,707,894
Reclassification	-	-	(1,729,922)	(46,707,894)	-	-
December 31	-	-	-	-	1,729,922	46,707,894
Redeemable preference shares B - P364.5 par value						
January 1	-	-	1,153,448	420,431,796	1,153,448	420,431,796
Reclassification	-	-	(1,153,448)	(420,431,796)	-	-
December 31	-	-	-	-	1,153,448	420,431,796
	6,545,454,004	1,636,363,501	5,498,182,004	1,374,545,501	15,031,366	539,999,999

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 10). 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 P4.87 million. 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 P229.68 million. 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 (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 the Parent Company and CST1 (Note 1).

(c) Sale to the public

On February 22, 2022, the Company successfully listed its shares with the PSE via the offer of (i) 1,047,272,000 new common shares with a par value of P0.25 per share issued and offered by the Company as "Primary Offer Shares", and (ii) 1,134,547,000 existing shares offered by the Parent Company, selling shareholder, pursuant to a "Secondary Offer Shares" with an over-allotment option of up to 327,273,000 shares which were exercised at such date. All the shares offered by the Company and the Parent Company were sold at an offer price of P2.55 per share. The Company recognized additional paid-up capital (APIC) arising from this transaction amounting to P2.4 billion in 2022. Transaction costs attributable to Primary Offer Shares which were treated as deduction to APIC amounted to P103.85 million. Total transaction costs comprised of deferred share issuance costs amounting to P35.66 million as at December 31, 2021 which was subsequently applied against APIC and additional share issuance costs for the year ended December 31, 2022 amounting to P68.19 million.

(d) Dividends

On March 9, 2022, the BOD ratified and approved the declaration of cash dividends of P0.035 per common share for shareholders on record as at March 28, 2022. Total dividends amounting to P229.09 million was fully paid on March 31, 2022.

On May 11, 2022, the BOD ratified and approved the declaration of cash dividends of P0.044 per outstanding common share or an aggregate amount of P287.99 million for the first quarter of 2022. The cash dividends were paid on June 24, 2022 to shareholders on record as at June 8, 2022.

On July 20, 2022, the BOD ratified and approved the declaration of cash dividends of P0.044 per outstanding common share or an aggregate amount of P287.99 million for the second quarter of 2022. The cash dividends were paid on September 14, 2022 to shareholders on record as at August 19, 2022.

On November 9, 2022, the BOD ratified and approved the declaration of cash dividends of P0.044 per outstanding common share or an aggregate amount of P287.99 million for the third quarter of 2022. The cash dividends were paid on January 5, 2023 to shareholders on record as at December 9, 2022.

Events after the reporting period

On March 22, 2023, the BOD ratified and approved the declaration of cash dividends of P0.044 per outstanding common share or an aggregate amount of P287.99 million for the fourth quarter of 2022. On the same date, the BOD approved the declaration of special cash dividends of P0.007 per outstanding common share or an aggregate amount of P45.82 million. The cash dividends are payable on May 15, 2023 to shareholders on record as at April 21, 2023. The management has determined that this is a non-adjusting event.

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. Notwithstanding that the ERC Resolution was dated 2020, the Company has assessed that there was still uncertainty particularly absence of acceptance confirmation from TransCo on the implementation of the resolution including the approach to recover, capacity to settle or pay and the credit period as at December 31, 2020. Consequently, the said uncertainty resulted in the reversal of billings issued in November and December 2020 using the adjusted FIT rates (Note 4). 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 P86.20 million as at December 31, 2022 (December 31, 2021 - P125.42 million) (Note 4).

For the year ended December 31, 2021, revenue from sale of electricity amounted to P334.52 million (2020 - P269.08 million). As a result of assignment of SESC 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 years ended December 31 are as follows:

		2022			2021
Land properties	Note	Rental income	Amortization of deferred rent income	Total	Amount
Leasehold land assets					
Brgy. Talavera, Toledo City, Cebu		368,402,585	700,356	369,102,941	-
Brgy. Rizal, Silay City, Negros Occidental		278,546,822	500,155	279,046,977	-
Brgy. Dalayap, Tarlac City, Tarlac		61,672,184	91,312	61,763,496	8,092,091
		708,621,591	1,291,823	709,913,414	8,092,091
Freehold land assets					
Brgy. San Ildefonso, Bulacan		214,748,790	706,926	215,455,716	-
Brgy. Centrala, Suralla, South Cotabato		93,526,329	311,785	93,838,114	-
Brgy. Armenia, Tarlac City, Tarlac		72,175,966	201,899	72,377,865	9,681,801
		380,451,085	1,220,610	381,671,695	9,681,801
Solar plant property					
Clark Freeport Zone, Pampanga		282,393,829	550,693	282,944,522	-
	11	1,371,466,505	3,063,126	1,374,529,631	17,773,892

Rental income includes variable lease income amounting to P43.88 million for the year ended December 31, 2022 (2021 - nil).

The future minimum lease receivable under non-cancellable operating leases as at December 31 are as follows:

	2022	2021
Within one year	1,266,472,480	1,195,411,535
After one year but not more than five years	6,512,101,745	6,449,273,035
More than five years	9,493,051,850	10,822,353,040
	17,271,626,075	18,467,037,610

Note 16 - Cost of services

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

	Notes	2022	2021	2020
Depreciation and amortization	6, 20	71,332,995	61,710,938	61,244,901
Property management fee	11	14,942,644	-	-
Fund management fee	11	4,980,881	-	-
Taxes and licenses		7,165	610,854	17,281,122
Utilities		-	4,500,169	4,933,938
Repairs and maintenance		-	3,846,766	1,023,368
Outside services		-	3,511,285	3,711,108
Insurance		-	1,599,934	1,657,448
Salaries and wages		-	934,099	1,843,562
Retirement benefit (income) expense	13	-	(2,550,098)	2,915,664
Others		5,356	43,815	12,462
		91,269,041	74,207,762	94,623,573

(24)

Note 17 - Operating expenses

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

	Notes	2022	2021	2020
Outside services		2,700,754	3,904,095	-
Professional fees		2,136,872	20,142,435	41,500
Directors' fees	11	1,975,000	842,105	-
Taxes and licenses		1,046,461	29,202,654	4,340,315
Dues and subscriptions		150,000	1,188,968	949,262
Transportation and travel		48,490	211,306	197,253
Depreciation	6	30,433	40,434	40,433
Bank charges		500	27,828	7,912
Repairs and maintenance		-	191,023	146,405
Communication, light and water		-	107,442	138,214
Charitable contribution		-	100,000	126,000
Provision for doubtful accounts	4	-	-	1,944,096
Others		352,449	1,014,499	56,569
		8,440,959	56,972,789	7,987,959

Portion of outside services, taxes and licenses, and professional fees include costs incurred for the ASEAN Green Bonds offering and for issuance of the Company's shares to the public for the years ended December 31, 2022 and 2021, respectively.

Note 18 - Other income, net; finance costs

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

	Notes	2022	2021	2020
Interest income	3, 4	3,070,975	277,078	662,181
Foreign exchange losses, net	22	(113,799)	(55,492)	(15,321)
Reversal of asset retirement obligation	12	-	-	1,056,902
Gain on compromise settlement of due to government agencies	9	-	25,200,913	-
Others		420,573	583,427	-
		3,377,749	26,005,926	1,703,762

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

	Notes	2022	2021	2020
Interests on security deposits	11	1,891,028	-	-
Interests on lease liabilities	20	15,693,012	4,464,960	4,026,048
Interests on loans payable from DBP	10	-	24,973,910	60,028,178
		17,584,040	29,438,870	64,054,226

(25)

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.

Income tax expense for the year ended December 31, 2022 pertains to deferred income tax expense amounting to P8.20 million (2021 - deferred income tax benefit of P8.20 million).

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. The Company is still subject to ITH for the years ended December 31, 2021 and 2020. As a result of the assignment of SESC effective December 25, 2021, the incentives as a BOI-registered enterprise for the sale of solar energy segment was transferred to the Parent Company starting January 1, 2022.

Management has considered this in reaching its conclusion to recognize certain deferred income tax assets in relation to both its sale 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 these arise are as follows:

	Amount
Lease income segment under regular corporate income tax (RCIT) rate	
Deferred income tax assets - to be recovered beyond 12 months	
Net operating loss carryover (NOLCO)	17,168,553
Leases	42,922
	17,211,475
Deferred income tax liability - to be settled beyond 12 months	
Leases	(614,249)
Total deferred income tax assets, net - lease income segment	16,597,226
Sale of solar energy under special tax rate	
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)
Total deferred income tax liabilities, net - sale of solar energy segment	(8,396,910)
Total deferred income tax assets, net	8,200,316

In 2022, deferred income tax assets, net were reassessed by the management based on the availability of future taxable income and recoverability. The assessment resulted in the derecognition of the deferred income tax assets, net as the Company transitioned to a REIT company following the listing of shares in the PSE on February 22, 2022 (Note 1). The derecognition of deferred income tax assets, net was charged to deferred income tax expense in the statements of total comprehensive income.

The Company's accrued revenue from sale of solar energy was deemed taxable by the Company, hence, fully reported as part of taxable income.

The Company's unrecognized deferred income tax assets as at December 31 arise from the following temporary differences:

	2022	2021
NOLCO	106,018,391	-
Accrued expenses	33,620,012	33,620,012
Leases	11,348,657	3,510,809
Discount on receivables	10,054,177	-
Provision for doubtful accounts	1,944,096	1,944,096
Retirement benefit obligation	314,672	314,672
Unrealized foreign exchange loss	113,799	55,318
	163,413,804	39,444,907
Tax rate	25%	10%
	40,853,451	3,944,491

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

Year of incurrence	Year of expiration	2022	2021
2021	2026	68,674,211	68,674,211
2022	2025	37,344,180	
		106,018,391	68,674,211
Tax rate		25%	25%
		26,504,598	17,168,553

The Company did not recognize deferred income tax assets arising from NOLCO as at December 31, 2022 as management expects that there is no sufficient future taxable income where this deferred income tax asset would be utilized and considering the effective income tax rate of nil under the REIT law.

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:

	2022	2021			2020
	RCIT	RCIT	Special rate	Total	Special rate
Income tax at statutory tax rate	315,153,335	(7,681,132)	24,840,416	17,159,284	10,411,481
Income tax effects of:					
Non-deductible expenses	134,091	-	346,062	346,062	27,599
Non-taxable income due to ITH	-	-	(11,471,921)	(11,471,921)	(11,742,155)
Deductible expenses recognized as asset	-	(8,916,094)	-	(8,916,094)	
Interest income subject to final tax	(95,812)	-	(27,708)	(27,708)	(66,218)
Derecognition of deferred income tax assets, net	(8,200,316)				
Deductible expenses recognized as APIC	(17,047,639)	-	-	-	-
Movement of unrecognized deferred income tax assets	(24,871,271)	-	(5,289,939)	(5,289,939)	1,369,293
Deductible dividends payment	(273,272,704)	-	-	-	-
	(8,200,316)	(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, 2022 and 2021 (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.

(28)

(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 with a third party to the Company (Note 8);
- Sublease agreement and lease contract with third parties for land properties located in Brgy. Dalayap, Tarlac City, Tarlac previously being leased by CST2 (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 (Note 8).

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.

Amounts recognized in the statements of financial position

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

	Note	2022	2021
Cost			
December 31, 2022 and 2021		43,937,092	43,937,092
Accumulated amortization			
January 1		6,377,964	4,251,976
Amortization	16	2,132,756	2,125,988
December 31		8,510,720	6,377,964
Net book value		35,426,372	37,559,128

Investment properties held by the Company as a right-of-use asset related to lease agreements in (b) measured initially at its cost in accordance with PFRS 16 as at and for the years ended December 31 are as follows:

	Notes	2022	2021
Cost			
January 1		53,940,794	-
Additions		139,466,312	53,940,794
December 31		193,407,106	53,940,794
Accumulated amortization			
January 1		473,166	-
Amortization	16	10,100,808	473,166
December 31		10,573,974	473,166
Net book value	8	182,833,132	53,467,628

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

	2022	2021
Current	2,406,282	1,263,480
Non-current	227,201,879	103,132,719
	229,608,161	104,396,199

(29)

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

	Notes	2022	2021
January 1		104,396,199	51,355,135
Additions	8	139,466,312	53,940,794
Principal payments		(20,109,933)	(955,048)
Interest payments		(9,951,228)	(4,464,960)
Interest expense	8, 16	15,693,012	4,464,960
Translation difference		113,799	55,318
December 31		229,608,161	104,396,199

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	2022	2021	2020
Amortization expense	8, 16	12,233,564	2,599,154	2,125,988
Interest expense	8, 18	15,693,012	4,464,960	4,026,048
Translation difference	22	113,799	55,318	11,175
		28,040,375	7,119,432	6,163,211

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

	2022	2021	2020
Payment of principal portion of lease liabilities	20,109,933	955,048	87,598
Payment of interest on lease liabilities	9,951,228	4,464,960	4,026,048
	30,061,161	5,420,008	4,113,646

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:

	2022	2021	2020
Net income	1,252,413,024	225,879,943	104,114,812
Weighted average number of common shares	6,397,090,471	2,772,000,029	2,772,000,029
Basic and diluted EPS	0.20	0.08	0.04

Weighted average number of common shares for the year ended December 31, 2022 is calculated as follows:

	Note	Number of shares	Ratio	Weighted number of shares
Beginning		5,498,182,004	1.00	5,498,182,004
Issuance of shares	14	1,047,272,000	0.86	898,908,467
		6,545,454,004		6,397,090,471

Weighted average number of common shares for the years ended December 31, 2021 and 2020 is calculated as follows:

	Note	Number of shares	Ratio	Weighted number of shares
Beginning		2,159,999,994	1.00	2,159,999,994
Issuance of shares	14	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.

The Company has no potential dilutive common shares for each of the three years in the period ended December 31, 2022. 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 in the succeeding section.

(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, 2022 and 2021 (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, 2022 refers to a portion of lease liabilities amounting to US$19,858 (2021 - US$20,052) with Philippine Peso equivalent of P1.11 million (2021 - P1.02 million).

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

	Note	2022	2021	2020
Unrealized losses, net		113,799	55,318	11,175
Realized losses, net		-	174	4,146
	18	113,799	55,492	15,321

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.

(32)

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

	Notes	2022	2021
Cash and cash equivalents*	3	571,358,464	48,949,348
Trade and other receivables	4	268,361,478	129,818,895
Security deposits	7	5,279,310	5,279,310
Electric utility deposits	7	-	6,580,541
Restricted cash	7	-	905,831
		844,999,252	191,533,925

**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, 2022 and 2021.

(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.

(33)

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
December 31, 2022				
Trade payables and other liabilities*	9	-	9,832,396	-
Dividends payable	9, 14	-	280,442,419	-
Due to a related party	11	-	53,223,717	-
Lease liabilities	20	-	2,406,282	227,201,879
Interest**		-	16,309,125	167,227,646
Security deposits	11	-	-	57,416,276
		-	362,213,939	451,845,801
December 31, 2021				
Trade payables and other liabilities*	9	-	17,673,573	-
Due to a related party	11	56,144,929	-	68,521,747
Lease liabilities	20	-	1,263,480	103,132,719
Interest**		-	7,579,060	85,887,552
		56,144,929	26,516,113	257,542,018

**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 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 Company has no outstanding short-term and long-term bank borrowings from third parties as at December 31, 2022 and 2021. The net debt reconciliation and gearing ratio as at December 31, 2021 are as follows:

	Notes	2021
Loans payable, January 1	10	1,036,255,832
Cash flows		(31,611,570)
Non-cash movement	10	(1,004,644,262)
Loans payable, December 31	10	-
Cash and cash equivalents	3	(49,014,348)
Net (asset) debt		(49,014,348)
Total equity		1,628,046,129
Net gearing ratio		(0.03):1

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

As a REIT entity, the Company is subject to externally imposed capital requirements based on the requirement of the Aggregate Leverage Limit under the REIT IRR. Per Rule 5 - Section 8 of the REIT IRR issued by the SEC, the total borrowings and deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its deposited properties. Provided, further, that in no case shall a fund manager, borrow from the REIT any of the funds under its management. As at December 31, 2022, the Company is compliant with the externally imposed capital requirements of REIT IRR and met the provisions of the REIT law related to the borrowing requirements to its fund manager.

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), dividends payable, due to a related party 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, security deposits and non-current portion of lease liabilities and due to a related party are close to market rates. The fair value of the non-current portion of due to a related party as at December 31, 2021 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, 2022 and 2021, 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 2022 and 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.

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)	
	2022	2021
Prolonged by 5 years	P10.29 million	P 8.91 million
Shortened by 5 years	(P9.26 million)	(P13.03 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.

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. No asset retirement obligation was recognized in 2022 and 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.

(f) "No tax" regime

As a REIT entity, the Company can effectively operate under a "no tax" regime provided that it meets certain conditions (e.g. listing status, minimum required dividend payments). A REIT entity is required to distribute at least 90% of its annual income as dividends to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively an income-tax free entity. As at December 31, 2022, the Company met the provisions of the REIT law and complies with the 90% dividend distribution requirement. The Company had determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it can effectively operate on a "no-tax" regime. Accordingly, the Company has not recognized deferred taxes as at December 31, 2022. The Company recognized deferred income tax asset as at December 31, 2021 prior to its listing on February 22, 2022, 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. The Company started to avail of its tax incentive as a REIT after its listing to PSE.

(38)

(g) Effective interest rates of security deposits

The Company measures security deposits from its lessees at amortized cost using a zero-coupon yield curve as the appropriate effective interest rate. This rate is determined by estimating the yield of a security from the yields of a set of coupons bearing products through bootstrapping or interpolation with reference to the maturity date of each security deposit. Effective interest rates are reviewed by the Company periodically and updated if there have been material movements with the rates.

(h) Contingencies

The Company is a party to an arbitration case to which respective regulatory bodies have not rendered any final decision as at reporting date. The Company's management and its legal counsel believe that they are in a favorable legal position, as such any possible loss that the Company may incur, if any, will not have a material effect on the Company's financial position and results of operations as at and for the year ended December 31, 2022.

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, amendment to existing standards and interpretations applied by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2022:

- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to PAS 16
- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to PAS 37, and
- Annual Improvements to PFRS Standards 2018-2020.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments to existing standards and interpretations not yet adopted by the Company

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(39)

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.

<u>Financial assets</u>

(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, 2022 and 2021.

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), dividends payable (Note 24.13), security deposits (Note 24.18), 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 plus 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, 2022 and 2021.

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.

Liabilities related to employee benefits are derecognized once settled, cancelled or have expired.

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.

(50)

(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.

Deposits from lessees which include security deposits are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest rate method. The difference between the cash received and its fair value is deferred and amortized on a straight-line basis over the lease term. Amortization of deferred credits and accretion of discount are recorded in the statement of total comprehensive income under rental income and finance cost accounts, respectively.

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.

(51)

(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.

Note 25 - 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	919,223,620	-

Revenues presented above are based on net receipts for VAT reporting purposes while revenues in the statements of total comprehensive income are based on revenue recognition policy per Note 24.14. Gross receipts from the rental of real properties on its leasing business are subject to zero-rated VAT. The Company's lessees are registered developers of renewable energy (RE) and under the Renewable Energy Act of 2008. RE developers benefit from VAT zero-rating.

(b) Input VAT

Movements in input VAT for the year ended December 31, 2022 follow:

	Amount
January 1	12,081,806
Add: Current year's domestic purchases of services	6,271,974
December 31	18,353,780

(c) Importations

The Company did not have importations during the year ended December 31, 2022.

(d) Excise tax

There were no transactions subject to excise tax for the year ended December 31, 2022.

(e) Documentary stamp tax

Documentary stamp taxes (DST) paid for the year ended December 31, 2022 amounted to P2,631,004 pertaining to the issuance of shares and certain payment documents requiring DST. DST related to issuance of shares were recorded as part of share issuance cost deducted from APIC while DST for certain payment documents were recorded as part of taxes and licenses account under operating expenses in the statements of total comprehensive income.

(f) All other local and national taxes

	Amount
License and permit fees	594,121
Penalties	440,552
Others	18,953
	1,053,626

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.

(g) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	38,757	46,707	85,464
Expanded withholding tax	4,543,214	300,954	4,844,168
Final withholding tax	19,287,332	-	19,287,332
	23,869,303	347,661	24,216,964

(h) Tax assessments and cases

In 2021, the Company has received letter of authority (LOA) from the BIR for taxable year 2020. The assessment was finalized and paid on February 24, 2022 through settlement of deficiency taxes and interests amounting to P349,552.

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, 2022.

(54)

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, 2022

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

Schedule A - Financial Assets
December 31, 2022

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.	-	567,399,280	126,082
Development Bank of the Philippines	-	3,918,489	256,528
Security Bank Corporation	-	40,695	636
Cash on hand	-	65,000	-
Total cash and cash equivalents	-	571,423,464	383,246
Trade and other receivables	-	266,417,382	2,687,729
Security deposits	-	5,279,310	-
Total financial assets	-	843,120,156	3,070,975

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

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of the period
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	265,850,948	-	(265,850,948)	-	-	-	-
Total due from related parties	265,850,948	-	(265,850,948)	-	-	-	-

**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, 2022.*

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

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements
December 31, 2022

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

Schedule D - Long Term Debt
December 31, 2022

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

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2022

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

Schedule F - Guarantees of Securities of Other Issuers
December 31, 2022

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

Schedule G - Share Capital
December 31, 2022

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	6,545,454,004	N/A	4,036,361,996	4,905,008	2,504,187,000

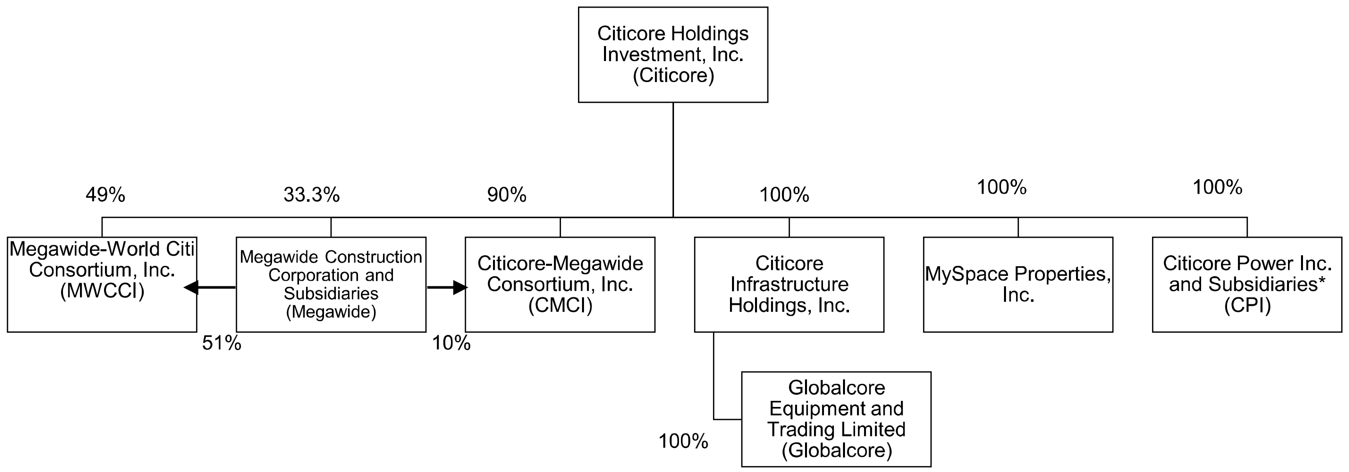
Citicore Energy REIT Corp.
(Formerly Enfinity Philippines Renewable Resources Inc.)
(A subsidiary of Citicore Renewable Energy Corporation)

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2022
(All amounts in Philippine Peso)

Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		250,984,668
Add : Net income actually earned during the period		
Net income during the period closed to retained earnings	1,252,413,024	
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)	-	
Net income actually earned during the period		1,252,413,024
Add (Less):		
Dividends declarations during the period	(1,093,090,818)	
Appropriations of retained earnings during the period	-	
Reversal of appropriation	-	
Effect of prior period adjustments	-	
Treasury shares	-	(1,093,090,818)
Unappropriated retained earnings available for dividend declaration, ending		410,306,874

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

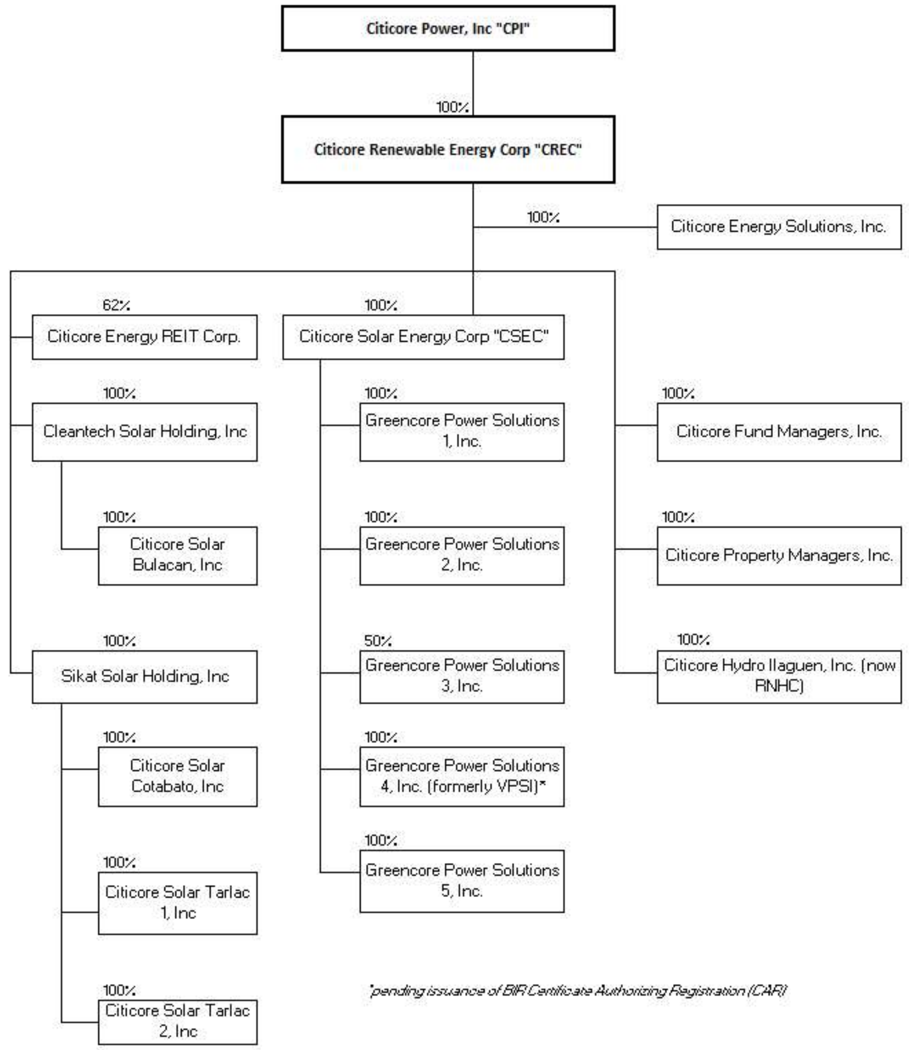
A Map Showing the Relationships between and among the Company and its
Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
December 31, 2022



**See Schedule I*

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 (Schedule I)
December 31, 2022



Note: The table above is not an exclusive enumeration of the subsidiaries of CPI.

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

Schedule of Financial Soundness Indicator
As at and for the years ended December 31, 2022 and 2021

	2022	2021
Current ratio[a]	1.70x	1.33x
Acid test ratio[b]	1.61x	0.84x
Solvency ratio[c]	-	-
Debt-to-equity ratio[d]	-	-
Asset-to-equity ratio[e]	1.17x	1.17x
Interest rate coverage ratio[f]	76.75x	10.49x
Debt service coverage ratio[g]	67.51x	10.06x
Net debt/ EBITDA[h]	(0.42)x	(0.17)x
Earnings per share (Php)[i]	0.20	0.08
Book value per share[j]	0.67	0.30
Return on assets[k]	35.68%	12.24%
Return on equity[l]	41.87%	20.60%
Net profit margin[m]	91.12%	64.12%

[a] Current assets/current liabilities
[b] Cash and cash equivalents + Trade and other receivables, net/Current liabilities
[c] Net operating profit after tax + depreciation and amortization/Loans payable
[d] Loans payable/ Total equity
[e] Total assets/ Total equity
[f] Earnings before interest, taxes, depreciation and amortization/Interest expense
[g] Earnings before interest, taxes, depreciation and amortization/Current loan payable + Interest expense + Current lease liabilities
[h] Short-term and long-term bank borrowings less cash and cash equivalents/Earnings before interest, taxes, depreciation and amortization
[i] Net income attributable to ordinary equity holders of the Company/Weighted average number of ordinary shares
[j] Total equity less Preferred Equity/Total number of shares outstanding
[k] Net income attributable to owners of the Company/Average total assets
[l] Net income attributable to owners of the Company/Average total equity
[m]Net income/Revenue

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

Application of Proceeds from Shares Offering
As at and for the year ended December 31, 2022

Gross and net proceeds as disclosed in the Real Estate Investment Plan are as follows:

	Amount
Estimated gross proceeds	6,398,184,600
Estimated net proceeds	6,170,817,831

Actual gross and net proceeds are as follows:

		Amount
Gross proceeds		6,398,184,600
Initial public offering (IPO) expenses		(283,288,104)
Net proceeds		6,114,896,496
Less: Disbursements		
Costs incurred for the quarter ended March 31, 2022	870,158,551	
Costs incurred for the quarter ended June 30, 2022	1,481,087,613	
Costs incurred for the quarter ended September 30, 2022	1,196,171,264	
Costs incurred for the quarter ended December 31, 2022	574,903,623	
		4,122,321,051
Balance as at December 31, 2022		1,992,575,445

Breakdown of disbursements per project for each of the quarter ended are as follows:

	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	Total
AFAB Solar Rooftop	307,997,768	-	-	-	307,997,768
Arayat Mexico Solar Farm Phase 1	435,993,013	1,117,921,912	-	-	1,553,914,925
Arayat Mexico Solar Farm Phase 2	126,167,770	191,382,046	648,450,184	-	966,000,000
Batangas A Solar Farm	-	-	88,771,903	429,733,423	518,505,326
Batangas B Solar Farm	-	-	186,151,270	139,009,438	325,160,708
Isabela Run-of River Hydro	-	171,783,655	272,797,907	6,160,762	450,742,324
	870,158,551	1,481,087,613	1,196,171,264	574,903,623	4,122,321,051

CORPORATE INFORMATION

GRI 2 - 1

CORPORATE OFFICE

11th Floor, Rockwell Santolan Town Plaza
276 Bonny Serrano Avenue, Little Baguio
San Juan City, Philippines
+63 8255 4600

COMMON STOCK

The Company's common stock (CREIT) is listed and traded on the Philippine Stock Exchange.

SHAREHOLDER SERVICES AND ASSISTANCE

Professional Stock Transfer, Inc. is the Company's stock transfer agent registrar.

For matters concerning dividend payments, account status, lost or damaged stock certificates, or a change of address, please write or call:
10th Floor Telecom Plaza Building
316 Gil Puyat Avenue, Makati City
1209 Philippines
+632 687 4053

For inquiries or concerns from analysts, institutional investors, the financial community, customers, and the general public, please contact:
Katrina Marie Flores
Manager - Investor Relations
investorrelations@creit.com.ph
www.creit.com.ph

ACKNOWLEDGMENTS

Citicore REIT's 2022 Annual and Sustainability Report was made possible with the cooperation between the following teams:

Corporate Affairs and Branding
Finance and Accounting
Human Resources and Admin
Investor Relations
Legal and Regulatory
Procurement and Logistics
Solar Operations

Citicore Foundation Inc. (CFI)
Citicore Renewable Energy Corp. (CREC)
Citicore Fund Managers, Inc. (CFMI)
Citicore Property Managers, Inc. (CPMI)

Sustainability Consulting, Editorial, and Design by
DRINK Sustainability Communications
www.drinkph.com

CITICORE
ENERGY REIT