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S.E.C. Registration Number

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(Company's Full Name)

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

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| KEVIN JORDAN D. MENDOZA | | | | | | | | | | | | | | | | | | | |
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Contact Person

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| 8846-0209 | | | | | | | | | |
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Company Telephone Number

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FORM TYPE

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Month

Annual Meeting

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Secondary License Type, If Applicable

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Total No. of Stockholders

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Foreign

To be accomplished by SEC Personnel Concerned

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File Number

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Document ID

Cashier

STAMPS

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE REVISED SECURITIES ACT SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2022
2. SEC Identification Number 30939
3. BIR Tax Identification No. 000-058-330-0000
4. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
5. Metro Manila, Philippine
Province, Country or other jurisdiction
6. (SEC Use Only)
Industry Classification Code:
7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City
8. (02) 8846-2655
Registrant's telephone number, including area code
9. _____
Former name, former address and former year, if changed last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

| <u>Title of Each Class</u> | <u>Number of Shares</u> |
|----------------------------|-------------------------|
| Common | 75,000,000 |
| Special Common | 10,000,000 |
| Preferred | <u>10,000,000</u> |
| | <u>95,000,000</u> |

11. Are any or all of these securities listed on the Philippines Stock Exchange?

Yes ☒ No ☐

12. Check whether the registrant:

(a) has filed all reports required to be filed by section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a) thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s);

Yes ☒ No ☐

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

Yes ☒ No ☐

13. Aggregate market value of the stock held by non-affiliates:

| | |
|--|-------------------------------|
| Republic of the Philippines thru APT (PMO) (Preferred D) | 25,500,000 |
| Republic of the Philippines thru APT (PMO) | 79,271,024 |
| GSIS | 47,490,383 |
| Land Bank of the Philippines | 657,836 |
| Wellex Petroleum, Inc. | 17,216,276 |
| Universal Holding Corporation | 9,419,915 |
| Others | <u>20,389,325</u> |
| | |
| Total | 199,944,759 |
| Par Value | x 10.00 |
| | <u>₱ 1,999,447,590</u> |

Registration of Shares:

PNCC has 141,519,380 shares (99,444,759 common shares and 42,074,621 preferred shares) issued to different Government Financial Institutions in 1983. For purposes of registration of said shares, PNCC with Feria Law Offices as consultant filed its Amended Registration Statement on 15 August 2001. On December 19, 2001, SEC, under Resolution No. 429, Series of 2001 ruled that the equity securities of PNCC are exempt from registration requirements in accordance with Section 9.1 of the Securities Regulation Code.

EXHIBITS AND SCHEDULES

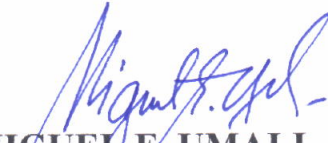
Exhibits and Reports on SEC Form 17-C

- (a) Exhibit – none
- (b) Reports on SEC Form 17 – C

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Parañaque on September 23, 2022.

By:


MIGUEL E. UMALI
President and CEO

SUBSCRIBED AND SWORN to before me this 26 SEP 2023 day of September 2023, in City of ATTY RP MANILA, affiant exhibiting to me his Government issued I.D. _____.

Doc. No.: 491
Book No. 2023 99
Page No. 444
Series of 2023

ATTY. RUBEE RUTH CAGASCA EVANGELISTA
Notary Public-City of Manila
Commission No. 2023-658 valid until 31 December 2023
Roll of Attorneys No. 66379
IBP Lifetime No. 015321/17 Jan 2018 IBP Manila
Tin # 205-260-146-002/PTR No. 0361107 / 03 JAN 2023
MCLE Compliance VII-0006228 valid until 14 April 2025



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

2022 ANNUAL REPORT

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Description of Business

Business Development

The Philippine National Construction Corporation (PNCC) is known for its vision, expertise and landmark projects and has been a distinguished partner in Philippine progress and economic development.

On November 22, 1966 as a consortium of well known contractor firms, it was originally incorporated under the name of Construction Development Corporation of the Philippines (CDCP) for a term of fifty (50) years. CDCP's entry into the construction field was a big break-away from tradition. For the first time, the concept of private financing for the construction of government infrastructure projects was introduced in the Philippines. Since its establishment, CDCP had constructed billions of pesos worth of engineering and construction projects. This covered a broad range of projects, from the construction of highways, bridges and industrial facilities and even land development.

On August 14, 1968, the 28 km. Manila North Expressway (MNEX), a fully fenced limited access highway consisting of a four-lane divided roadway was opened as a tollway facility, with CDCP managing its operations and maintenance. It was originally a project of the Department of Public Highways (now DPWH), but the completion of the major portion of the project fell on CDCP to pioneer the toll concept of funding infrastructure. It was carried out under the private financing scheme provided for under RA 3741. This first big success in public works construction gave way to CDCP's rise in the road building industry. The construction of the Manila South Expressway (MSEX), the second major roadway project completed by CDCP, was opened on December 16, 1969. It provided a vital artery to Southern Luzon stretching 15 kilometers from Makati to Alabang.

On March 31, 1977, PD 1113 granted CDCP the franchise to operate, construct, and maintain the above toll facilities for a period of 30 years. From May 1, 1977 these roadways already then called the North and South Luzon Tollways, were operated and maintained under the franchise granted to CDCP. The franchise expired on April 30, 2007.

While the terms of the franchise provided under PD 1113 for the North Luzon Expressway and the South Luzon Expressway which is thirty (30) years from May 1, 1977 shall remain the same, the franchise granted for the Metro Manila Expressway and all extensions, linkages, stretches and diversions that may be constructed after the date of approval of this decree shall also have a term of thirty (30) years commencing from the date of completion of the project. On December 22, 1983, PD 1894 was issued further granting PNCC a franchise over the Metro Manila Expressway (MME), and the expanded and delineated NLEX and SLEX. PNCC was granted the *"right, privilege and authority to construct, maintain and operate any and all such extensions, linkages or stretches, together with the toll facilities appurtenant thereto, from any part of the North Luzon Expressway, South Luzon Expressway and/or Metro Manila Expressway and/or to divert the original route and change the original end-points of the North Luzon Expressway and/or South Luzon Expressway as may be approved by the TRB."*

In 1981, in order to strengthen the financial structure of the Corporation, LOI 1136 was issued mandating the National Development Company (NDC) to invest the sum of ₱250 million in CDCP at par value.

In 1983, LOI 1295 was issued directing lender/guarantor government financial institutions to convert PNCC debts into equity in PNCC. However, only P1.4 billion of the estimated ₱7 billion debt was converted to equity and the balance of ₱5.5 billion remain unconverted due to Central Bank intervention.

The accomplished conversion in 1983 gave the Government a majority shareholding, and pursuant to this substantial change in ownership, the corporate name was changed from CDCP to Philippine National Construction Corporation (PNCC) in the same year. The increase in the company's capital stock was approved by SEC on December 7, 1983. By virtue of LOI 1136 and PD 1295, 76.96% of the PNCC's voting equity has been held by the then Asset Privatization Trust (APT), now the Privatization and Management Office (PMO). The APT was created on December 8, 1986 by virtue of Proclamation No. 50 that authorized the privatization program of government. The program is guided by the Committee on Privatization (COP) that was also created under Proclamation No. 50, and is now called the Privatization Council (PrC). As a result of the aforesaid APT holdings, only 12.09% of the Corporation's voting equity is considered as under private ownership. However, 24% of GSIS shares is considered private as it is owned by government employees and financed by the premiums they pay.

The Company's debt of ₱5.552 billion which remained unconverted to equity is treated as part of equity in the Company's books, instead of a liability with the interest and penalties unilaterally charged thereon by the PMO/BTr amounting to ₱62.641 billion and ₱60.907 billion as of December 31, 2017 and 2016, respectively, are not considered or taken up in the Company's books. The Company maintains the position that the account/amount shall be booked as equity and not as a liability (inclusive of interests and penalty charges). The assertion that the ₱5.552 billion should be part of equity is supported by a Supreme Court ruling that recognizes the validity of LOI 1295 confirming that the ₱5.552 billion is no longer a debt but equity. The Office of the Government Corporate Counsel, and a private firm engaged by PMO have concurred with this ruling. Pursuant to the mutual agreement between the Company and the PMO, the option/authority to convert the mentioned debt into equity was submitted to the Department of Justice (DOJ) on June 21, 2012 for arbitration. (Update on the case is detailed in page 29 of this report.)

From 1987 to 2001, PNCC still implemented selected construction projects, but this resulted in losses. Since 2002, the Corporation has refrained from actively engaging in the construction business, and focused more on the operation and maintenance of its tollways.

Earlier in 1995, PNCC entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into 3 portions, the North Luzon Expressway (NLEX), the Skyway, and the South Luzon Expressway (SLEX). The objective was to improve the manner by which the tollways were operated and maintained.

The NLEX JVA was entered into originally with First Philippine Infrastructure Development Corporation (FPIDC) together with Leighton Contractor Asia Ltd. and Egis Project Systems, which formed the JV company, Manila North Tollways Corporation (MNTC). The operation of the NLEX was officially turned over to MNTC on February 10, 2005, where PNCC had 20% shareholding. PNCC's inability to respond to succeeding capital calls limited its participation to 2.5% in MNTC. FPIDC was acquired by the Pangilinan (MVP) Group in November 2008. In the O&M company for NLEX, the Tollway Management Corp., however, PNCC is a 20% shareholder.

For the South Luzon Tollways, PNCC entered into a partnership with Indonesia's P.T. Citra Lamtoro Gung Persada to build the elevated toll road or Skyway System from Nichols to Alabang and to upgrade the at-grade portion for the same stretch. Citra Metro Manila Tollways Corporation (CMMTC) is the Joint Venture Company and concessionaire, and has been running these segments since 1999. The PNCC Skyway Corporation (PSC) originally managed the operation and maintenance of the Skyway System and its corresponding at-grade section, but due to operational inefficiencies, PSC suffered financial losses. The Skyway Operation and Maintenance Corporation (SOMCO) took over the operations and maintenance of the Skyway Systems in 2008. PNCC has 11% share in CMMTC (also diluted from 20%) and a 20% share in SOMCO, which up to this day remains unissued to PNCC because of legal disputes within CMMTC.

For the Alabang to Calamba stretch, PNCC entered into a JVA with the Malaysian Corporation, MTD Manila Expressways, Inc. (MTDME) under the corporate name of South Luzon Tollway Corporation (SLTC). Under this JVA, are the following South Luzon Expressway (SLEX) Projects: the rehabilitation and upgrading of the Alabang Viaduct; the expansion and rehabilitation of the Alabang to Calamba segment; and the construction of a 7.8 km. toll road extension from Calamba to Sto. Tomas, Batangas. The O&M company for the said stretch is the Manila Toll Expressway Systems, Inc. (MTESI). PNCC owns 20% of SLTC and 40% of MTESI.

San Miguel Corporation and its partner Citra Group of Indonesia had acquired an 80% indirect equity interest in SLTC and 60% in MTESI. The acquisition was made by its wholly-owned subsidiary San Miguel Holdings Corporation (SMHC) and Atlantic Aurum Inc., the joint venture corporation of SMHC and the Citra Group. SMHC has accepted the invitation of the Citra Group of Indonesia to invest in Atlantic Aurum Inc, the corporate vehicle of the Citra Group which has a controlling equity interest in CMMTC, the concession holder and operator of the Skyway project.

Although the original franchise of PNCC expired on April 30, 2007, the Toll Regulatory Board (TRB) issued a Toll Operations Certificate (TOC) dated April 27, 2007 to PNCC, for the continued Operation and Maintenance of the SLEX. The said authority from the TRB, pursuant to its powers under PD 1112, allowed PNCC to operate and maintain the SLEX and to collect toll fees, in the interim. The effective date of the TOC commenced on May 1, 2007, but in no case to exceed the date of substantial completion of the SLEX Project Toll Roads under the STOA dated February 1, 2006, or unless sooner revoked by the Board. On April 8, 2010, the TRB issued the Certificate of Substantial Completion for Project Toll Roads 1 and 2, and accordingly

issued the Toll Operation Permit (TOP) over the said Project Toll Roads to MATES. On May 2, 2010, the operation and maintenance of the SLEX was officially turned over to SLTC and MATES.

A Subscription Agreement was also executed by and among the Alabang-Sto. Tomas Development Inc. (ASDI), the NDC, and the PNCC on November 14, 2008, wherein PNCC subscribed to 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with par value of ₱1,000 per share) of ASDI. ASDI is a joint venture company between PNCC and NDC and incorporated to undertake the Daang Hari-SLEX connector road (DHSLRP). In 2009, as the construction activities of the DHSLRP was underway, PNCC infused additional equity to total ₱255 million, thereby increasing its ownership share to 51%.

On December 15, 2009, a Memorandum of Agreement (MOA) for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered into by and among the ASDI and PNCC. PNCC was designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and to implement of the design and construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX adjacent to the Susana Heights Interchange. The project was 25% complete when the DPWH, pursuant to its PPP mandate, took over the project for the purpose of bidding it out. The project was bid out and awarded to Ayala Corporation in the amount of ₱900M and ASDI was reimbursed in the amount of ₱353M representing its cost plus a premium for its efforts.

Meanwhile, pursuant to Executive Order No. 605 which directed all government agencies to install a Government-wide quality management program, and prior to the above turn-over to MATES, PNCC has acquired and maintained an ISO 9001 Certification to cover its expressway operations in the SLEX. The company, with the full support of its Board, adopted and implemented its Quality Management System Manual. On December 15, 2009, Stage 1 (Documentation) Certification Audit was conducted by a Certification Body, the SGS Philippines. Before the end of the first quarter of 2010, SGS Philippines, Inc. granted to PNCC the ISO 9001:2008 Quality Management System Certificate for Tollway Management. The certificate was valid from 18 March 2010 until 17 March 2013. In May 2018, the Management initiated the ISO Certification Project in fulfillment of one of the strategic measures in the Performance Scorecard required by the Governance Commission for GOCCs (GCG). The project included the documentation, implementation, maintenance and improvement of the Quality Management System to ISO 9001:2015 with its scope focused on the tollroad development business and realty management.

About the same period in *Ernesto B. Francisco vs. TRB, PNCC et. al.* (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of *Strategic Alliance Development Corporation vs. Radstock Securities Limited, et. al.* (G.R. No. 178158, December 4, 2009), the Supreme Court ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost. Consequently, this resulted in the latter's ownership of the toll fees and the net income derived, for the period starting May 1, 2007, from the toll assets and facilities, including PNCC's percentage share in the toll fees collected by the joint venture companies currently operating the tollways. This has adversely affected PNCC's entitlement to a share in the gross proceeds of the operation of the SLEX and dividends, if declared.

PNCC through the Office of Government Corporate Counsel (OGCC) filed a Motion for Clarification with the Supreme Court (SC) asking for definition of "Net Income". The SC resolved to grant the Motion of PNCC. In addition, it ordered the Toll Regulatory Board (TRB) with the assistance of Commission on Audit (COA) to formulate the Guidelines to determine what can be retained by PNCC to determine the Net Income to be remitted to NG. Due to inevitable delays and in fairness to PNCC, the TRB on 22 March 2012, issued "Interim Guidelines" that determined amounts to be remitted to the NG and PNCC "by the JV Companies in relation to the operation of the NLEX and SLEX projects respectively." Detailed discussion on revenue and dividend share from joint venture companies were described in Notes 27.3 of Audited Financial Statement (AFS), page 69 of AFS.

On May 3, 2011, the company and its partner for Skyway Toll Projects, CITRA Lamtoro Gung Persada, submitted to TRB an Updated Joint Venture Investment Proposal (UJVIP) for the Metro Manila Skyway (MMS) Stage 3 Project pursuant to one of the provisions of Supplemental Toll Operations Agreement dated November 27, 1995 as amended on July 18, 2007. The 14.8 kilometer Stage 3 Project starts from the existing Buendia interchange and will be extended and eventually connected to the North Luzon Expressway at Balintawak – EDSA Interchange. The Toll Regulatory Board (TRB) reviewed, evaluated and approved the UJVIP.

On January 9, 2012, a Supplement to the Business and Joint Venture Agreement (Supplement BJVA) was executed by the Company and CITRA which governs the implementation of the MMS Stage 3 Project and Stage 4 of the Project also known as Metro Manila Expressway (MME). The parties also executed the

Second Supplement to the Business Joint Venture Agreement (Second Supplement to BJVA) which contains the terms and conditions for the implementation of both MMS and MME.

On June 6, 2011, PNCC was placed under the supervision of Governance Commission on GOCCs or the GCG classified under “public utilities sector”, pursuant to R.A. 10149 or the “GOCC Governance Act of 2011”.

On September 6, 2012, the Restated Second Supplement to BJVA was executed which contains the entire agreement of the parties and embodies the final terms and conditions for MMS.

On November 12, 2012, following Section 1 of the Restated Second Supplement to BJVA, Citra Central Expressway Corporation (CCEC), the joint venture company, was incorporated as the vehicle to implement the financing, design, and construction of the MMS.

On September 26, 2013, the Supplemental Toll Operation Agreement (STOA) governing the design, construction, operation and maintenance of the MMS Stage 3 was approved by the Office of the President of the Philippines. Under the STOA, the Company is provided with 20% equity in CCEC, 10% is free carry and can never be diluted while the other 10% is to be paid for. In 2015, when the call was made for a capital increase investment in CCEC, the Company waived its subscription rights for the 10%. PNCC’s 10% investment in CCEC amounted to ₱1.240 billion as of December 31, 2022. The Company waived its right in the Operation and Maintenance (O&M) company in exchange for the shares in gross revenues. Pursuant to the STOA, the investor has been granted to perform the construction of this toll road for a term of thirty-six (36) consecutive months counted from the effectiveness of the Notice to Proceed (Section 5.08) while the construction of the Buendia-PUP Segment shall be for a term of twenty-eight (28) months counted from the effectiveness of the Notice to Proceed (Section 7.06). CCEC is now SMC Skyway Stage 3 Corporation.

On October 14, 2013, Executive Order No. 141 was issued transferring the Philippine National Construction Corporation from the Department of Trade and Industry (DTI) to the Office of the President (OP) of the Philippines.

In January 2014, the Restated Supplement to the BJVA for MME was executed. The MME or C6 Project or the Stage 4 of SMMS will stretch from Bicutan to San Jose Del Monte and then will connect to the proposed MRT7 Project which will extend to the NLEX. The toll road will have a length of 34.33 km. Patterned from the MMS Project, the Company is provided with 20% equity in Citra Intercity Tollways Inc. (CITI), the joint venture company incorporated as the vehicle to implement the financing, design, and construction of the MME. 10% of the CITI equity is free carry and can never be diluted. PNCC’s 10% investment in CITI amounted to ₱240.816 million as of December 31, 2022.

On August 11, 2014, the Supplemental Toll Operation Agreement (STOA) was approved by the Office of the President of the Philippines. Pursuant to the STOA, the investor has been granted to perform the construction of MME for a term of fifty-two (52) consecutive months counted from the effectiveness of the Notice to Proceed for Phase 1 (Section 5.07).

On October 17, 2016, a stockholders’ meeting was held where majority of the stockholders voted for the extension of corporate term of PNCC for another 50 years, which extension was approved by the President of the Philippines Rodrigo Roa Duterte on even date.

The Securities and Exchange Commission has issued the Certificate of Registration for the extension of the company’s corporate term for another 50 years on November 21, 2016.

Starting 2017, the Management with the support of the Board has accepted proposal from interested parties to construct and develop new toll roads utilizing PNCC’s franchise under P.D. 1894.

PNCC and San Miguel Holdings Corporation entered into a partnership to undertake the South Luzon Expressway-SLEX Toll Road 5 Project, which is a continuation of the SLEX Toll Road 4 from Santo Tomas Batangas to Lucena City. Qubex will be the extension of the South Luzon Expressway to Matnog, Sorsogon from Lucena City. The proposed project will have an indicative length of approximately 430 kilometers. It will be an alternative option of travel from Quezon and the Bicol Provinces. It hopes to decongest Andaya Highway and Pan-Philippine Highway, cut travel time from Manila to Naga by 2-3 hours, and to Matnog by 6 hours.

METRO MANILA SKYWAY STAGE 3 (MMSS3) PROJECT

A joint venture company was formed between San Miguel Holdings Corporation (SMHC) and the Philippine National Construction Corporation (PNCC) to carry out the Metro Manila Skyway Stage 3 (MMSS3) tollroad project which is an elevated expressway which starts from Buendia, Makati City to Balintawak, Quezon City and will be extended and eventually connected to the North Luzon Expressway (NLEX).

The project will connect the South Luzon Expressway (SLEX) and the North Luzon Expressway (NLEX) with a length of about 18.68 kilometers. The MMS Stage 3 elevated expressway intends to ease and decongest traffic through its designed access ramps and interchanges strategically located as follows: Buendia Avenue (South Super Highway, Makati City), Pres. Quirino Avenue (Malate, Manila), Plaza Dilao (Paco Manila), Nagtahan/Aurora Boulevard (Manila), E. Rodriguez Avenue (Quezon City), Quezon Avenue (Quezon City), Sgt. Rivera St. (Quezon City) and in the NLEX.

The construction implementation of the MMS Stage 3 is divided into five (5) sections as described below:

| Project Sections | | Approximate Length (km) |
|-------------------------|--|--------------------------------|
| Section 1 & 1a | Buendia/Makati to Quirino Ave./Plaza Dilao | 3.76 |
| Section 2a | Plaza Dilao to Tomas Claudio | 0.96 |
| Section 2a1 | Tomas Claudio to Old Sta. Mesa | 1.20 |
| Section 2b | Tomas Claudio to Aurora Blvd. | 3.93 |
| Section 3 | Aurora Blvd. to Quezon Avenue | 2.71 |
| Section 4 | Quezon Avenue to EDSA Balintawak | 4.46 |
| Section 5 | EDSA Balintawak to NLEX/Balintawak | 2.11 |
| Total Length | | 19.13 |

The MMSS3 was opened to the public on March 11, 2020. Sevilla Bridge opened to the public on August 17, 2020. Partial opening of Skyway Stage 3 to motorists for the main line from Buendia to Balintawak started on December 29, 2020. Inauguration and formal opening of Skyway Stage 3 was held on January 14, 2021. Its commercial operation commenced in July 2021.

METRO MANILA EXPRESSWAY (MME) STAGE 4 OR C-6 PROJECT

The Southeast Metro Manila Expressway Project is the Phase 1 of the C-6 Expressway, also known as Metro Manila Skyway Stage 4. It is a 32.67 km combination of mostly at-grade and elevated expressway stretching from Skyway FTI, Paranaque City all the way to Batasan Complex.

| Project Phase / Section | | Approximate Length (km) |
|--------------------------------|-------------------------------------|--------------------------------|
| Phase 1 | | |
| Section 1 | Skyway FTI to C5/Diego Silang | 2.39 |
| Section 2 | C5/Diego Silang to C6/Taguig | 3.20 |
| Section 3 | C6/Taguig to Ortigas Ave. Extension | 11.78 |
| Section 4 | Ortigas Ave. Ext. to Marcos Highway | 5.34 |
| Section 5 | Marcos Highway to Tumana Bridge | 6.90 |
| Section 6 | Tumana Bridge to Batasan Complex | 3.06 |
| Total Length | | 32.67 |

Phase 1 Project Description:

The Metro Manila Skyway Stage 4 or C-6 Phase 1 is a 2 x 3 lanes toll road project approximately 32.67 km in length that is intended to run from Skyway/FTI in Taguig City to Batasan Complex in Quezon City. The Project is divided into 6 Sections as follows:

1. Section 1: Skyway/FTI to C-5/Diego Silang

Section 1 connects to the existing Skyway at FTI and ends in C-5 with a total length of 2.39 km and all are elevated.

2. Section 2: C-5/Diego Silang to C-6/Taguig

The Section 2 of the project (C-5/Diego Silang to C-6/Taguig) designed alignment was changed and realigned due to Right of Way (ROW) issue. A conceptual design of the proposed realignment, transferring Section 2 of the SEMME project to pass along the Circumferential Road 5 (C-5/C.P. Garcia Ave.) and Pasig River from the original alignment that traverses residential areas in Brgy. Pinagsama in Taguig Ciy. The realignment will start from the end of Section 1 marked by the C-5 Interchange in the area of Pamayanang Diego Silang, and shall continue along C.P. Garcia Ave. towards the area of Kalayaan Ave., where it turns right coursing along Pasig River and continues until Circumferential Road 6 (C-6) in the area of Napindan in Taguig.

3. Section 3: C-6/Taguig to Ortigas Ave. Extension

Section 3 is mixed elevated and at-grade, which connects C-6/Taguig to Ortigas Avenue Extension in Taytay, passing through the Manggahan Floodway with a total length of 11.783 km including a 3.076 km viaduct.

4. Section 4: Ortigas Ave. Extension to Marcos Highway

Section 4 is at-grade and connects Ortigas Avenue Extension in Taytay to Marcos Highway in Antipolo, with a total length of 5.337 km.

5. Section 5: Marcos Highway to Tumana Bridge

Section 5 is at-grade and connects Marcos Highway in Antipolo to Tumana Bridge, with a total length of 6.90 km.

6. Section 6: Tumana Bridge to Batasan Complex

Section 6 is mixed elevated and at-grade which connects Tumana Bridge to the Batasan Complex with a total length of 3.055 km including 1.511 km viaduct.

Project Status as of December 31, 2022:

- Overall Percent Completion on Section 1 is 3.33%
- Detailed engineering Design for Section 1A Realignment was approved by TRB.
- Preconstruction Activities in Section 2A : Done inspection of seedlings for tree planting, planted trees along Libingan ng mga Bayani area
- The Detailed Engineering Design for Section 2 Realignment: Highway Drawings were approved by Independent Consultant
- Ongoing review and evaluation of structural and other drawings.

PASIG RIVER EXPRESSWAY (PAREx) PROJECT

The proposed Pasig River Expressway Project alignment runs from the west of Metro Manila, beginning at the areas of San Nicolas and Intramuros in Manila, where it connects R-10. It traverses along the Pasig River until Nagtahan Bridge, where it turns right along Quirino Avenue, and connects with Metro Manila Skyway Stage 3 (MMSS3) through the Plaza Azul. From MMSS3, the alignment continues along the Pasig River through a connection with MMSS3 alignment along San Juan River. The alignment then continues along the Pasig River and intersects with: (i) Epifanio Delos Santos Avenue (EDSA) in the area of Guadalupe in Makati and Boni in Mandaluyong and (ii) Circumferential Road 5 (C-5) in the areas of West Rembo in Makati and Bagong Ilog in Pasig. The alignment terminates at Circumferential Road 6 (C-6), where it connects with the South East Metro Manila Expressway in the area of Taytay in the province of Rizal.

The proposed Pasig River Expressway (PAREx) project is a two-directional elevated viaduct with 3 lanes in each direction. The estimated total length of the project is 19.365 kilometers and the entire alignment is divided into three (3) segments as follows:

| | Project Segments | Approximate Length (km) |
|-----------|--|--------------------------------|
| Segment 1 | Radial Road 10 (R10) to Metro Manila Skyway Stage 3 (MMSS3) / Plaza Azul | 5.74 |
| Segment 2 | Metro Manila Skyway Stage 3 (MMSS3) / San Juan River to Circumferential Road 5 (C-5) | 7.325 |

| | | |
|---------------------|---|---------------|
| Segment 3 | Circumferential Road 5 (C-5) to Metro Manila Skyway Stage 4 (MMSS4) / C-6 | 6.30 |
| Total Length | | 19.365 |

The proposed PAREx project interchanges and access points are strategically placed along the project alignment.

On November 11, 2019, the assignment of PNCC's usufructuary rights has been approved by the President of the Republic of the Philippines pursuant to the PNCC's franchise under Presidential Decree No. 1894.

On November 26, 2019, San Miguel Holdings Corporation (SMHC) and PNCC entered into a Business Joint Venture Agreement to undertake the proposed PAREx Project.

On March 14, 2022, the Supplemental Toll Operation Agreement covering the project was approved by the President of the Republic of the Philippines.

QUEZON - BICOL EXPRESSWAY (QUBEx/SOUTH LUZON TOLL ROAD 5) TR5 PROJECT

The Qubex or TR5 Project starts at the end point of the South Luzon Expressway Toll Road 4 at Brgy. Mayao, Lucena City, Quezon and ends at Matnog, Sorsogon near the Matnog Ferry Terminal. The total length of TR5 is approximately 417 kilometers, and the general route of the alignment is parallel to the existing Philippine National Railway, Maharlika Highway and Padre Burgos National Road or Quirino Highway.

The proposed SLEx Toll Road 5 will be an alternative option of travel from Quezon and the Bicol Provinces. It hopes to decongest Andaya Highway and Pan-Philippine Highway, cut travel time from Manila to Naga by 2-3 hours, and to Matnog by 6 hours.

The Supplemental Toll Operation Agreement was signed by TRB, San Miguel Corporation, O&M Corp. and PNCC on June 3, 2022. In a letter dated June 27, 2022 from the Executive Secretary Salvador Medialdea informed TRB that the STOA covering the project has been approved by the President of the Republic of the Philippines.

GREATER CAPITAL REGION INTEGRATED EXPRESSWAYS NETWORK PROJECT (GCREIN)

On 14 October 2019, a proposed project was submitted to PNCC by San Miguel Holdings Corporation (SMHC) to finance, design, construct, operate and maintain the Greater Capital Region Integrated Expressways Network (GCREIN) Project under Presidential Decree (P.D.) No. 1894 (otherwise known as the PNCC Franchise) through a Joint Venture.

The proposed GCREIN project is composed of three (3) components as follows:

1. Component 1: Northern Access Link
2. Component 2: Southern Access Link
3. Component 3: Central Access Link

1. Component 1: Northern Access Link

The proposed project is an airport access toll road to New Manila International Airport (NMIA). It starts from the Metro Manila Skyway Stage 3 in Balintawak and extending towards Valenzuela, Malabon, Navotas, Obando and Bulakan, approximately traversing the alignment of Tullahan and Muzon Rivers. The project will then pass through the perimeter of NMIA providing airport access, which will then exit towards the Provinces of Bulacan, Pampanga and Tarlac.

2. Component 2: Southern Access Link

The proposed project is an elevated expressway network with a total estimated length of 46.11 kilometers comprising of the Shoreline expressway and three (3) extensions, namely: Skyway stage 3 (SS3) C3-R10 Extension, Skyway Stage 3 (SS3) Quirino Extension, and Skyway Stage 3 (SS3) Buendia-EDSA Extension. Connecting Ramps shall be located at strategic areas along the alignments.

3. Component 3: Central Access Link

The proposed project is located along the Epifanio Delos Santos Avenue (EDSA) also known as Circumferential Road No. 4 (C-4) that traverses the center of Metro Manila in a circumferential direction.

The Project will traverse the whole stretch of EDSA beginning from a connection with Radial Road 10 (R10) at the mouth of Tullahan River in Navotas City and will terminate near SM Mall of Asia in Pasay City. The total length of the expressway is approximately 28.1 km.

On January 25, 2022, the President of the Republic of the Philippines approved the assignment of usufructuary rights over its franchise and recommended to rename the project to Greater Capital Region Integrated Expressways Network Project.

On May 6, 2022, the President of the Republic of the Philippines approved the Supplemental Toll Operation Agreement (STOA) covering the proposed Northern Access Link Expressway (NALEX) project while the STOA covering the proposed Southern Access Link Expressway project was approved on June 27, 2022.

Business Development and Description of Subsidiaries

PNCC has a number of subsidiaries legally in existence but have been inactive for years. These are wholly-owned subsidiaries namely the Traffic Control Products Corp. (TCPC), Tierra Factors Corp. (TFC), CDCP Farms, Inc. and PNCC Skyway Corp. Likewise, there are subsidiaries such as Land Management and Development Corp., Managerial Resources Corp., Manila Land Corp., San Ramon Ranch, Inc. and San Roque Ranch, Inc. where PNCC's investments are still carried in the books, but with no management files or records.

The Governance Commission for GOCC's (GCG), in its memorandum for the President of the Republic of the Philippines dated June 24, 2013, recommended the abolition of the five (5) subsidiaries of the Company, namely: 1) Alabang-Sto Tomas Development, Inc. (ASDI); 2) DISC Contractors, Builders and General Services, Inc. (DCBGSI); 3) Traffic Control Products Corporation (TCPC); 4) CDCP Farms Corporation (CDCP-FC), and Tierra Factors Corporation (TFC). Through a Memorandum from the Executive Secretary dated August 7, 2014, the GCG was informed that its recommendation to abolish PNCC subsidiaries had been approved by the President of the Republic of the Philippines, subject to pertinent laws, rules and regulations. Furthermore, GCG recommended the creation of a Technical Working Group (TWG) to coordinate the implementation of said abolition. The TWG shall be composed of the GCG, together with the representatives of the following government agencies, as regular members: 1) Department of Trade and Industry; 2) Securities and Exchange Commission, and 3) PNCC. Special members are composed of: 1) ASDI; 2) DCBGSI; 3) TCPC; 4) CDCP-FC, and 5) TFC.

On October 16, 2012, ASDI's corporate life was shortened up to December 31, 2012 pursuant to Board resolution No. BD-04-2014. On August 7, 2014, this Board resolution was revoked. Investment in ASDI was originally 255,000 common shares with a par value of ₱1,000 per share representing equity ownership of the Company at 51 per cent, with the remaining 49 per cent owned by the National Development Company (NDC). On December 9, 2015, ASDI liquidated 127,500 common shares of PNCC as part of its dissolution process paying PNCC ₱127.5 million. On December 15, 2016, the Company received ₱66.3 million as additional partial liquidation of its investment in shares of ASDI. ASDI has a pending collection balance of ₱4.2 million from DPWH.

On September 26, 2013, the abolition/dissolution of TCPC was approved per Board Resolution BD-006-2013. The conveyance of TCPC assets to PNCC has already been completed. Part of these assets has already been disposed through public bidding. The remaining undisposed assets are now being classified according to commodity classification for appraisal and for purposes of higher return upon sale.

On September 30, 2015, DCBGS was closed pursuant to DCBGS Shareholders' resolution dated August 7, 2015. On October 1, 2015, PNCC absorbed DCBGS functions. On January 18, 2016, the Board of Directors of DCBGS approved the shortening of its corporate life to January 31, 2016.

On September 30, 2015, Special Stockholders Meeting of TFC and CDCP-FC were held to dissolve these subsidiaries. Management is still awaiting the appointment of Directors for both companies in order to call for a Board Meeting to put into effect the closure of the two companies. Several letters has been sent to the GCG regarding this matter.

Except for the Corporation's investment in ASDI, a 100 percent impairment loss is provided for investments in inactive and non-operating subsidiaries and affiliates, as well as investments in the remaining active wholly-owned subsidiary, due to their incurrence of losses resulting in accumulated deficit.

Business Development of Affiliates

In compliance with the Supreme Court decision, the company has transferred and turned over the shares of stock in tollway joint venture companies through a Deed of Compliance to Transfer Shares of Stock to the National Government under Supreme Court Decision in G.R. Nos. 166910, 169917, 173630, and 183599.

The only joint venture company left to PNCC after the turn over to National Government is Citra Metro Manila Tollways Corporation (CMMTC) the joint venture company for Metro Manila Skyway System (SMMS) and the Operation and Maintenance Corporation for SMMS or Skyway Operation and Maintenance (SOMCO). These said JV was approved pursuant to Presidential Decree No. 1894, which expanded PNCC's original franchise by granting firstly, the further "right, privilege and authority to, construct, maintain and operate any and all such extensions, linkages or stretches, together with the toll facilities appurtenant thereto, from any part of the North Luzon Expressway, South Luzon Expressway as may be approved by the Toll Regulatory Board (TRB)"; and, secondly, the right to construct and operate the Metro Manila Expressway, also named as the "Metro Manila Tollway" (C-6).

Meanwhile, the Company now holds updated partnership with Citra Lamtoro Gung Persada for new toll road projects : the Metro Manila Skyway Stage 3 and Metro Manila Expressway or C6.

The projects will enable the Company to generate sufficient cash flow from dividends and revenue shares from the JV companies for the next 30 years.



SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) and **Skyway Operation and Maintenance**



Citra Metro Manila Tollways Corporation (CMMTC), a Joint Venture Company or the Investor Company was incorporated on 27 November 1995 to pursue the South Metro Manila Skyway Project (SMMS), i.e., the present at-grade level and Skyway stretching from Nichols to Alabang, southbound, and to Buendia, northbound. CITRA has a 30-year concession period which commenced in December 1998. Originally, PNCC owned 20% of CMMTC with ₱551 million infused as equity. As of 2008, however, following the exercise of pre-emptive rights to which PNCC issued a waiver, PNCC's equity participation was reduced to 11%. PNCC continues to hold two board seats in CMMTC.

In 2006, PNCC was able to secure a share of the gross revenues of the Skyway from CMMTC, similar to the arrangement with the MNTC of NLEX and SLTC of SLEX. This concession was secured in return for PNCC's willingness to dilute its shareholdings in CMMTC, as the latter raised financing for the Skyway II extension project.

In 2011, San Miguel Corporation (SMC) raised its stake in the toll road business by taking over the company which controls CMMTC. SMC through its wholly-owned unit San Miguel Holdings Corporation (SMHC) accepted the invitation of the Citra Group of Indonesia to acquire an initial 46% interest in Citra's Atlantic Aurum, Inc. which has a controlling interest in CMMTC. CCMTC was renamed to SMC Skyway Corporation in 2021.

Skyway O&M Corporation (SOMCO) is the operations and maintenance corporation for the Skyway section where PNCC has 20% participation. This, however, remains unissued because of legal difficulties with CMMTC. SOMCO was incorporated on December 12, 2007 and took over the O&M role from the PNCC Skyway Corporation on 31 December 2007.



SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corporation)

Citra Central Expressway Corporation (CCEC), a joint Venture Company between the Company and PT Citra Lamtoro Gung Persada, was incorporated on November 16, 2012 pursuant to Section 1 of the Supplement to Business and Joint Venture Agreement to be the vehicle to implement the financing, design and construction of the Metro Manila Skyway – Stage 3 (MMS).

Pursuant to the approved STOA of MMS, CCEC has a 30-year concession period to commence upon completion of the project.

The Company is provided with 20% equity in CCEC, 10% is free carry and can never be diluted while the other 10% is to be paid for.

On May 26, 2014, the Toll Regulatory Board (TRB) approved the change in the ownership of a majority of the shares of the capital stock of CCEC.

Upon execution of the Subscription Agreement on September 5, 2014, Stage 3 Connector Tollways Holdings Corporation (S3HC) became a majority stockholder of CCEC. The shareholder structure in CCEC is as follows: S3HC - 55%, PT Citra Lamtoro Gung Persada - 25% and PNCC – 20%.

In 2015, when the call was made for a capital increase investment in CCEC, the Company waived its subscription rights for the 10%. The initial 10% investment in CCEC amounted to ₱12.5 million.

The Company agreed to forego any equity participation in the Operation and Maintenance (O&M) company provided the latter remains a cost center and not a profit center. The Company is provided with one (1) permanent seat with one non-voting director to the Board of CCEC, regardless of its shareholdings. Membership in all Board Committees and Chairmanship of the Board Audit Committee is given to the Company.

The Company's share in gross revenues for the duration of the operation period is projected at ₱35.06 billion while the share in net profits is projected at ₱21.42 billion.

On the following dates, CCEC issued ten (10) percent "free-carry" equity shares (₱100 par value) as the Company's share in the joint venture company as follows : June 30, 2014 – 125,000 shares; September 15, 2014 – 275,000 shares, and December 1, 2016 – 5,800,000 shares. As of December 31, 2022, the company's share in SMC Skyway Stage 3 Corp. is 1,240,000,000

CCEC was renamed to SMC Skyway Stage 3 Corporation in 2021.



Citra Intercity Tollways, Inc.

Citra Intercity Tollways, Inc. (CITI) was incorporated on February 17, 2014, a joint Venture Company between the Company and PT Citra Lamtoro Gung Persada to be the vehicle to implement the financing, design and construction of the Metro Manila Expressway – C6 (MME).

Pursuant to approved STOA of MME, CITI has a 30-year concession period to commence upon completion of the project.

The Company is provided with 20% equity in CITI, 10% is free carry and can never be diluted while the other 10% is to be paid for.

On July 20, 2015, the Toll Regulatory Board (TRB) approved the change in the ownership of a majority of the shares of the capital stock of CITI.

The shareholder structure in CITI is as follows: SMC Infraventures, Inc. - 55%, PT Citra Lamtoro Gung Persada 25% and PNCC – 20%.

The Company agreed to forego any equity participation in the Operation and Maintenance (O&M) company provided the latter remains a cost center and not a profit center. The Company is provided with one (1) permanent seat with one (1) non-voting director to the Board of CITI, regardless of its shareholdings. Membership in all Board Committees and Chairmanship of the Board Audit Committee is given to the Company.

The Company's share in gross revenues for the duration of the operation period is projected at ₱43.86 billion while the share in net profits is projected at ₱27.21 billion.

On the following dates, CITI issued ten (10) per cent "free-carry" equity shares (₱100 par value) as the Company's share in the joint venture company as follows : March 9, 2016 – 400,000 shares and December 1, 2016 – 2,008,167 shares. As of December 31, 2022, the company's share in CITI stood at 240,816,700.



South Luzon Toll Road – 5 Expressway, Inc.

South Luzon Toll Road – 5 Expressway, Inc. was incorporated on April 10, 2019, as a joint Venture Company pursuant to Business and Joint Venture Agreement dated October 9, 2018 to implement the financing, design and construction of the Quezon-Bicol Expressway TR5 Project.

Pursuant to approved STOA of TR5 project, SLTR5EI has a 30-year concession period to commence upon completion of the project.

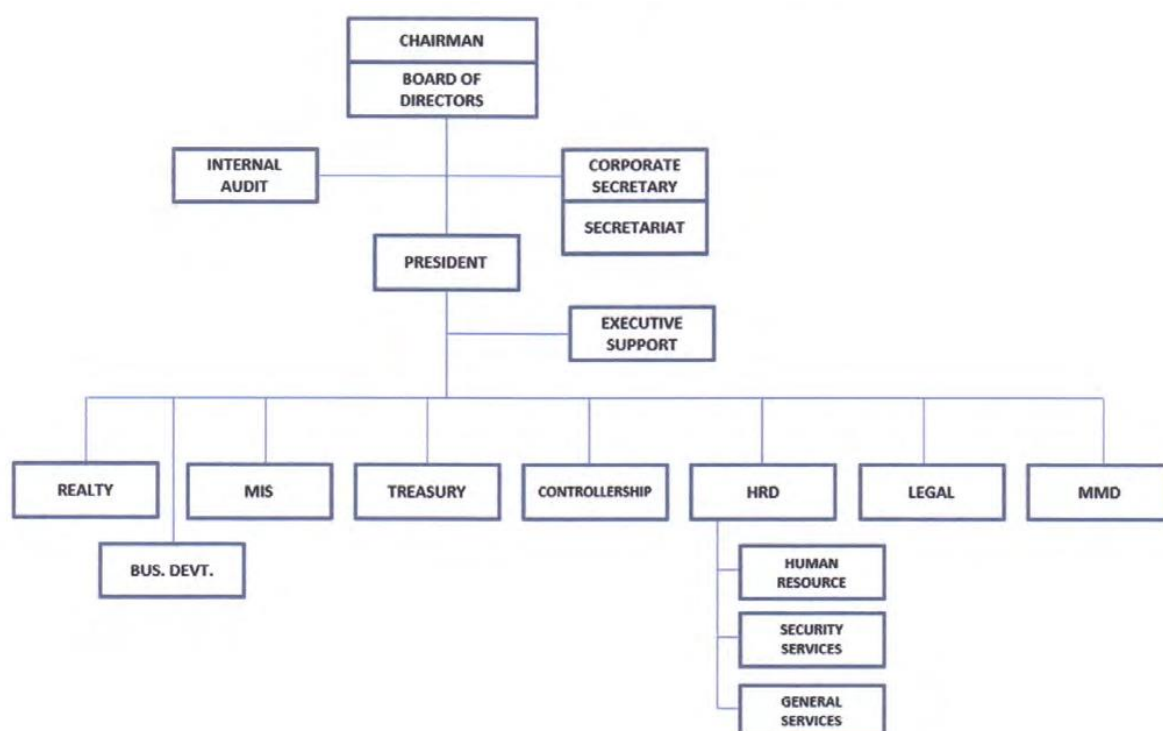
The Company is provided with 20% equity in SLTR5EI, 10% is free carry and can never be diluted while the other 10% is to be paid for.

The Company agreed to forego any equity participation in the Operation and Maintenance (O&M) company provided the latter remains a cost center and not a profit center. The Company is provided with permanent seat with 1 non-voting director to the Board of SLTR5EI, regardless of its shareholdings. Membership in all Board Committees and Chairmanship of the Board Audit Committee is given to the Company.

On the following dates, SLTR5EI issued ten (10) per cent "free-carry" equity shares (₱100 par value) as the Company's share in the joint venture company as follows : 5,000,000.

Organizational Setup for 2022

Table of Organization for 2022



Total Number of PNCC Employees Per Sector as of December 31, 2022.

| Sector | Regular | Probationary | Co-Terminus | Fixed Term | Project Employee | Total |
|--------------|-----------|--------------|-------------|------------|------------------|------------|
| Rank & File | 23 | 2 | | 254 | | 279 |
| Supervisory | 16 | 1 | | | | 17 |
| Manager | 9 | 1 | | | | 10 |
| Executives | 4 | | | | | 4 |
| TOTAL | 52 | 4 | | 254 | | 310 |

Enterprise Risk Management

Operational Risks

The company's Quality Management System (QMS) through its ISO Core Team have identified the risks that need to be addressed to 1] give assurance that the QMS can achieve its intended results; 2] enhance desirable effects; 3] prevent or reduce undesired effects, and 4] achieve improvement. The ISO Core Team together with Top Management hold a yearly planning session to address the actions to be undertaken on the identified risks. The identified risks on departmental level is summarized in the Risk Registry as required by the QMS in its Risks and Opportunities Management Procedure. Upon review of the ISO Core Team, the Risks Registry will be submitted to the President and CEO for approval and endorsement to the Board for adoption. The actions taken to address the risks had been integrated and implemented into the QMS processes.

Financial Risks

The Corporation's principal financial instruments comprise of cash and cash equivalents, restructured debt and advances to and from related parties. The main purpose of these financial instruments is to finance the Corporation's operations. The Corporation has various other financial assets and liabilities such as receivables and vouchers payable and accrued expenses (excluding statutory payables), which arise directly from its operations. The main risks arising from the Corporation's financial instruments are credit risk and liquidity risk. The Corporation's Board of Directors (BOD) and Management review and approve the policies for managing each of this risk.

Risk Oversight

The Audit Committee's function already includes the assessment and management of enterprise risks. As provided for in Section 16.3 of Code of Corporate Governance for the GOCC sector, it does not preclude the Governing Board of the GOCC from combining the functions of the committees into such combinations that will best serve the interest of the GOCC. The Audit and Finance Committees is in charge of laying down and supervising the control mechanism:

| Committee/Unit | Control Mechanism | Details of its Function |
|-------------------|---|--|
| Audit and Finance | Assist the Board in the development and oversight of the company's risk management program | Generally oversees the risk management process to be an integral part of planning and operations of the Company to meet corporate goals and objectives |
| | Assists the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process | Responsible for recommending the report of external auditors to the Board; monitor the system of internal controls |

Description of Properties

The list of Real Propertyas of December 31, 2022 are presented below:

| ITEM NO. | LOCATION | AREA (sq .m.) | REGISTERED OWNER | |
|------------|---|--|--|--|
| A. | BOOKED PROPERTIES: | | | |
| A.1 | PNCC PROPERTIES | | | |
| 1. | TAGOLOAN PROPERTY Bo. Casinglot, Tagoloan, Misamis Oriental | 20,687 13,785 16,380 1,065 5,316 3,387 60,620 | CDCP CDCP CDCP CDCP CDCP CDCP | The property is occupied by informal settler belonging to the San Vicente Village Homeowners Association (SVVHA) for almost 30 years already. The homeowners with the assistance of the LGU has offered to acquired the property through the Community Mortgage Program (CMP) which was approved by the Board in 2016. |
| 2. | BICUTAN PROPERTY ParanaqueCity | 107 54 27,762 5,123 33,046 | CDCP CDCP CDCP | The property will be directly affected by the implementation of the proposed North-South commuter Railway (NSCR) Extension Project and the Metro Manila Subway Project (MMSP) of the DOTr. |
| 3. | MABALACAT LOT Bo. Maisac, Mabalacat, Pampanga | 10,000 15,000 2,905 27,905 | CDCP CDCP CDCP | |
| 4. | TAGAYTAY PROPERTY Bo. Tolentino, TagaytayCity | 49,107 49,100 98,207 | CDCP CDCP | |
| 5. | ANTIPOLO PROPERTY <ul style="list-style-type: none"> VictoriaValley Subdivision Town & Country Estate Subd. | 840 850 958 741 680 701 10,000 14,770 | CDCP CDCP CDCP CDCP CDCP CDCP CDCP | |
| 6. | FINANCIAL CENTER AREA (FCA) Pasay City | 129,548 | R. P. | Portions of the property are being occupied by lessees with expired Contract of Lease. Ejectment cases filed by PNCC are still on-going court proceedings. Three (3) hectare portion of the property is being leased by Pcfic Concrete Products, Inc. (PCPI). Lease period : October 15, 2019 to October 14, 2045 (25 yrs) Monthly rental rate: ₱15,000,000.00 |

| | | | | |
|-----|---|---------|----------------------------|---|
| 7. | PORAC LOT Porac, Pampanga | 116,591 | PNCC | |
| | | 240 | CDCP | |
| | | 240 | CDCP | |
| | | 240 | CDCP | |
| | | 240 | CDCP | |
| | | 240 | CDCP | |
| | | 240 | CDCP | |
| | | 382 | CDCP | |
| | | 2,542 | | |
| 8. | STA. RITA PROPERTY (NLT Office) Sta. Rita, Guiguinto, Bulacan | 11,395 | PNCC | |
| | | 8,605 | | |
| | | 20,000 | | |
| 9. | BOCAUE REST AREA NLEX, Bocaue, Bulacan | 733 | CDCP | |
| | | 2,801 | CDCP | |
| | | 4,404 | CDCP | |
| | | 1,141 | CDCP | |
| | | 847 | CDCP | |
| | | 9,926 | | |
| 10. | MORONG LOT Morong, Rizal | 240 | PNCC | |
| | | 240 | PNCC | |
| | | 240 | PNCC | |
| | | 240 | PNCC | |
| | | 240 | PNCC | |
| | | 240 | PNCC | |
| | | 240 | PNCC | |
| | | 240 | PNCC | |
| | | 382 | PNCC | |
| | | 2,542 | | |
| 11. | GULOD RESORT CONDOMINIUM Nasugbu, Batangas Apartment 5-102 Apartment 5-302 | 34.65 | Land Bank | Two (2) studio type apartment units. For transfer to PNCC's name. |
| | | 34.65 | Land Bank | |
| | | 69.30 | | |
| A.2 | CDCP FARMS CORP. PROPERTIES | | | |
| 1. | TABANG PROPERTY Tabang, Guiguinto, Bulacan | 4,945 | CDCP Farms Corp. | |
| | | 678 | CDCP Farms Corp. | |
| | | 5,623 | | |
| B. | UNBOOKED PROPERTIES | | | |
| B.I | PNCC LISTED PROPERTIES | | | |
| 1. | PILILLA PROPERTY Pililla, Rizal | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 459 | M. de Jesus & P. Castalone | |
| | | 702 | M. de Jesus & P. Castalone | |
| | | 607 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 500 | M. de Jesus & P. Castalone | |
| | | 7,768 | | |

Legal Proceedings

1. *Asiavest Merchant Berhad vs. CA and PNCC*

G.R. No. 110263, Supreme Court

Date of Institution : July 14, 1988

Amount Involved: MYR5,200,000

This case involves the enforcement of a foreign judgment rendered against PNCC in Malaysia for guarantees it issued on various construction projects involving Malaysian Ringgit (MYR) 5,108,290.23. The Pasig City RTC and the Court of Appeals rendered decisions in favor of PNCC, dated October 14, 1991 and May 19, 1993, respectively.

In 2001, The Supreme Court (SC) rendered a decision reversing the decision of the Court of Appeals and ordered the payment of the foreign award. In 2002, the Pasig RTC issued a Writ of Execution, and which was partially satisfied but PNCC later asked for its temporary suspension by moving to quash the writ because of: (a) change of the party's status making the execution inequitable; and, (b) the claim has already prescribed under Malaysian laws. In 2015, the RTC finally denied PNCC's Motion to Quash, including the subsequent Motion for Reconsideration. PNCC has since filed a Petition for Certiorari which is pending in the Court of Appeals.

In April 2016, AMB's counsel filed for Ex-Parte Motion for Issuance of Alias Writ of Execution to enforce the 2002 Writ of Execution. PNCC has since opposed it, prompting AMB to file its Urgent Motion to Resolve.

On 18 December 2017, the CA denied the Petition.

In view of the foregoing, the Company, through its legal counsel, OGCC, shall continue to exhaust all legal options provided by law.

2. *Asiavest Merchant Bankers (M) vs. PNCC*

G.R. No. 172301, Supreme Court

CA-GR CV No. 50948, Court of Appeals

Civil Case No. 64367, RTC Pasig Branch 153

Date of Institution: April 12, 1994

This case arose after Asiavest-CDCP Sdn. Bhd. (Asiavest-CDCP), a corporation organized by both CDGP (now PNCC) and Asiavest Holdings (M) Sdn. Bhd. (Asiavest Holdings), which acted as PNCC's subcontractor in Malaysia, failed to complete the project in Malaysia. Asiavest Merchant Bankers (M) Berhad (AMB), which provided various guarantees and bonds to PNCC in connection with the construction contracts in Malaysia, thus sought reimbursement of the surety bond the former paid to the State of Pahang (Malaysia). The amount involved is Malaysian Ringgit (MYR) 3,915,053.54.

On April 12, 1994, AMB instituted the case before the Pasig City Regional Trial Court (RTC). PNCC through its legal counsel, Office of the Government Corporate Counsel (OGCC), had filed four (4) motions for extension of time to file answer and/or any responsive pleading. However, PNCC was not able to file its Answer to the Complaint because the transactions were executed in Malaysia and the documents were not then immediately available. Thus a judgment by default was rendered by the trial court. Efforts were made towards lifting of the default order and reconsideration of the decision, but the same were denied.

PNCC appealed the case to the Court of Appeals but was dismissed in its Decision dated June 10, 2005. A Motion for Reconsideration was filed but the same was denied.

A Petition for Review on Certiorari was filed before the Supreme Court which eventually decided against PNCC last April 4, 2016. On April 6, 2016, OGCC received a Motion for issuance of Alias Writ of Execution filed by AMB with the RTC.

On April 16, 2016, PNCC filed its opposition thereto arguing that the subject claim should be filed first with COA before a Writ of Execution can be issued by the RTC.

On 21 February 2017, OGCC, received a Motion for the Issuance of Entry of Judgment.

On 6 March 2017, OGCC received the 3 November 2016 Entry of Judgment that the 19 August 2015 Decision become final and executory.

On 03 May 2021, PNCC received a Petition for Money Claims filed with COA by Asiavest Equity SDN BHD (in Members' Voluntary Liquidation) allegedly formerly known as Asiavest Merchant Bankers (M) Berhad. PNCC, through OGCC, filed its Answer to the petition on 30 June 2021.

3. PNCC vs PMO (OP Case No. 15-G-186)
(OSJ Case 02-2012)
PNCC vs NDC (OGCC ARB Case 001-2000)

Claim of PMO that amounts to ₱5.55 billion. PNCC's debt remains unconverted as it is the Company's position, as supported by the Office of the Solicitor General (OSG) opinion dated August 23, 2007, that based on LOI 1295, which was a special law promulgated to rehabilitate the Company, the debts have effectively been converted to equity and therefore, should no longer incur interest charges.

On the other hand, the PMO, still considers these unconverted debts as liabilities, claiming the total amount of ₱57.919 billion as of December 31, 2015, inclusive of accumulated interest charges and penalties amounting to ₱52.407 billion.

These ₱ 5.2.407 billion accumulated interest charges and penalties have not been recognized in the books of the Company based on the following reasons:

- The Supreme Court (SC) itself had recognized the validity of LOI 1295 and that it still legally exists today;
- The failure to convert all debts to equity is considered an administrative matter;
- The ₱5.55 billion is not a debt but simply represents unissued shares of stocks awaiting actual conversion to equity pursuant to LOI 1295 and, as such, continued imposition of interest and penalties is not warranted.

The above position of the Company is supported by the OSG and the Office of the Government Corporate Counsel (OGCC).

In view of the differences on the treatment of the ₱5.55 billion unconverted debt to equity, PNCC and the PMO have resolved to submit the matter to the DOJ for arbitration. The DOJ in its February 18, 2014 consolidated decision dismissed PNCC's Petition against PMO. PNCC filed a Motion for Reconsideration dated March 13, 2014, duly received at the DOJ on March 14, 2014. PNCC prayed that the DOJ consider the consolidation of decision as not proper and for the DOJ to decide on the NDC case separately from the PMO.

- Render judgment declaring that the interest and penalty charges being imposed by PMO on the actual outstanding debt of PNCC to the NG is without basis and violate LOI 1398;
- Declare that PNCC's outstanding debt to the NG is only in the amount of ₱5.55 billion, representing the amount of the unconverted debt-to-equity obligation to the GFIs; and
- Require or direct the debt-to-equity conversion of the ₱5.55 billion debt of PNCC pursuant to the clear and explicit instructions under LOI 1295.

On January 22, 2015, the DOJ denied PNCC's MR. Thereafter, PNCC filed a Supplement to the MR on May 28, 2015 which was also denied by the DOJ in its order dated July 13, 2015. On June 26, 2015, PNCC filed a Notice of Appeal with the Office of the President of the Philippines (OP) and filed the corresponding Appeal Memorandum on July 27, 2015, where the matter is now pending.

The Office of the President (OP) decided the case on 19 May 2022. It affirmed the decision dated 18 February 2014 and Resolution dated 22 January 2015 of the Secretary of Justice in the case OSJ Case 02-2012 and OGCC Arb. Case No. 00-2000. PNCC timely filed a Motion for Reconsideration (MR) on 22 July 2022. Awaiting action of the Office of the President on the MR.

Securities of the Registrant

Market Price of and Dividends on Registrant's Common Equity and Related Stockholders' Matters

Market Information

Registrant's 174,444,759 common shares are listed with the Philippine Stock Exchange. The Registrant was listed on 13 March 1974.

Trading of shares was suspended on May 16, 2008, for this reason, no transaction was recorded for the last three (3) years. Last transaction date was on April 9, 2008, last closing price at ₱4.90 per share.

The Board of Directors did not declare dividends in the last three (3) years. Such action of the Board is supported by Article XI, Section 11.01 of the Amended By-Laws of the Company which provides that *"Dividends maybe declared annually or oftener as the Board of Directors may determine. The Board may declare dividends only from the surplus profits of the Corporation."*

A detailed discussion on this matter can be found on Notes 24 of AFS, page 65 of AFS.

TOP TWENTY (20) COMMON SHAREHOLDERS OF PNCC as of December 31, 2022

| <u>Shareholder</u> | <u>No. of Shares</u> | <u>% of Ownership</u> |
|---|--------------------------|---------------------------|
| Republic of the Philippines Through the Asset Privatization Trust | 79,271,024 | 45.44 |
| Government Service Insurance System | 47,490,383 | 27.22 |
| Wellex Petroleum, Inc. | 17,215,976 | 9.86 |
| PCD Nominee Corporation – Filipino | 11,860,578 | 6.79 |
| Universal Holdings Corp. | 9,419,915 | 5.39 |
| Cuenca Investment Corp. | 17,356,774 | 9.94 |
| Land Bank of the Philippines | 657,836 | 0.37 |
| Unigrowth Development Corporation | 630,625 | 0.36 |
| Benito, Vicente S. | 588,000 | 0.33 |
| Gow, Jimmy N. | 274,000 | 0.15 |
| Cruz, F.F. & Co., Inc. | 252,630 | 0.14 |
| Blue Chip Asset, Inc. | 244,700 | 0.14 |
| Adachi, Sueo - Foreign | 184,025 | 0.10 |
| Chung, Felix | 173,900 | 0.09 |
| Alpapara, Johnson | 170,000 | 0.09 |
| Go, Le Khim | 150,000 | 0.08 |
| Benpres Corporation | 140,000 | 0.08 |
| Cruz, Felipe F. | 135,993 | 0.07 |
| Motelibano A. Hijos, Inc. | 120,750 | 0.06 |
| Carnet Machineries & Invest. Corp. | 119,842 | 0.06 |
| Total No. of Shareholders : 4,830 | | |
| The Privatization Management Office (PMO) holds PNCC's 25,500,000 preferred "D" shares which are also voting shares of the company. This translates to 12.75% of all voting shares. | | |

Dividends

Dividends may be declared annually or often as the Board of Directors may determine. The Board may declare only from the surplus profits of the Company.

With the approval of the stockholders representing two-thirds (2/3) of all the outstanding capital stock entitled to vote, given at a general meeting or at a special meeting duly called for the purpose, the Board may declare that dividends are paid in stock.

The cumulative preferred shares are those that are entitled to any dividends not declared in the prior period (dividends in arrears) such that when dividends are declared in the current period, the dividends in arrears are to be satisfied first.

Dividends (in arrears) on cumulative preferred shares are not recognized in the books due to the Board of Directors' non-declaration of dividends. For purposes of the required disclosure in the financial statements, the dividends in arrears (computed from 2007 to 2022) are as follows:

| Name of Stockholder (a) | Class of Stock (b) | Shareholdings (c) | Undeclared Dividend (b x c x 16 yrs) |
|---|---|----------------------|---|
| Republic of the Philippines through APT | Preferred B (8% - 17%, cumulative, non-participating, non-voting) | 150,000,000 | 192,000,000 |
| Marubeni | Preferred B (8% - 17%, cumulative, non-participating, non-voting) | 36,895,000 | 47,225,600 |
| Republic of the Philippines through APT | Preferred C (14%, cumulative, non-participating, non-voting) | 64,851,210 | 145,266,710 |
| Republic of the Philippines through APT | Preferred B (8%, cumulative, non-participating, voting) | 255,000,000 | 326,400,000 |
| | | 506,746,210 | 710,892,310 |

The above dividends in arrears are not recognized as liabilities because there is no obligating event yet.

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There is no sale of unregistered or exempt securities in 2022.

Description of Registrant's Securities

Common or Preferred Stock

The discussion of this item is detailed in pages 63 to 65, Note 24 of Audited Financial Statements.

Debt Securities

There is no debt securities to be registered in 2022.

Stock Options

There is no stock options to be registered in 2022.

Securities Subject to Redemption or Call

There is no securities subject to redemption or call in 2022.

Market Information for Securities Other Than Common Equity

There is no other class of securities being registered for public trading.

Financial Information

Management's Discussion and Analysis or Plan of Operation

Management's Discussion and Analysis for Each of the Last Three Fiscal Years

Year End 2022 vs. Year End 2021

Results of Operations

Revenue. Revenue for the year ended December 31, 2022 stood at ₱359.099 million, higher by 85.86% or ₱165.892 million compared to ₱193.207 million for the year ended December 31, 2021. The increase was attributable to the increase in JV Revenue Shares, Rental Income and supply of manpower to SOMCO.

Cost of Services. Cost of services account increased by 65.65% or ₱29.090 million from ₱44.311 million for the year ended December 31, 2021 to ₱73.401 million for the year ended December 31, 2022 due to increase in manpower supply from 204 to 261.

General and Administrative Overhead. Overhead account increased by 9.54% or ₱7.386 million from ₱77.426 million for the year ended December 31, 2021 to ₱84.812 million for the year ended December 31, 2022 due to the accrual of Terminal Leaves of SOMCO employees and increases in Maintenance and Other Operating Expenses such as Travelling Expenses (Local), Gasoline and Oil, Utilities Expenses, Legal Services, Other Professional Services, Security Services and Repairs and Maintenance.

Income from Operation. Income from operation for the year ended December 31, 2022 increased by 136.90% or ₱158.507 million from ₱115.781 million as of December 31, 2021 to ₱274.288 million for the year ended December 31, 2022. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱64.825 million for the year ended December 31, 2022 compared to ₱3.341 billion for the restated year ended balance of December 31, 2021. The 98.06% decrease was mainly due to the gain from changes in Fair Value of Investment Property in 2021.

Comprehensive Income (Loss). Net Comprehensive Income for the year ended December 31, 2022 amounted to ₱68.099 million compared to the net income of ₱4.062 billion for the year ended December 31, 2021. The variance was mainly due to the gain from changes in Fair Value of Investment Property brought about by appraisal of Investment Property in 2021.

Financial Position

Current Assets. Current assets increased by 14.59% or ₱305.559 million from ₱2.095 billion as of December 31, 2021 to ₱2.401 billion as of December 31, 2022 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.20% or ₱233.567 million from ₱10.599 billion as of December 31, 2021 to ₱10.832 billion as of December 31, 2022 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and inter-agency payables.

Stockholder's Equity. Stockholder's Equity as of December 31, 2022 totalled ₱22.854 billion vis-à-vis the stockholders' equity as of December 31, 2021 in the amount of ₱22.789 billion. The increase in the account is attributable to the comprehensive income in 2022.

Presented hereunder is the discussion of the Company's key performance indicators:

| Performance Indicators | As of | | Explanation |
|--|------------|-----------------------------|---|
| | 12/31/2022 | 12/31/2021 (As Restated) | |
| Current/Liquidity Ratios | | | |
| Current Ratio (Current Assets Divided by Current Liabilities) | 0.22 | 0.20 | <p>This ratio evaluates the ability of the company to pay its current debt promptly.</p> <p>Current ratio of 0.22 as of December 31, 2022 slightly increased from 0.20 as of December 2021 due to cash inflows provided by operating activities.</p> |
| Solvency Ratios | | | |
| Debt to Assets (Total Liabilities Divided by Total Assets) | 47.47% | 47.26% | <p>Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.</p> <p>The ratio increased from 47.26% as of December 31, 2021 to 47.47% as of December 31, 2022 brought mainly by the accrual of the 2% penalty charges on unpaid concession fees.</p> |
| Debt to Equity (Total Liabilities Divided by Total Equity) | 90.36% | 89.59% | <p>Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business.</p> <p>The ratio increased from 89.59% as of December 31, 2021 to 90.36% as of December 31, 2022 was brought by the accrual of the 2% penalty charges on unpaid concession fee to the Toll Regulatory Board (TRB) and the corresponding comprehensive income in 2022.</p> |
| Asset to Equity Ratio (Total Assets Divided by Total Equity) | 190.36% | 189.59% | <p>Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.</p> <p>The increase in ratio from 189.59% as of December 31, 2021 to 190.36% as of December 31, 2022 was due to the comprehensive income in 2022.</p> |
| Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty) | 1.26 | 16.74 | <p>Determines how easily a company can pay interest on outstanding debt.</p> <p>The ratio decreased from 16.74 as of December 31, 2021 to 1.26 as of December 31, 2022 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2021.</p> |
| Profitability Ratios | | | |
| Return on Assets (Net Income (Loss) Divided by Total Assets) | 0.16% | 9.40% | <p>Measures the Company's earnings in relation to all the resources it had at its disposal.</p> <p>The ratio of 9.40% as of December 31, 2021 vis-à-vis the ratio of 0.16% as of December 31, 2022 was the outcome of the income recognition of ₱68.099 million for 2022 as compared with the recognized comprehensive income of ₱4.062 billion for the year ended 2021 due to the recognition of the gain in change in fair value of investment property in 2021 in the amount of ₱ 3.302 billion.</p> |
| Return on Equity (Net Income (Loss) Divided by Total Equity) | 0.30% | 17.82% | <p>Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital.</p> <p>The decrease in the ratio from 17.82% to 0.30% is attributable to the increase in stockholder's equity as a</p> |

- (i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.
 - i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.
 - i.b Pending labor cases which consists of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).
 - i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 37 of the 2022 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.
 - i.d Pending assessments on deficiency taxes. Discussion is contained under Note 36 of the 2022 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing and corporate restructuring in 2001 and has been pursued gradually until this year. Also, the Company will continue to pursue and invigorate its revenue share from Joint Venture Companies, earnings from leased FCA property, and the contracted participation in the Joint Venture's C6 Projects, Pasig River Expressway (PAREX) Project, Quezon-Bicol Expressway (QUBEX)/ South Luzon Toll Road 5 (TR5) Project and Greater Capital Region Integrated Expressway Network (GCRIEN) project. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway of C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF. Discussion in detail, is presented under Note 3 of the 2022 Audited Financial Statements.

- (ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, pending assessments on tax deficiencies and contingent liabilities with respect to claims and lawsuits from Asiavest Merchant Bankers and Superlines Transportation Co. Inc.

- (iii) There are no material off-balance sheet transactions, arrangements.
- (iv) There are no material commitments for capital expenditures.
- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
 - v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

- v.b. The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.
- v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.
- v.d. The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC(now NLEX Corporation) gross revenue; 10% of 3.5% share on the CMMTC (now SMC Skyway Corporation) gross revenue; 10% of 3.00% share on the SLTC (now SMC SLEX, Inc.) gross revenue; and 100% of 2.5% share on the CCEC(now SMC Skyway Stage 3 Corporation) gross revenue. It also receives 10% dividend in the equity share from CMMTC(now SMC Skyway Corporation).

- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
- (viii) **Material changes to the Company's Statement of Financial Position as of December 31, 2022 compared to December 31, 2021 (increased/decrease of 5% or more)**

Cash decreased by ₱36.619 million or 68.24% from ₱53.659 million as of December 31, 2021 to ₱17.040 million as of December 31, 2022 due to the cash flows used in Company's operating activities and investing activities.

Short term investment increased by ₱410.211 million or 27.62% from ₱1.485 billion as of December 31, 2021 to ₱1.895 billion as of December 31, 2022 due to the cash inflows from operating activities.

Accounts Receivable decreased by ₱75.048 million or 14.30% from ₱524.928 million as of December 31, 2021 to ₱449.881 million as of December 31, 2022 mainly due to the collection of accounts receivable – trade and rental at Financial Center Area (FCA).

Inventories - decreased by ₱0.730 million or 24.06% from ₱3.036 million as of December 31, 2021 to ₱2.305 million as of December 31, 2022 due mainly to the decrease in Office Supplies, Fuel and Oil and Materials Inventory.

Financial Liabilities – Accounts Payable increased by ₱4.254 million or 19.48% from ₱21.833 million as of December 31, 2021 to ₱26.086 million as of December 31, 2022 due to unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency payable increased by ₱8.447 million or 225.16% from ₱3.752 million as of December 31, 2021 to ₱12.198 million as of December 31, 2022 due to increases in income tax payable, SSS, Philhealth and HDMF liabilities.

Deferred credits/Uneraned Revenue/Income decreased by ₱35.103 million or 28.01% from ₱125.341 million as of December 31, 2021 to ₱90.238 million as of December 31, 2022 mainly due to the

application of advance rental on the lease of FCA property vis-à-vis the decrease in the recognized value added tax on the sale of services.

Material changes to the Company's Statement of Income for the year ended December 31, 2022 compared to the year ended December 31, 2021 (increase/decrease of 5% or more)

Service Income increased by ₱34.313 million or 63.02% from ₱54.448 million as of December 31, 2021 to ₱88.761 million in December 31, 2022 mainly due to increase in the supply of manpower to Skyway O&M Corporation.

Business Income increased by ₱177.702 million or 76.34% from ₱232.791 million as of December 31, 2021 to ₱410.492 million as of December 31, 2022 due to increases in Rental, Dividend, Interest Income and share in JVs Revenue.

Gains decreased by 100.00% or ₱3.302 billion from ₱3.302 billion as of December 31, 2021 to ₱0.003 million as of December 31, 2022 mainly due to the recognition of the gain in change in fair value of investment property in 2021.

Maintenance and Other Operating Expenses increased by 21.54% or ₱5.946 million from ₱27.602 million for the year ended December 31, 2021 to ₱33.548 million for the year ended December 31, 2022 due to the increase in Supplies, General Services, Taxes/Duties and Licenses, transportation and Professional Services.

Cost of Services increased by 65.65% or ₱29.090 million from ₱44.311 million for the year ended December 31, 2021 to ₱73.401 million for the year ended December 31, 2022 due to the increase in the supply of manpower to Skyway O&M Corporation.

Non-cash Expenses decreased by 69.10% or ₱8.755 million from ₱12.670 million for the year ended December 31, 2021 to ₱3.914 million for the year ended December 31, 2022 due to the recognition of impairment losses on receivables, inventories and other investment in 2021.

Comprehensive Income (Loss) decreased by 98.32% or ₱3.994 billion from ₱4.062 billion for the year ended December 31, 2021 to ₱68.099 million for the year ended December 31, 2022 due to the recognition of gain in change in fair value of investment property in 2021.

Year End 2021 vs. Year End 2020

Results of Operations

Revenue. Revenue for the year ended December 31, 2021 stood at ₱3.591 billion, higher by 1580.90% or ₱3.377 billion compared to ₱213.624 million for the year ended December 31, 2020. The increase was mainly attributable to the gain from changes in Fair Value of Investment Property in 2021.

Cost of Services. Cost of services account increased by 5.56% or ₱2.266 million from ₱40.766 million for the year ended December 31, 2020 to ₱43.033 million for the year ended December 31, 2021 due to increase in manpower supply from 168 to 204.

General and Administrative Overhead. Overhead account increased by 5.64% or ₱4.797 million from ₱85.102 million for the year ended December 31, 2020 to ₱89.899 million for the year ended December 31, 2021 due to the recognition of impairment losses on receivables, inventories and other investment.

Income from Operation. Income from operation for the year ended December 31, 2021 increased by ₱3.370 billion, higher by 3837.97% or ₱3.458 billion as of December 31, 2021 compared to ₱87.810 million as of December 31, 2020. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱1.533 million for the year ended December 31, 2021 compared to the amount of ₱1.309 million for the restated year ended balance of December 31, 2020. The 17.12% increase was mainly due to the income from reasonable use of property at FCA property.

Comprehensive Income (Loss). Net Comprehensive Income for the year ended December 31, 2021 amounted to ₱.063 billion compared to the net loss of ₱170.192 million for the year ended December 31, 2020. The variance was due to the changes in Fair Value of Investment Property brought about by appraisal of Investment Property in 2021.

Financial Position

Current Assets. Current assets increased by 14.58% or ₱255.750 million from ₱ 1.755 billion as of December 31, 2020 to ₱2.011 billion as of December 31, 2021 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.61% or ₱267.724 million from ₱10.239 billion as of December 31, 2020 to ₱10.506 billion as of December 31, 2021 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and inter-agency payables.

Stockholder's Equity. Stockholder's Equity as of December 31, 2021 totalled ₱22.707 billion vis-a-vis the stockholders' equity as of December 31, 2020 in the amount of ₱18.056 billion. The increase in the account is attributable to the comprehensive income in 2021.

Presented hereunder is the discussion of the Company's key performance indicators:

| Performance Indicators | As of | | Explanation |
|--|------------|-----------------------------|---|
| | 12/31/2021 | 12/31/2020 (As Restated) | |
| Current/Liquidity Ratios | | | |
| Current Ratio (Current Assets Divided by Current Liabilities) | 0.19 | 0.17 | This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.19 as of December 31, 2020 slightly increased from 0.17 as of December 2020 due to cash inflows provided by operating activities. |
| Solvency Ratios | | | |
| Debt to Assets (Total Liabilities Divided by Total Assets) | 47.34% | 53.67% | Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio increased from 53.67% as of December 31, 2020 to 47.34% as of December 31, 2021 brought by the changes in fair value of investment property as offset by accrual of the 2% penalty charges on unpaid concession fees. |
| Debt to Equity (Total Liabilities Divided by Total Equity) | 89.91% | 115.83% | Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio of 115.83% as of December 31, 2020 vis-à-vis the ratio of 89.91% as of December 31, 2021 resulted mainly from the comprehensive income in 2021. |
| Asset to Equity Ratio (Total Assets Divided by Total Equity) | 189.91% | 215.83% | Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The increase in ratio from 215.83% as of December 31, 2020 to 189.91% as of December 31, 2021 was due to the comprehensive income in 2021 . |
| Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty) | 13.40 | 0.34 | Determines how easily a company can pay interest on outstanding debt. The ratio increase from 0.34 as of December 31, 2020 to 13.40 as of December 31, 2021 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2021. |

| | | | |
|---|--------|--------|--|
| Profitability Ratios | 9.42% | -0.44% | Measures the Company's earnings in relation to all the resources it had at its disposal. |
| Return on Assets (Net Income (Loss) Divided by Total Assets) | | | The ratio of 9.42% as of December 31, 2021 vis-à-vis the negative ratio of 0.44% as of December 31, 2020 resulted from the incurrence of loss of ₱170.192 million for 2020 compared with the recognized comprehensive income of ₱ 4.063 billion for the year ended 2021 due to the recognition of the gain in change in fair value of investment property in 2021 in the amount of ₱ 3.302 billion and ₱ 0.863 million income tax benefit. |
| Return on Equity (Net Income (Loss) Divided by Total Equity) | 17.89% | -0.94% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. |
| | | | The increase in the ratio from negative ratio 0.94% to 17.89% is attributable to comprehensive income for the year ended December 31, 2021. |

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b Pending labor cases which consists of those filed against the Company involving dismissal backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).

i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 37 of the 2021 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 36 of the 2021 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing and corporate restructuring in 2001 and has been pursued gradually until 2011. Also, the Company will continue to pursue and invigorate its revenue share from Joint Venture Companies, earnings from leased FCA property, and the contracted participation in the Joint Venture's Skyway Stage 3, C6 Projects, Pasig River Expressway (PAREX) Project, Quezon-Bicol Expressway (QUBEX)/ South Luzon Toll Road 5 (TRS) Project and Greater Capital Region Integrated Expressway Network (GCRIEN) project. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway of C6 and Metro Manila Skyway Stage 4 and the completion and commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF. Discussion in detail, is presented under Note 3 of the 2021 Audited Financial Statements.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, pending assessments on tax deficiencies and contingent liabilities with respect to claims and lawsuits from Asiavest Merchant Bankers and Superlines Transportation Co. Inc.

(iii) There are no material off-balance sheet transactions, arrangements.

(iv) There are no material commitments for capital expenditures.

- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.
- v.b. The turnover of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.
- v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.
- v.d The Supreme Court decision, in Ernesto S. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC gross revenue; 10% of 3.5% share on the CMMTC gross revenue; 10% of 3.00% share on the SL TC gross revenue; and 100% of 2.5% share on the CCEC gross revenue. It also receives 10% dividend in the equity share from CMMTC.

- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
- (viii) **Material changes to the Company's Statement of Financial Position as of December 2021 compared to December 31, 2020 (increased/decrease of 5% or more)**

Cash increased by ₱31.047 million or 137.30% from ₱22.612 million as of December 31, 2020 to ₱53.659 million as of December 31, 2021 due to the cash flows provided by the Company's operating activities.

Short term investment increased by ₱152.170 million or 11.40% from ₱1.333 billion as of December 31, 2020 to ₱1.485 billion as of December 31, 2021 due to the cash inflows from operating activities.

Accounts Receivable - Loans and Receivable Accounts increased by ₱98.646 million or 59.66% from ₱165.347 million as of December 31, 2020 to ₱263.993 million as of December 31, 2021 mainly due to the increased in uncollected revenue from supply of manpower to Skyway O&M Corporation.

Accounts Receivable - lease receivables decreased by ₱23.776 million or 66.67% from ₱35.664 million as of December 31, 2020 to ₱11.888 million as of December 31, 2021 due mainly to the decreased in uncollected rental at Financial Center Area (FCA) and Porac Pampanga.

Accounts Receivable - other receivables decreased by ₱3.044 million or 17.80% from ₱17.100 million as of December 31, 2020 to ₱14.056 million as of December 31, 2021 due to the decreased in receivable from Officers & Employees and Other receivable offset by an increase in allowance for impairment losses.

Inventories - decreased by ₱0.740 million or 19.60% from ₱3.776 million as of December 31, 2020 to ₱3.036 million as of December 31, 2021 due mainly to the increase in allowance for impairment losses.

Other Current Assets - increased by ₱1.449 million or 5.42% from ₱26.704 million as of December 31, 2020 to ₱28.153 million as of December 31, 2021 due to the increases in withholding tax at source, prepaid registration and prepaid insurance.

Financial Assets - decreased by ₱0.296 million or 28.37% from ₱1.043 million as of December 31, 2020 to ₱0.747 million as of December 31, 2021 due to the redemption of PLDT investments offset by increase in market adjustment of Architectural Centre, Inc.

Other Investments - decreased by ₱0.286 million or 11.16% from ₱2.562 million as of December 31, 2020 to ₱2.276 million as of December 31, 2021 due to the recognition of impairment losses for various other investment.

Investment Property - increased by ₱3.302 billion or 9.76% from ₱33.847 billion as of December 31, 2020 to ₱37.149 billion as of December 31, 2021 due to the change in fair value of investment property brought about by appraisal increase in 2021.

Property and Equipment - increased by ₱86.160 million or 45.52% from ₱1.507 billion as of December 31, 2020 to ₱2.193 billion as of December 31, 2021 due to the additional PPE and appraisal increase in 2021.

Deferred tax assets decreased by ₱9.347 million or 27.58% from ₱33.889 million as of December 31, 2020 to ₱24.542 million as of December 31, 2021 due to the decreases in carry forward benefit of unapplied tax credits and MCIT over regular corporate income tax.

Other Non-Current Assets - decreased by ₱78.356 million or 44.80% from ₱174.905 million as of December 31, 2020 to ₱96.549 million as of December 31, 2021 due to the release of ₱86.156 million restricted cash held by LBP offset by increase in deferred charges.

Financial Liabilities - Accounts Payable increased by ₱1.321 million or 6.87% from ₱19.233 million as of December 31, 2020 to ₱20.554 million as of December 31, 2021 due to unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency payable increased by ₱2.600 million or 225.69% from ₱1.152 million as of December 31, 2020 to ₱3.752 million as of December 31, 2021 due to increases in income tax payable, SSS, Philhealth and HDMF liabilities.

Deferred credits increased by ₱5.715 million or 19.29% from ₱229.626 million as of December 31, 2020 to ₱235.341 million as of December 31, 2021 due to the increase in value added tax on the sale of services.

Deferred tax liabilities decreased by ₱766.000 million or 7.24% from ₱10.581 billion as of December 31, 2020 to ₱9.815 billion as of December 31, 2021 due to the decrease in the tax on the fair value adjustment of investment property as offset by the tax on revaluation increment in property.

Equity increased by ₱4.651 billion or 25.76% from ₱18.056 billion as of December 31, 2020 to ₱22.707 billion as of December 31, 2021 due to the comprehensive income in 2021.

Material changes to the Company's Statement of Income for the year ended December 31, 2021 compared to the year ended December 31, 2020 (increase/decrease of 5% or more)

Service Income increased by ₱23.641 million or 7.26% from ₱50.155 million as of December 31, 2020 to ₱53.796 million in December 31, 2021 due to increase in the supply of manpower to Skyway O&M Corporation from 168 to 204 in 2020 and 2021, respectively.

Dividends increased by ₱10.011 million or 44.57% from ₱22.462 million as of December 31, 2020 to ₱32.473 million as of December 31, 2021 due to PLDT dividends and increase in CMMTC's declaration of dividends.

Interest Income decreased by ₱8.232 million or 32.31 % from ₱25.479 million as of December 31, 2020 to ₱17.247 million in December 31, 2021 due to lower interest rates.

Revenue share in Joint Venture increased by ₱69.960 million or 84.83% from ₱82.471 million as of December 31, 2020 to ₱152.431 million in December 31, 2021 due to increases in Toll revenue brought about by easing of pandemic restrictions and opening of Skyway Stage 3 in July 2021.

Other Non-operating Income increased by 17.11% or ₱0.224 million from ₱1.309 million as of December 31, 2020 to ₱1.533 million as of December 31, 2021 primarily due to the payment of rental for the reasonable use of the property in FCA by Dong Feng Motor and various bid deposits offset by reversal of impairment loss on receivable brought about by collection of receivable from inactive accounts and the released of Cash Bond on NLRC case.

Maintenance and Other Operating Expenses decreased by 6.69% or ₱1.980 million from ₱29.582 million for the year ended December 31, 2020 to ₱27.602 million for the year ended December 31, 2021 due to the decrease in General services, taxes, transportation, litigation, communication and training Expenses. Non-cash Expenses increased by 61.72% or ₱4.757 million from ₱7.708 million for the year ended December 31, 2020 to ₱12.465 million for the year ended December 31, 2021 due to the recognition of impairment losses on receivables, inventories and other investment.

Comprehensive Income (Loss) increased by 2487.30% or ₱4.233 billion from net loss of ₱170.192 million for the year ended December 31, 2020 to ₱4.063 billion for the year ended December 31, 2021 due to the recognition of gain in change in fair value of investment property in 2021.

Year End 2020 vs. Year End 2019

Results of Operations

Revenue. Revenue for the year ended December 31, 2020 stood at ₱0.218 million, lower by 98.91% or ₱19.799 billion compared to ₱20.017 billion for the year ended December 31, 2019. The decrease was mainly attributable to the decrease in service income, dividend and share in revenue from the Joint Venture Companies and due to gain from changes in Fair Value of Investment Property and free-carry shares in CCEC and SLTR5 EI in 2019.

Cost of Services. Cost of services account increased by 1.20% or ₱0.523 million from ₱43.490 million for the year ended December 31, 2019 to ₱44.013 million for the year ended December 31, 2020 due to the full receipt of mid-year bonus of key officers and executive assistant in 2020.

General and Administrative Overhead. Overhead account decreased by 7.36% or ₱3.264 million from ₱44.345 million for the year ended December 31, 2019 to ₱41.081 million for the year ended December 31, 2020 due to the decrease in Travelling, Representation expenses, Office Supplies and other ISO certification expenses.

Income from Operation. Income from operation for the year ended December 31, 2020 decreased by ₱19.781 billion, lower by 99.54% or ₱91.741 million compared to the December 31, 2019 figure of ₱19.873 billion. Said unfavorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱1.309 million for the year ended December 31, 2020 compared to the amount of ₱626.579 million for the restated year ended balance of December 31, 2019. The decrease was mainly due to the recognition of income from issuance of free-carry shares in CCEC and SLTR5 in 2019.

Comprehensive Income (Loss). Net Comprehensive Loss for the year ended December 31, 2020 amounted to ₱166.206 million compared to the net income of ₱13.883 billion for the year ended December 31, 2019. The variance was due to the significant increase in Changes in Fair Value of Investment Property brought about by appraisal of Investment Property in 2019.

Financial Position

Current Assets. Current assets increased by 5.89% or ₱102.709 million from ₱1.742 billion as of December 31, 2019 to ₱1.845 billion as of December 31, 2020 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.73% or ₱272.212 million from ₱9.966 billion as of December 31, 2019 to ₱10.239 billion as of December 31, 2020 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and unearned income from lease revenue.

Stockholder's Equity. Stockholder's Equity as of December 31, 2020 totalled ₱18.044 billion vis-à-vis the stockholders' equity as of December 31, 2019 in the amount of ₱18.216 billion. The decrease in the account is attributable to the recognized gain in change in fair value of investment property in 2019.

Presented hereunder is the discussion of the Company's key performance indicators:

| Performance Indicators | As of | | Explanation |
|--|------------|-----------------------------|--|
| | 12/31/2020 | 12/31/2019 (As Restated) | |
| Current/Liquidity Ratios | | | |
| Current Ratio (Current Assets Divided by Current Liabilities) | 0.18 | 0.17 | <p>This ratio evaluates the ability of the company to pay its current debt promptly.</p> <p>Current ratio of 0.18 as of December 31, 2020 slightly increased from 0.17 as of December 2019 due to cash inflows provided by operating activities.</p> |
| Solvency Ratios | | | |
| Debt to Assets (Total Liabilities Divided by Total Assets) | 53.68% | 53.13% | <p>Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.</p> <p>The ratio increased from 53.13% as of December 31, 2019 to 53.68% as of December 31, 2020 brought mainly by the increase in short-term investment as offset by accrual of the 2% penalty charges on unpaid concession fees.</p> |
| Debt to Equity (Total Liabilities Divided by Total Equity) | 115.91% | 113.37% | <p>Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business.</p> <p>The ratio of 113.37% as of December 31, 2019 vis-à-vis the ratio of 115.91% as of December 31, 2020 resulted mainly from the deposits paid by tenants from the leased FCA property.</p> |
| Asset to Equity Ratio (Total Assets Divided by Total Equity) | 215.91% | 213.37% | <p>Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.</p> <p>The increase in ratio from 213.37% as of December 31, 2019 to 215.91% as of December 31, 2020 was due to the comprehensive loss incurred in 2020 .</p> |
| Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty) | 0.36 | 54.81 | <p>Determines how easily a company can pay interest on outstanding debt.</p> <p>The ratio decrease from 54.81 as of December 31, 2019 to 0.36 as of December 31, 2020 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2019.</p> |
| Profitability Ratios | | | |
| Return on Assets (Net Income (Loss) Divided by Total Assets) | -0.43% | 35.72% | <p>Measures the Company's earnings in relation to all the resources it had at its disposal.</p> <p>The ratio of 35.72% as of December 31, 2019 vis-à-vis the negative ratio of 0.43% as of December 31, 2020 resulted from the incurrence of loss of ₱166.206 million</p> |

| | | | |
|---|--------|--------|---|
| | | | for the reporting period compared with the recognized comprehensive income of ₱13.883 billion for the year ended 2019 due to the recognition of the gain in change in fair value of investment property in 2019 in the amount of ₱19.107 billion. |
| Return on Equity (Net Income (Loss) Divided by Total Equity) | -0.92% | 76.21% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. |
| | | | The decrease in the ratio from 76.21% to a negative ratio 0.92% is attributable to the incurrence of loss for the year ended December 31, 2020. |

- (i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.
- i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.
- i.b Pending labor cases which consists of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).
- i.c Pending civil cases which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC).
- i.d Pending assessments on deficiency taxes. Discussion is contained under Note 32 of the 2020 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing and corporate restructuring in 2001 and has been pursued gradually until this year. Also, the Company will continue to pursue and invigorate its revenue share from Joint Venture Companies, earnings from leased FCA property, and the contracted participation in the Joint Venture's Skyway Stage 3, C6 Projects, Pasig River Expressway (PAREX) Project, Quezon-Bicol Expressway (QUBEX) and South Luzon Toll Road 5 (TR5) Project. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway of C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF. Discussion in detail, is presented under Note 3 of the 2020 Audited Financial Statements.

- (ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- The default in payment of its TRB loan, the recognition of debts to the NG, and the pending assessments on tax deficiencies.
- (iii) There are no material off-balance sheet transactions, arrangements.
- (iv) There are no material commitments for capital expenditures.
- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

- v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.
- v.b. The turnover of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.
- v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.
- v.d The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC gross revenue; 10% of 3.5% share on the CMMTC gross revenue; and 10% of 3.00% share on the SLTC gross revenue. It also receives 10% dividend in the equity share from the said Joint Venture Companies.

- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
- (viii) **Material changes to the Company's Statement of Financial Position as of December 2020 compared to December 31, 2019 (increased / decrease of 5% or more)**

Cash and cash equivalents decreased by ₱9.704 million or 7.20% from ₱134.697 million as of December 31, 2019 to ₱124.994 million as of December 31, 2020 due to the cash flows provided by the Company's operating and financing activities.

Short term investment increased by ₱146.877 million or 12.38% from ₱1,186.189 billion as of December 31, 2019 to ₱1,333.066 billion as of December 31, 2020 due to the cash inflows from operating activities.

Accounts Receivable – Loans and Receivable Accounts decreased by ₱77.623 million or 57.04% from ₱136.095 million as of December 31, 2019 to ₱58.471 million as of December 31, 2020 mainly due to the decreased in uncollected revenue from supply of manpower to Skyway O&M Corporation.

Accounts Receivable – other receivable increased by ₱44.762 million or 43.72% from ₱102.373 million to ₱147.134 million due mainly to the increased in uncollected revenue shares from Joint Ventures and various tenants at Financial Center Area (FCA).

Deferred tax assets decreased by ₱4.922 million or 12.68% from ₱38.811 million as of December 31, 2019 to ₱33.889 million as of December 31, 2020 due to carry forward benefit of unapplied tax credits and excess of MCIT over the regular corporate income tax.

Accounts payable increased by ₱4.368 million or 29.38% from ₱14.865 million as of December 31, 2019 to ₱19.233 million as of December 31, 2020 due to unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency payable decreased by ₱0.733 million or 38.90% from ₱1.885 million as of December 31, 2019 to ₱1.152 million as of December 31, 2020 due to decrease in SSS, Philhealth and HDMF liabilities.

Material changes to the Company's Statement of Income for the year ended December 31, 2020 compared to the year ended December 31, 2019 (increase/decrease of 5% or more)

Service Income decreased by ₱17.215 million or 25.55% from ₱67.369 million as of December 31, 2019 to ₱50.155 million in December 31, 2020 due to collection of structural repair services- MIAA in 2019 as offset by increase in the supply of manpower to Skyway O&M Corporation from 156 to 167 in 2019 and 2020, respectively.

Rental income increased by ₱4.257 million or 14.63% from ₱29.097 million as of December 31, 2019 to ₱33.354 million as of December 31, 2020 mainly due to the lease of Porac property in Pampanga by Tokogawa Global Corporation which started in September 2019.

Dividend share from joint venture companies decreased by ₱18.154 million or 44.70% from ₱40.616 million as of December 31, 2019 to ₱22.462 million as of December 31, 2020 due to decrease in CMMTC's declaration and payment of dividend.

Interest Income increased by ₱2.927 million or 12.98% from ₱22.552 million as of December 31, 2019 to ₱25.479 million in December 31, 2020 due to increase in short-term placement from ₱1.264 billion to ₱1.333 billion in 2019 and 2020, respectively.

Share in Revenue of Joint Venture decreased by ₱38.201 million or 31.04% from 123.052 million as of December 31, 2019 to ₱84.851 million in December 31, 2020 due to decrease in Toll revenue brought about by Pandemic.

Gain on Sale of Property, Plant and Equipment and from Changes in Fair Value of Investment Property decreased by ₱19.107 billion or 100.00% due to recognition of the gain in change in fair value of investment property and sale of property and equipment brought about by the appraisal of property in 2019.

Other Non-operating Income decreased by 99.79% or ₱625.270 million from ₱626.579 million for the year ended December 31, 2019 to ₱1.309 million for the year ended December 31, 2020 primarily due to the recognition of income from the issuance of free-carry shares in CCEC and SLTR5 EI in 2019.

General and Administrative Overhead decreased by 4.44% or ₱17.838 million from ₱401.709 million for the year ended December 31, 2019 to ₱383.871 million for the year ended December 31, 2020 due to the decrease in Direct Cost and Other Maintenance and Operating Expenses.

Other Comprehensive Income increased by 124.55% or ₱0.279 million from a loss of ₱0.224 million for the year ended December 31, 2019 to ₱0.055 million for the year ended December 31, 2020 primarily due to the unrealized gain and losses arising from changes in fair value of investment classified as financial assets at fair value in 2019 and 2020, respectively.

Comprehensive Income (Loss) decreased by 101.20% or ₱14.049 billion from ₱13.883 billion for the year ended December 31, 2019 to a negative ₱166.206 million for the year ended December 31, 2020 due to the recognition of the gain in change in fair value of investment property 2019.

Information on Independent Accountant and Other related Matters

(A) External Audit Fees and Services

The Joint Audit and Finance Committees oversees the performance of the company's external auditors. The joint committee reviews PNCC's financial reporting to ensure its integrity.

PNCC, a Government Acquired Asset since 1986, is under the audit jurisdiction of the Commission on Audit (COA). COA is the independent (external) auditor of PNCC. The assignment of COA Auditors/Audit-in-Charge and staff is purely the prerogative/decision of the COA Chairman.

The Audit Engagement of COA is covered by a Term of Reference (TOR) executed between PNCC and COA and duly provided to the joint Audit and Finance Committee for information/notation. The audit covers the accounts, transactions and operations of PNCC for calendar year 2012, undertaken for the purpose of expressing an opinion on the company's financial statements and for determining the Company's compliance with pertinent laws, rules and regulations, and the efficiency and effectiveness of operations.

The aggregate audit fees billed for each of the last two calendar year indicated in the TOR are ₱3,627,442.00 for 2022 and ₱3,534,685.00 for 2021.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

Management and Certain Security Holders

Directors and Executive Officers

The Names of the incumbent directors and key executive officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five years, are as follows:

Board of Directors

| <u>Name</u> | <u>Age</u> | <u>Citizenship</u> | <u>Position</u> |
|----------------------------|------------|--------------------|-----------------------------------|
| Miguel E. Umali | 58 | Filipino | President & CEO and Vice Chairman |
| Jonathan S. Avancena | 50 | Filipino | Director |
| Pedro B. Cabatingan, Jr. | 60 | Filipino | Director |
| Salvador B. Calanoy IV | 61 | Filipino | Director |
| Mohamad Taha A. Guinomla | 70 | Filipino | Director |
| Lamberto B. Mercado, Jr. | 56 | Filipino | Director |
| Alan R. Luga | 62 | Filipino | Director |
| William T. Yu | 63 | Filipino | Director |
| Manuel Luis C. Antonio | 59 | Filipino | Director |
| Carlo Antonio B. Almirante | 44 | Filipino | Director |

MIGUEL E. UMALI, he is a practicing lawyer previously connected with Castillo Laman Tan & Pantaleon Law Office and Teng & Cruz Law Offices. He had worked as Director, Corporate Secretary and Legal & Administrative consultant of various private companies such as Vishay (Phils.), Inc. from 1999 to 2007; Temic Automotive (Phils.), Inc. renamed as Continental Temic Electronics (Phils.), Inc. from 1999 to 2005; Temic Semiconductors (Phils.), Inc. renamed as Atmel Semiconductors, Inc. from 1999 to 2001; Temic RF Technologies, Inc. renamed as Microfortune RF Technologies, Inc. from 1999 to 2001. He had also served as Administrative and Legal Manager, Human Resources Manager, Director and Corporate Secretary of Temic Telefunken Microelectronic (Phils.) Inc. from 1992 to 2001.

He obtained his degree in Bachelor of Science in Business Management from Ateneo De Manila University in 1984. He then pursued his Bachelor of Laws from Ateneo De Manila University of Law in 1988 and admitted to the Integrated Bar of the Philippines on the following year.

JONATHAN S. AVANCENA, has served as Director of the Company since August 15, 2017. Mr. Avancena has varied experience in the field of information technology having been part of the management of various Business Process Outsourcing companies. At present, he serves as Assistant Manager of Netgear/Concentrix based in Davao. He served as Team Captain of Linksys/Concentrix from 2007 to 2011. He later became Team Captain 3 of Dlink NA and Dlink International/Concentrix. He earned his BS Computer Science degree from Ateneo de Davao University in 1993.

PEDRO B. CABATINGAN, JR., has served as Director of the Company since March 14, 2017. Mr. Cabatingan has been in Military service in various capacities for more than 36 years until his retirement in 2015 as Police Director assigned in Region 11 - Internal Affairs Service of the Philippine National Police. He graduated from Philippine Military Academy in 1985 and earned his Master's in Management major in Public Administration from Philippine Christian University in 2003.

SALVADOR B. CALANOY IV, has served as Director of the Company since March 14, 2017. Mr. Calanoy has been in military service for 33 years serving as Colonel of Philippine Army until his retirement in 2015. He graduated from the Philippine Military Academy in 1984. Thereafter, he earned his Bachelor of Laws degree from Sebastian College in 1996.

CARLO ANTONIO B. ALMIRANTE, Atty. Almirante is one of the representative of GSIS in the PNCC Board. He has a solid background in the academe as well as in the legal profession. He is the current Dean of the Liceo de Cagayan University's College of Law. Prior to this, he held the position of Associate Dean in March 2013. He teaches Political Law Review, Administrative Law, Election Law and Statutory Construction in the same institution.

He is also a practicing lawyer, having served as managing partner of Almirante, Ladera and Associates in Cagayan de Oro and as former associate of Kapunan, Tamano, Javier and Associates. Trustee Almirante is an active member of the Integrated Bar of the Philippines, Cagayan de Oro - Misamis Oriental Chapter since 2007.

Earlier in his career, he had his share of experience in the private and public sector. He worked at UCPB Rural Bank, Inc. in Cagayan de Oro as Accounts Marketing Executive for Consumer Loans covering Northern Mindanao. He also became a Political Affairs Officer in the House of Representatives and a Congressional Liaison Officer for the 2nd District of Misamis Oriental from 1998-2007.

A product of Jesuit education from elementary to college, Mr. Almirante graduated from Xavier University Ateneo de Cagayan in 1996 with a degree in Bachelor of Science in Commerce, Major in Management. He likewise obtained his Bachelor of Laws in 2006 from Xavier University

MOHAMAD TAHA A. GUINOMLA, has served as Director of the Company since March 14, 2017. Mr. Guinomla is a Certified Public Accountant with more than 30 years of diplomatic experience. He joined the government service in 1977 through the Budget Commission now the Department of Budget and Management. He then transferred to the Department of Foreign Affairs in 1987 as Budget Director before getting his first foreign service assignment in Kuwait in 1988, where he was designated as Administrative Officer. In 1990, he was cross-posted to Jeddah and in 1999, he was again posted to Jeddah as Administrative Officer until he completed his six-year tour of duty. He was then returned to his old post as DFA Budget Officer before he was again assigned to Kuwait in 2008. He was again cross-posted to Riyadh in June 2010 until 2014 after which he was designated as Head of DFA Mindanao until his retirement in 2015. Mr. Guinomla obtained a degree in Bachelor of Science in Commerce major in Accounting from University of Mindanao in 1975. He then passed the CPA board examinations in 1977.

LAMBERTO B. MERCADO, JR., has served as Director of the Company since April 17, 2017. Atty. Mercado is a Legal Counsel and member of the Board of Directors of the following corporations from 1998 until today : Air Philippines Corp., Philippine International Airways, Inc., Grand Ilocandia Resort and Development, Inc., Waterfront Philippines, Inc., Forum Pacific, Inc., Consumer Products Distribution Services, Inc., Mabuhay Vinyl Corporation, Metro Alliance Holdings & Equities Corp., Acesite (Phils.) Hotel Corp., Pacific Wide Realty & Development Corp. He obtained his degree in Bachelor of Science in Commerce Major in Accounting from the University of Santo Tomas in 1985. He passed the Certified Public Accountant (CPA) Board Examinations in June 1985. Further, Mr. Mercado took up his Bachelor of Laws from Ateneo De Manila University School of Law in 1990 and passed the Philippine Bar in 1991.

ALAN R. LUGA, has served as Director of the Company since November 16, 2017 as representative of Government Service Insurance System (GSIS). Director Alan R. Luga obtained his Bachelor of Science Degree from the Philippine Military Academy in 1981. In 1994, he acquired his MBA units from the Ateneo De Manila University Graduate School of Business. He completed a Master's Degree in Military Arts and Science at the US Army Command and General Staff College in 2002.

He is the current President and CEO of AFP General Insurance Corporation. He is also a member of the following insurance organizations: Insurance Institute for Asia and the Pacific, Inc., Philippine Insurers and Reinsurers Association, Philippine Insurers Club, and the Philippine Machinery Management Services Corp.

He was the Vice Chief of Staff of the Armed Forces of the Philippines before his compulsory retirement in May 2014 after 38 years of continued military service. From 2012 to 2013, he served as Commander of the AFP Southern Luzon Command. He was also the Commander of two Infantry Brigades (the 802nd Infantry Brigade and the 1001st Infantry Brigade) from 2008 to 2011 and the Commander for the 7th Infantry Division of the Philippine Army in 2012. He was a member of the GRP Peace Panel for the GRP-MILF Peace Talks as the Chairman of the ADHOC Joint Action Group, OPAPP in 2011-2012. In 2005-2006, he was the Chief of the AFP Command Center as well as the Secretary, Army General Staff. He was deployed as Deputy Commander of the Philippine Battalion for the International Forces in East Timor and later as Chief Plans of the Peace Keeping Force of UNTAET in East Timor from 1999 to 2001.

Lt. Gen. Luga has held various military and corporate positions. He was the Chairman of the Board of the Camp Aguinaldo Golf and Country Club from 2013 to 2014, and of the AFP Housing Board in the same years. He was also a member of the Board of Directors of the Riviera Sports and Country Club, Inc. from 2014 to 2016, and served as a member of the AFP Board of Generals from 2013 to 2014.

WILIAM T. YU, has served as Director of the Company since March 14, 2017. Dr. Yu has served 31 years in military service as Military Medical Officer with a rank of Colonel. He was the General Duty Officer of PMA Station Hospital; He held various positions at the V. Luna General Hospital such as Ward Officer, Chief Pulmonary DSE Service, Training and Education Officer of Chief of Clinics, Assistant Head of Department of Medicine & Head of Out-Patient Service. He likewise served at the Fort Bonifacio General Hospital as Chief of Medical Services and Deputy Commander. He was also a Commanding Officer (Director) of the following military hospitals: Camp Evangelista Station Hospital at Cagayan De Oro, Fort Bonifacio General Hospital, Camp Melchor Dela Cruz Hospital and Fort Magsaysay Army Station Hospital.

Dr. Yu graduated with a Degree of BS Chemistry at Far Eastern University in 1973 and Doctor of Medicine at FEUNRMF in 1977. He is an active honorary member of Philippine Military Academy Class of 1978. Dr. Yu obtained his Master's degree in Management major in Hospital Administration at Philippine Christian University in June 2017.

MANUEL LUIS C. ANTONIO, Mr. Antonio serves as Consultant of Transaire Development Holdings Corporation since 2010 to present. He has worked with PNCC from 1998 to 2009 as Vice President and Head of the Tollways Management Group in charge of the operations and maintenance of the North Luzon and South Luzon Expressway. He had also worked for various commercial banks with particular functions in lending and account management, such as : Philippine National Bank from 1983 to 1984, Westmont Bank from 1994 to 1996 and Philippine Veterans Bank from 1996 to 1998.

Mr. Antonio earned his degree in Bachelor of Science in Military Science and Bachelor of Arts in Social Science from University of the Philippines in 1982 and 1983, respectively.

Senior Management

| <u>Name</u> | <u>Age</u> | <u>Citizenship</u> | <u>Position</u> |
|------------------------|------------|--------------------|--|
| Miguel E. Umali | 57 | Filipino | President & CEO |
| Ilie Lionel B. Gramata | 46 | Filipino | Vice President – Legal Department |
| Felix M. Erece | 61 | Filipino | Asst. Vice President – Human Resource Department |

ILIE LIONEL B. GRAMATA, Vice President for Corporate Legal, joined the Philippine National Construction Corporation in January 2017. Prior to his appointment in PNCC, he served in the Department of Finance from November 2013 to June 2016 in various capacities. Mr. Gramata was Managing Partner of Valenton Gramata Loseriaga Law Offices from May 2010 to October 2013. Mr. Gramata graduated with Bachelor of Laws degree at San Beda College in 2001 and passed the Philippine Bar in 2002. Mr. Gramata earned his Diploma in Financial Engineering in 2014 and obtained his Bachelor of Science in Applied Economics degree in 1996 at De La Salle University Manila.

FELIX M. ERECE, Asst. Vice President for Personnel Services and Records Management is the Head of Personnel Services and Records Control. In addition, he was tapped to oversee the operation of manpower supply contract with SOMCO (Skyway Maintenance and Operation). He studied in TUPP-Manila Technician Institute taking up a three-year Civil Technology course sponsored by PBSP. He also studied Civil Engineering at Feati University, took-up various computer related courses and attended trainings/seminars to equip him with the knowledge and skills needed in handling bigger responsibilities.

Board Attendance

In 2022, the Board of Directors held twenty six (26) meetings. The attendance of the Directors in these meetings is as follows:

| | Name of D | Date of Election in the Board | Date of Resignation / Replaced | No. of Meetings Held during Incumbency | No. of Meetings Attended | % | Length of Service in the Board |
|--|--------------------------|-------------------------------|--------------------------------|--|--------------------------|--------|--------------------------------|
| Vice Chairman President & CEO | Miguel E. Umali | 02/06/2019 | N/A | 26 | 26 | 100% | 2.83 years |
| Member | Carlo Antonio Almirante | 04/10/2018 | N/A | 26 | 26 | 100% | 3.75 years |
| Member | Manuel Luis C. Antonio | 03/06/2019 | N/A | 26 | 26 | 100% | 2.75 years |
| Member | Jonathan S. Avancena | 08/15/2017 | N/A | 26 | 26 | 100% | 4.25 years |
| Member | Pedro B. Cabatingan, Jr. | 03/14/2017 | N/A | 26 | 26 | 100% | 4.75 years |
| Member | Salvador B. Calanoy IV | 03/14/2017 | N/A | 26 | 26 | 100% | 4.75 years |
| Member | Mohamad Taha A. | 03/14/2017 | N/A | 26 | 26 | 100% | 4.75 years |
| Member | William T. Yu | 03/14/2017 | N/A | 26 | 26 | 100% | 4.75 years |
| Member | Lamberto B. Mercado, Jr. | 04/17/2017 | N/A | 26 | 26 | 100% | 4.66 years |
| Member | Alan R. Luga | 11/16/2017 | N/A | 26 | 26 | 100% | 4.08 years |
| Member | Ruben D. Torres | 05/25/2022 | N/A | 15 | 14 | 93.33% | .5 years |
| Average Attendance for CY 2022: 99.39% | | | | | | | |

Board Committee Attendance

The attendance of the members of the Board Committees in their respective meetings in 2022 is as follows:

Audit Committee

| | Name | Date of Election in the Board | Date of Appointment in the Committee | Date of Resignation / Replaced in the Committee | No. of Meetings Held during Incumbency | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------------------------------|----------------------------|-------------------------------|--------------------------------------|---|--|--------------------------|------|------------------------------------|
| Chairman (NED) | Mercado, Lamberto, Jr. B. | 04/17/2017 | 04/17/2017 | N/A | 4 | 4 | 100% | 4.75 years |
| Member (NED) | Avanceña, Jonathan S. | 08/15/2017 | 08/15/2017 | N/A | 4 | 4 | 100% | 4.25 years |
| Member (NED) | Cabatingan, Pedro Jr. B. | 03/14/2017 | 03/14/2017 | N/A | 4 | 4 | 100% | 4.5 years |
| Member (NED) | Guinomia, Mohamad Taha | 03/14/2017 | 03/14/2017 | N/A | 4 | 4 | 100% | 4.75 years |
| Member (NED) | Yu, William T. | 03/14/2017 | 03/14/2017 | N/A | 4 | 4 | 100% | 3.75 years |
| Member (NED) | Almirante, Carlo Antonio B | 04/18/2017 | | N/A | 4 | 3 | 75% | |
| Average Attendance for 2022 : 95.83% | | | | | | | | |

Finance Committee

| | Name | Date of Election in the Board | Date of Appointment in the Committee | Date of Resignation / Replaced in the Committee | No. of Meetings Held during Incumbency | No. of Meetings Attended | % | Length of Service in the Committee |
|------------------------------------|--------------------------|-------------------------------|--------------------------------------|---|--|--------------------------|------|------------------------------------|
| Chairman (NED) | Luga, Alan R. | 11/16/2017 | 11/16/2017 | N/A | 4 | 4 | 100% | 4.08 years |
| Member (NED) | Umali, Miguel E. | 02/06/2019 | 02/06/2019 | N/A | 4 | 4 | 100% | 2.83 years |
| Member (NED) | Mercado, Lamberto Jr. B. | 04/17/2017 | 04/17/2017 | N/A | 4 | 4 | 100% | 4.66 years |
| Member (NED) | Antonio, Manuel Luis C. | 03/06/2019 | 03/06/2019 | N/A | 4 | 4 | 100% | 2.75 years |
| Average Attendance for 2022 : 100% | | | | | | | | |

Business Development Committee Meeting Attendance

| | Name | Date of Election in the Board | Date of Appointment in the Committee | Date of Resignation / Replaced in the Committee | No. of Meetings Held during Incumbency | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------------------------------|-----------------------------|-------------------------------|--------------------------------------|---|--|--------------------------|------|------------------------------------|
| Chairman (NED) | Calanoy, Salvador IV B. | 03/14/2017 | 03/14/2017 | N/A | 5 | 5 | 100% | 4.75 years |
| Member (NED) | Umali, Miguel E. | 02/06/2019 | 02/06/2019 | N/A | 5 | 5 | 100% | 2.83 years |
| Member (NED) | Cabatingan, Pedro Jr. B. | 03/14/2017 | 03/14/2017 | N/A | 5 | 5 | 100% | 4.75 years |
| Member (NED) | Yu, William T. | 03/14/2017 | 03/14/2017 | N/A | 5 | 5 | 100% | 4.75 years |
| Member (NED) | Antonio, Manuel Luis C. | 03/06/2019 | 03/06/2019 | N/A | 5 | 5 | 100% | 2.75 years |
| Member (NED) | Almirante, Carlo Antonio B. | 04/18/2019 | 04/18/2019 | N/A | 5 | 3 | 60% | 2.75 years |
| Average Attendance for 2022 : 93.33% | | | | | | | | |

- **Performance Agreement Negotiation (PAN) Committee Meeting Attendance**

| | Name | Date of Election in the Board | Date of Appointment in the Committee | Date of Resignation / Replaced in the Committee | No. of Meetings Held during Incumbency | No. of Meetings Attended | % | Length of Service in the Committee |
|---|--------------------------|-------------------------------|--------------------------------------|---|--|--------------------------|------|------------------------------------|
| Chairman (NED) | Cabatingan, Pedro Jr. B. | 03/14/2017 | 03/14/2017 | N/A | 7 | 7 | 100% | 4.75 years |
| Member (NED) | Umali, Miguel E. | 02/06/2019 | 02/06/2019 | N/A | 7 | 7 | 100% | 2.83 years |
| Member (NED) | Avanceña, Jonathan S. | 08/15/2017 | 08/15/2017 | N/A | 7 | 7 | 100% | 4.33 years |
| Member (NED) | Luga, Alan R. | 11/16/2017 | 11/16/2017 | N/A | 7 | 7 | 100% | 4.08 years |
| Average Attendance for 2022 : 100% | | | | | | | | |

Term of Office

Pursuant to the Company's By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Under the Company's By-Laws, the annual stockholders' meeting of the Company is held on the 4th Tuesday of March.

Independent Directors

No stockholders' meeting has been held in 2022, thus no independent directors has been elected.

Significant Employees

The Company has no employee who is not an executive officer Director who is expected to make a significant contribution to the business.

Family Relationships

Director Pedro C. Cabatingan and his Executive Assistant Mr. Nino Marco Cabatingan are related fourth degree by consanguinity. Mr. Nino Marco Cabatingan being the second cousin of Director Cabatingan.

Director Salvador B. Calanoy and his Executive Assistant Phyllis Calanoy are related first degree by consanguinity. Ms. Phyllis Calanoy being her daughter.

Involvement in Certain Legal Proceedings

In addition to the major cases discussed in pages 28 and 29, the Company is involved in continuing litigations relating to labor and civil cases. The ultimate outcome of these litigations cannot be determined yet and no provision for any liability that may result can be made in the financial statements.

The labor cases consist of those filed against the Company comprised mostly of claims for illegal dismissal, backwages, separation pay and unpaid benefits. Most of these case have been ruled by the Labor Arbiter in favor of the complainant. However, these cases are on appeal by the Company before the National Labor Relations Commission, Court of Appeals and Supreme Court.

The civil cases filed against the Company consist of cases involving damages, collection of money, and attorney's fees, which are still in litigation before various Regional Trial Courts. On the other hand, those files by the Company against other individuals or companies consists of suits involving sums of money, damages, and breaches of contract which involve undeterminable amount of money.

Executive Compensation

Information as to the aggregate compensation (including management fees) paid or incurred during its calendar period to the company's Chief Executive Officer and four most highly compensated executive officers are as follows:

| Names | Position | Year | Salary | Bonus | Others |
|---|--|----------------|-----------|---------|--------|
| Miguel E. Umali | President & CEO | 2022 | 4,483,231 | 749,586 | 54,000 |
| Ilie Lionel B. Gramata | Vice President for Legal Department | 2022 | 1,606,948 | 267,698 | 73,600 |
| Felix M. Erece, Jr. | Assistant Vice President – Human Resource Department | 2022 | 1,202,442 | 200,250 | 73,600 |
| Cristy M. Mediavillo | Corporate Treasurer | 2022 | 991,156 | 165,066 | 66,400 |
| Aggregate executive compensation for above named officers | | Actual 2021 | 8.28M | 1.473M | 0.623M |
| | | Actual 2022 | 8.28M | 1.425M | 0.226M |
| | | Projected 2023 | 8.318M | 1.446M | 0.864M |

Compensation of Directors

Standard Arrangements

The Board adopts Executive Order (E.O.) No. 24, prescribing rules to govern the compensation of members of the board of directors/trustees in Government-Owned or Controlled Corporations including Government Financial Institutions. Effective June 1, 2013, the Governance Commission for Government-Owned and Controlled Corporations (GCG), in its letter dated May 27, 2013 determined the Company to be under classification "D". The entitlement of the members of the Board of Directors for actual attendance of meeting are as follows:

| | |
|----------------------------|---|
| <u>Board meetings:</u> | ₱10,000.00 per meeting but not to exceed the maximum annual amount of ₱240,000.00 . |
| <u>Committee meetings:</u> | ₱6,000.00 per meeting but not to exceed the maximum annual amount of ₱144,000.00 . |

The Directors furthermore receive the following allowances:

| | |
|---|--|
| <u>Transportation & Gasoline:</u> | ₱4,000.00 per month subject to submission of receipts, but not to exceed ₱48,000.00 per annum. |
| <u>Communication:</u> | ₱5,000.00 per month subject to submission of telephone/celphone bills or receipts, but not to exceed ₱60,000.00 per annum. |
| <u>RFID:</u> | ₱5,000.00 per month subject to submission of receipts but not to exceed ₱60,000.00 per annum. |
| <u>Representation and Entertainment</u> | ₱8,000.00 per month subject to submission of receipts, but not to exceed ₱96,000.00 per annum. |

Other arrangements

Other than payment of reasonable per diem for directors for every meeting, there are no standard arrangements pursuant to which directors of the company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2020, 2021, and 2022.

Employment Contract between Company and executive officers

There are no special employment contracts between the company and the named executive officers.

Except for the regular company retrenchment/retirement plan, which by its very nature will be received by the officers concerned only upon retirement/separation from the company, the above mentioned officers do not received any other compensation from the company in the form of warrants, option and/or profit sharing.

There are no outstanding warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

There are no arrangements pursuant to which the directors of the Company are compensated, or are to be compensated, directly or indirectly, by the Company for services rendered by such directors.

There are no employment contracts between the Company and its executive officers. There is no compensatory plan nor arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Security Ownership

Security Ownership of Certain Record and Beneficial Owners and Management

| Owners of record of more than five percent (5%) of the company's voting securities as of December 31, 2022 | | | |
|---|---|----------------------|-----------------------|
| <u>Title of Class</u> | <u>Name & Address of Record/Beneficial Owner</u> | <u>No. of Shares</u> | <u>% of Class</u> |
| Common | PRIVATIZATION MANAGEMENT OFFICE 104 Gamboa Street, Legaspi Village Makati City 1229, Philippines | 79,271,024 | 39.65 |
| Common | GOVERNMENT SERVICE INSURANCE SYSTEM Roxas Blvd., Manila | 47,490,383 | 23.75 |
| Preferred D | PRIVATIZATION MANAGEMENT OFFICE 104 Gamboa St., Legaspi Village, Makati City 1229, Metro Manila Philippines | 25,500,000 | 12.75 |
| Common | WELLEX PETROLEUM INC. 1209 Paseo de Roxas, Makati | 17,215,976 | 8.61 |

By virtue of LOI 1295 (1983) 76.07% of voting equity has been held by various government financial institutions (GFIs), namely: PNB, PhilGuarantee, NDC, DBP, GSIS, and Land Bank, under the mandated debt-to-equity conversion scheme.

Pursuant to Proclamation No. 50, some of the GFIs have actually transferred their equity interests in PNCC to the Asset Privatization Office (APT) now Privatization Management Office. PMO through a resolution passed by its Board of Directors usually designates the Chief Privatization Officer or the Chairman as its authorized representative with the power to vote its shares of stock in PNCC.

Only 23.92% of PNCC's voting equity is strictly under private ownership and 5.91% of which is being held by PCD Nominee Corporation (Filipino).

Security Ownership of Management

BENEFICIAL STOCK OWNERSHIP OF EACH DIRECTORS AND OFFICERS as of December 31, 2022

| <u>Title of Class</u> | <u>Name of Beneficial Owner</u> | <u>Amount and Nature of Beneficial Ownership</u> |
|-----------------------|---------------------------------|--|
| DIRECTORS | | |
| Common | Almirante, Carlo Antonio | 50 |
| Common | Avancena, Jonathan S. | 100 |
| Common | Cabatingan, Pedro Jr. B. | 1 |
| Common | Calanoy, Salvador IV B. | 50 |
| Common | Guinomla, Mohamad Taha A. | 101 |
| Common | Luga, Allan R. | 50 |
| Common | Mercado, Lamberto B. | 50 |
| Common | Umali, Miguel E. | 1 |
| Common | Yu, William T. | 2 |

Warrants and Options Outstanding

There is no outstanding warrants or options held by named officers and directors as a group.

Voting Trust Holders of 5% or more

There is no person that hold more than 5% of a class under a voting trust or similar agreement.

Changes in Control

There is no arrangement which may result in a change in control of Company.

Certain Relationship and Related Transactions

Considering that the Government is the majority substantial stockholder of PNCC, no director/security holder or any member of his/her immediate family is allowed to transact business with the corporation directly or indirectly since this is prohibited under existing laws and regulations.

Corporate Governance

Performance Evaluation of Directors

The Governance Commission for GOCCs developed the internet-based Performance Evaluation for Directors (iPED) System to effectively implement the Performance Evaluation for Directors in the GOCC Sector. This tool is designed to facilitate a more stable, confidential, secure and reliable database system that will house the performance reviews of all the members of the Governing Boards of various Government-Owned or Controlled Corporations (GOCC) under the jurisdiction of GCG.

Pursuant to SEC Memorandum Circular No. 5, series of 2013 ("MC No. 5"), Part IV Corporate Governance of this report is hereby deleted. MC No. 5 also requires filing of an Annual Corporate Governance Report by listed companies. However, the SEC issued Memorandum Circular No. 15 series of 2017 to facilitate the disclosure of publicly-listed companies' (PLCs) compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for PLCs and to harmonize the corporate governance requirements of the Commission and the Philippine Stock Exchange, the Commission, pursuant to its regulatory and supervisory power under Section 5 of the Securities Regulation Code, mandates all companies to submit an Integrated Annual Corporate Governance Report (I-ACGR).

The Company's I-ACGR for 2022 is attached hereto as *Annex "A"* and is also posted on the Company website.

FINANCIAL SOUNDNESS INDICATORS

| | 2022 | 2021 as restated |
|--------------------------------------|---------|---------------------|
| 1 Current / Liquidity Ratios: | | |
| Current Ratio | 0.22 | 0.20 |
| Quick Asset Ratio | 0.22 | 0.19 |
| 2 Solvency Ratios: | | |
| Debt to Assets | 47.47% | 47.26% |
| Debt to Equity | 90.36% | 89.59% |
| 3 Asset to Equity Ratio | 190.36% | 189.59% |
| 4 Interest Rate Coverage Ratio | 1.26 | 16.74 |
| 5 Profitability Ratios: | | |
| Return on Assets (Net Income (Loss)) | 16.00% | 9.40% |
| Return on Equity (Net Income (Loss)) | 30.00% | 17.82% |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|---|---|---------|-------------|----------------|
| Effective as of December 31, 2012 | | | | |
| Framework for the Preparation and Presentation of Financial Statements | | | | |
| Conceptual Framework Phase A: Objectives and qualitative characteristics | | √ | | |
| PFRSs Practice Statement Management Commentary | | | | √ |
| Philippine Financial Reporting Standards | | | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | | | √ |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | √ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | √ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | √ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | √ |
| | Amendments to PFRS 1: Government Loans | | | √ |
| | Amendments to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter | | √ | |
| PFRS 2 | Share-based Payment | | | √ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | √ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | √ |
| PFRS 3 (Revised) | Business Combinations | | | √ |
| | Amendments to PFRS 3: Business Combinations, Definition of a Business | | | √ |
| PFRS 4 | Insurance Contracts | | | √ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | √ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|--|---------|-------------|----------------|
| Effective as of December 31, 2012 | | | | |
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | √ |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | √ |
| PFRS 7 | Financial Instruments: Disclosures | √ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | √ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | √ | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | √ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | √ | | |
| | Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | √ | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | √ | | |
| PFRS 8 | Operating Segments | | | √ |
| PFRS 9* | Financial Instruments | √ | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | √ | | |
| | Amendments to PFRS 9: Financial Instruments – Prepayment Features with Negative Compensation | √ | | |
| | Amendments to PFRS 9, financial Instruments, Fees in the "10 per cent" test for derecognition of financial liabilities | √ | | |
| PFRS 10* | Consolidated Financial Statements | | √ | |
| | Amendments to PFRS 10: Investment Entities | | | √ |
| | Amendments to PFRS 10: Consolidated Financial Statements | | √ | |
| | Amendments to PFRS 10: Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures. Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture | | √ | |
| PFRS 11* | Joint Arrangements | √ | | |
| PFRS 12* | Disclosure of Interests in Other Entities | √ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|--|---------|----------------|-------------------|
| Effective as of December 31, 2012 | | | | |
| | Amendments to PFRS 12: Investment Entities | √ | | |
| PFRS 13* | Fair Value Measurement | √ | | |
| | Amendment to PFRS 13: Short-term receivables and payables | √ | | |
| PFRS 14 | Regulatory Deferral Accounts | | √ | |
| PFRS 15 | Revenue from Contracts with Customers | √ | | |
| | Amendments to PFRS 15, Revenue from Contract with Customers | √ | | |
| PFRS 16 | Leases | √ | | |
| | Amendment to PFRS 16, Leases, COVID-19-related Rent Concessions | √ | | |
| | Amendment to PFRS 16, Leases, Lease Incentives | √ | | |
| PFRS 17 | Insurance Contracts | | √ | |
| | Amendment to PFRS 17, Insurance Contracts | | √ | |
| | Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – Comparative Information | | √ | |
| Philippine Accounting Standards | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | √ | | |
| | Amendment to PAS 1: Capital Disclosures | √ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | √ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | √ | | |
| | Amendments to PAS 1: Presentation of Financial Statements | √ | | |
| | Amendments to PAS 1: Classification of Liabilities as Current or Non-current | | √ | |
| | Amendment to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies | | √ | |
| | Amendments to PAS 1: Presentation of Financial Statements, Classification of Liabilities as Current or Non-Current | | √ | |
| PAS 2 | Inventories | √ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|--|---------|----------------|-------------------|
| Effective as of December 31, 2012 | | | | |
| PAS 7 | Statement of Cash Flows | √ | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | √ | | |
| | Amendments to PAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material | √ | | |
| | Amendments to PAS 8: Definition of Accounting Estimates | | √ | |
| PAS 10 | Events after the Reporting Period | √ | | |
| PAS 11 | Construction Contracts | | | √ |
| PAS 12 | Income Taxes | √ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | √ | | |
| | Amendment to PAS 12 – Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity | √ | | |
| | Amendment to PAS 12 – Income Taxes, Deferred Tax related to Assets and Liabilities from Single Transaction | | √ | |
| PAS 16 | Property, Plant and Equipment | √ | | |
| | Amendments to PAS 16, Property, Plant and Equipment | √ | | |
| PAS 17 | Leases | √ | | |
| PAS 18 | Revenue | √ | | |
| PAS 19 (amended) | Employee Benefits | √ | | |
| PAS 19 | Employee Benefits | √ | | |
| | Amendments to PAS 19, Employee Benefits – Plan Amendment, Curtailment or Settlement | √ | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | √ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | √ | | |
| | Amendment: Net Investment in a Foreign Operation | √ | | |
| PAS 23 (Revised) | Borrowing Costs | √ | | |
| | Amendments to PAS 23- Borrowing Costs – Borrowing Costs Eligible for Capitalization | √ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|---|---------|----------------|-------------------|
| Effective as of December 31, 2012 | | | | |
| PAS 24 (Revised) | Related Party Disclosures | √ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | √ |
| PAS 27 (Amended)* | Separate Financial Statements | | | √ |
| | Amendments to PAS 27: Investment Entities | | | √ |
| PAS 28 | Investments in Associates and Joint Ventures | √ | | |
| | Amendment to PAS 28, Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value | √ | | |
| | Amendment to PAS 28, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures | √ | | |
| | Amendment to PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures | | √ | |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | √ |
| PAS 31 | Interests in Joint Ventures | √ | | |
| PAS 32 | Financial Instruments: Disclosure and Presentation | √ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | √ |
| | Amendment to PAS 32: Classification of Rights Issues | | | √ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | √ | | |
| PAS 33 | Earnings per Share | √ | | |
| PAS 34 | Interim Financial Reporting | | | √ |
| PAS 36 | Impairment of Assets | √ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | √ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | √ | | |
| | Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts – Cost of Fulfilling a Contract | √ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|---|---------|----------------|-------------------|
| Effective as of December 31, 2012 | | | | |
| PAS 38 | Intangible Assets | √ | | |
| PAS 39 | Financial Instruments: Recognition and Measurement | √ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | √ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | √ |
| | Amendments to PAS 39: The Fair Value Option | | | √ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | √ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | √ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | √ | | |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | √ |
| | Amendment to PAS 39: Eligible Hedged Items | | | √ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | √ |
| PAS 40 | Investment Property | √ | | |
| PAS 41 | Agriculture | | | √ |
| | Amendments to PAS 41, Agriculture, Taxation in fair value measurements | | | √ |
| Philippine Interpretations | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | √ |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | √ |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | √ | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | √ |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | √ |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 | | | √ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|--|---------|----------------|-------------------|
| Effective as of December 31, 2012 | | | | |
| | Financial Reporting in Hyperinflationary Economies | | | |
| IFRIC 8 | Scope of PFRS 2 | | | √ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | √ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | √ |
| IFRIC 10 | Interim Financial Reporting and Impairment | | | √ |
| IFRIC 11 | PFRS 2- Group and Treasury Share Transactions | | | √ |
| IFRIC 12 | Service Concession Arrangements | | | √ |
| IFRIC 13 | Customer Loyalty Programmes | | | √ |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | √ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | √ |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | √ |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | √ |
| IFRIC 18 | Transfers of Assets from Customers | | | √ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | √ |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | √ |
| IFRIC 21 | Levies | √ | | |
| IFRIC 22 | Foreign Currency Transactions | | | √ |
| IFRIC 23 | Uncertainty Over Income Tax Treatments | √ | | |
| SIC-7 | Introduction of the Euro | | | √ |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | √ |
| SIC-12 | Consolidation - Special Purpose Entities | | | √ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | √ |
| SIC-13 | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | √ |
| SIC-15 | Operating Leases - Incentives | √ | | |
| SIC-21 | Income Taxes – Recovery of Revalued Non-Depreciable Assets | | | √ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|--|---------|----------------|-------------------|
| Effective as of December 31, 2012 | | | | |
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | √ |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | √ | | |
| SIC-29 | Service Concession Arrangements: Disclosures. | | | √ |
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | √ |
| SIC-32 | Intangible Assets - Web Site Costs | | | √ |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
 SCHEDULE A - FINANCIAL ASSETS
 DECEMBER 31, 2022

| | Carrying Value | Fair Value |
|-------------------------------|----------------|---------------|
| Cash on Hand: | | |
| Petty cash and revolving fund | 525,000 | 525,000 |
| Loans and Receivables: | | |
| Cash in banks | 16,514,889 | 16,514,889 |
| Short term investments | 1,895,446,414 | 1,895,446,414 |
| Accounts receivable | 449,880,614 | 449,880,614 |
| | 2,362,366,917 | 2,362,366,917 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES,
AND PRINCIPAL STOCKHOLDERS (P100,000 and above)
December 31, 2022
(In Thousand Pesos)

| Name and Designation of Debtor | | Balance at Beginning of Period | Additions | DEDUCTIONS | | Current | Not Current | Balance at End of Period |
|--------------------------------|---|--------------------------------------|-----------|----------------------|------------------------|----------|----------------|--------------------------------|
| | | | | Amounts Collected | Amounts Written-off | | | |
| Alentajan, Bonifacio | Former Consultant | 400 | | | | | 400 | 400 |
| Armonio, Manuel | Former Consultant | 138 | | | | | 138 | 138 |
| Asuncion, Ma. Theresa | Former President & CEO | 1,709 | | | | | 1,709 | 1,709 |
| Bucio, Hermilo | Former Employee | 105 | | | | | 105 | 105 |
| Caballo, Marlon | Former Technical Assistant (Legal) | 5,555 | | | | | 5,555 | 5,555 |
| Encanto, Mervin | Former Consultant | 300 | | | | | 300 | 300 |
| Garin, Edgardo | Former Employee | 192 | | | | | 192 | 192 |
| Gaston, Segundo | Former Group Head - (Senior Vice Pres.) | 41,043 | | | | | 41,043 | 41,043 |
| Jardin, Penny | Former Employee | 2,860 | | | | | 2,860 | 2,860 |
| Pascual, Ruben | Former Consultant | 2,190 | | | | | 2,190 | 2,190 |
| Paulino, Ibarra | Former Employee | 632 | | | | | 632 | 632 |
| Purugganan, Abraham | Former Executive Vice President | 476 | | | | | 476 | 476 |
| Rivera, Reynaldo | Former Consultant | 400 | | | | | 400 | 400 |
| Silvestre, Arnne Norbert | Cashier | 299 | | | | | 299 | 299 |
| | | 56,299 | - | - | - | - | 56,299 | 56,299 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE OF RETAINED EARNINGS
DECEMBER 31, 2022

| | |
|--|----------------|
| Deficit, Balance at December 31, 2020, as restated | 9,200,264,017 |
| Correction of prior years' income | 83,559,835 |
| Deficit, balance at January 1, 2021, as restated | 9,283,823,852 |
| Add (Deduct) | |
| Comprehensive Income for the year, as restated | 4,062,086,071 |
| Expiration of 2018 minimum corporate income tax | (5,028,866) |
| Piecemeal realization of revaluation increment | 1,590,674 |
| Balance at December 31, 2021 | 13,342,471,731 |
| Comprehensive Loss for the year | 68,073,761 |
| Piecemeal realization of revaluation increment | 2,660,125 |
| Expiration of 2019 minimum corporate income tax | (4,109,590) |
| Balance at the end of year | 13,409,096,027 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE E: LONG TERM DEBT
December 31, 2022
(In Thousand Pesos)

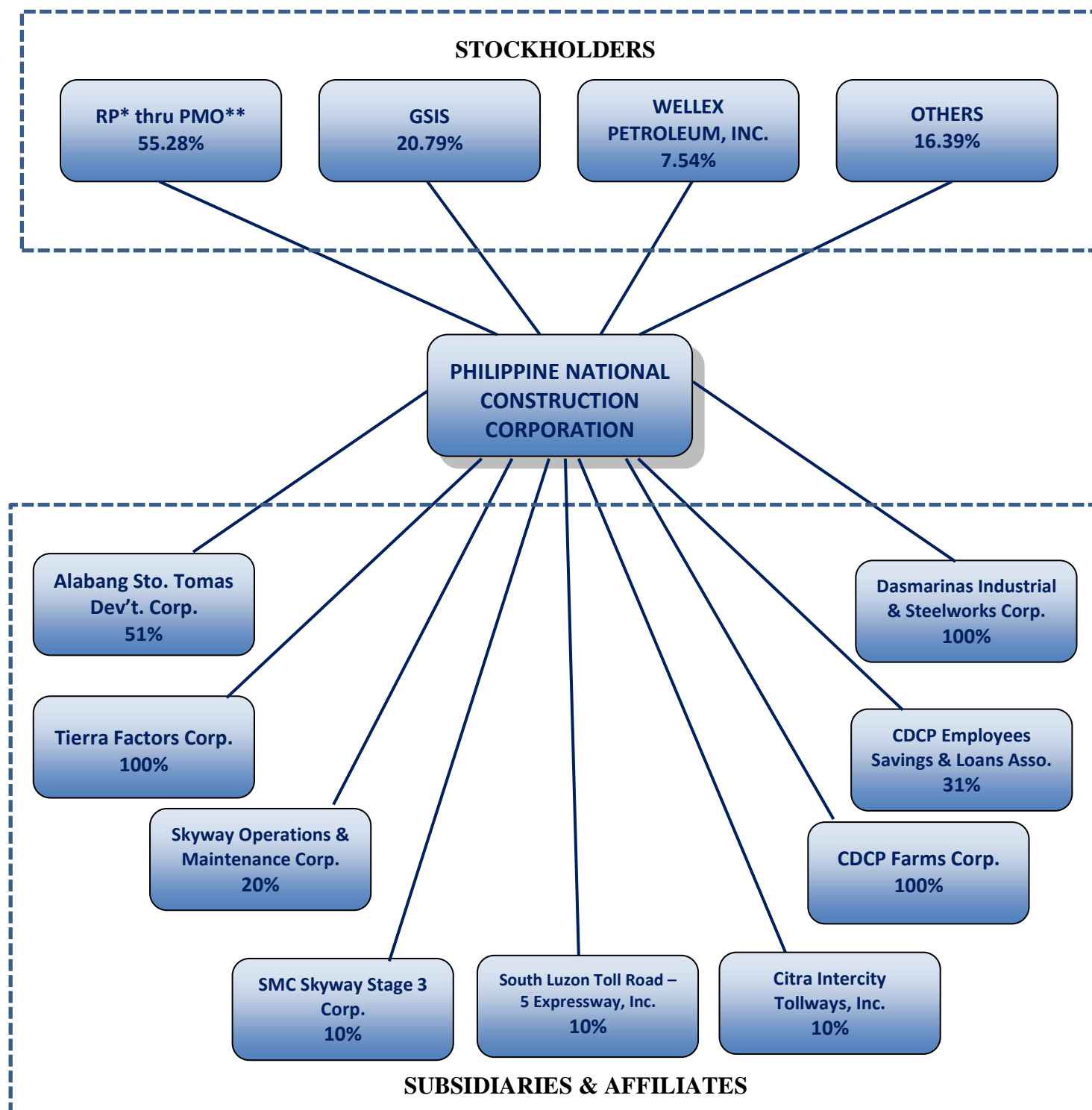
| Creditors | Amount Authorized by Indenture | As of December 31, 2022 | | | | | As of December 31, 2021 | | | | |
|------------------------------------|--------------------------------|-----------------------------------|----------------|----------------------|--------------------------|------------|-----------------------------------|----------------|----------------------|--------------------------|------------|
| | | Current Portion of Long-term Debt | Long-term Debt | | | | Current Portion of Long-term Debt | Long-term Debt | | | |
| | | | Amount | Interest Rate | No. of Periodic Install. | Mat. Date | | Amount | Interest Rate | No. of Periodic Install. | Mat. Date |
| Domestic: Toll Regulatory Board | 912M | 7,076,447 * | | 2%/mo. on outs. bal. | 30 years | 04/30/2007 | 6,818,444 * | | 2%/mo. on outs. bal. | 30 years | 04/30/2007 |
| Debt to NG | | 2,300,569 | | | | | 2,300,569 | | | | |
| Debt to GOCC | | 1,203,000 | | | | | 1,203,000 | | | | |
| Total | | 10,580,016 | 0 | | | | 10,322,013 | 0 | | | |

* inclusive of penalty charges

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2022

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption | Number of Shares Reserved for Options, Warrants Conversion and Other Rights, Redemption | Number of Shares Held by Affiliates | Directos, Officers, and Employees | Others |
|--------------------------------------|-----------------------------------|---|--|---|---|-------------|
| Preferred A (Treasury Stock) | 1,400,000 | 1,400,000 | 1,400,000 | | | |
| Preferred B | 42,114,879 | 18,689,500 | | | | 18,689,500 |
| Preferred C | 6,485,121 | 6,485,121 | | | | 6,485,121 |
| Preferred D | 27,800,000 | 25,500,000 | | | | 25,500,000 |
| Special Common (Treasury Stock) } | 10,000,000 | 1,489,037 367,395 | 367,395 | | 2,952 | 1,486,085 |
| Common | 182,200,000 | 174,444,759 | | | 4,105 | 174,440,654 |
| Total | 270,000,000 | 228,375,812 | 1,767,395 | - | 7,057 | 226,601,360 |

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND SUBSIDIARIES



ANNEX “A”

2022 Integrated Annual Corporate Governance Report

ANNEX “B”

2022 Audited Financial Statements

ANNEX “C”
2022 Sustainability Reporting

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

| Company Details | |
|--|--|
| Name of Organization | PHILIPPINE NATIONAL CONSTRUCTION CORPORATION |
| Location of Headquarters | BICUTAN, PARANAQUE CITY |
| Location of Operations | BICUTAN, PARANAQUE CITY |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | PHILIPPINE NATIONAL CONSTRUCTION CORPORATION |
| Business Model, including Primary Activities, Brands, Products, and Services | GENERAL CONTRACTING BUSINESS |
| Reporting Period | C/Y DECEMBER 31, 2022 |
| Highest Ranking Person responsible for this report | PRESIDENT AND CEO |

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

| Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. ¹ |
|---|
| <p>PNCC's Materiality Process is a work in progress in line with the Sustainability Frameworks, standards and best practices guided by its Quality Management System and Performance Scorecard as required by the Governance Commission for GOCCs. PNCC's existing Quality Management System (QMS) has been established pursuant to ISO 9001:2015 standard which adopts the process approach and risk-based thinking in developing, implementing and improving the effectiveness of its QMS. The Plan-Do-Check-Act cycle has been applied to all its processes. The PNCC's QMS determined the external and internal issues that are relevant in its strategic direction and affect its ability to achieve the intended results. In understanding the organization, it considered the issues arising from legal, technological, competitive, market, cultural, social and economic environments, whether international, national, regional or local. While the Performance Scorecard as required by the Governance Commission for GOCCs was based on Organizational Performance Indicator Framework (OPIF) logframe and Major Final Outputs (MFO) which later migrated to Performance Evaluation System (PES) framework. The PES required PNCC to determine its Charter Statement consists of Vision, Mission and Core Values consistent with PNCC's mandate and adds value to the strategy of its stakeholders. Further, the PES likewise required PNCC to build the strategy map that describes the connection between and among the objectives arranged in order to build value to the stakeholders of PNCC. The strategic objectives which grouped by strategic perspective viz Social Impact, Stakeholder/Customer, Finance, Internal Process and Learning and Growth define what major thrusts the PNCC will pursue to achieve its vision.</p> |

¹ See [GRI 102-46](#) (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

| Disclosure | Amount | Units |
|--|-------------|-------|
| Direct economic value generated (revenue) | 501,229,632 | PhP |
| Direct economic value distributed: | | |
| a. Operating costs | 73,401,117 | PhP |
| b. Employee wages and benefits | 51,263,382 | PhP |
| c. Payments to suppliers, other operating costs | 28,239,773 | PhP |
| d. Dividends given to stockholders and interest payments to loan providers | None | PhP |
| e. Taxes given to government | 18,312,697 | PhP |
| f. Investments to community (e.g. donations, CSR) | 22,350 | PhP |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|-----------------------------------|--|
| Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Corporation and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. | Employees, JVCs, depositing banks | <p>The following specific recognition criteria must also be met before revenue is recognized:</p> <p>Service Income – is recognized on the basis of percentage of completion method.</p> <p>Lease Income – Lease income from operating leases, wherein substantially all the risks and rewards of ownership are retained by the Corporation as a lessor, is recognized on a straight-line basis over the term of the relevant lease. The lease income is derived from the Corporation's properties not used in business and being leased out to third parties for a certain period, renewable under such terms and conditions as may be agreed upon by both parties.</p> <p>Revenue and Dividend Share from Joint Venture Companies (JVCs) – Pursuant to the Supreme Court En Banc Decision, the Corporation no longer records the tollways income from the North and South Luzon Tollways (NLT and SLT). In accordance with the interim rules and guidelines issued by the Toll Regulatory</p> |

| | | <p>Board (TRB) for the determination of the amounts due to the PNCC for its administrative expenses, PNCC recognized 10 per cent of its share from the gross toll revenues of the JVCs, pending the issuance of the Implementing Rules and Guidelines.</p> <p>Dividend income is recognized when the Corporation's right to receive the payment is established.</p> <p>Interest Income – is recognized as it accrued, taking into account the principal amount outstanding and the effective rates.</p> <p>Other Income – is recognized when earned.</p> |
|--|--|--|
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <p>Financial Risk PNCC's principal financial instruments comprise of cash and cash equivalents, restructured debt and advances to and from related parties. The main purpose of these financial instruments is to finance the operations. PNCC has various other financial assets and liabilities such as receivables and vouchers payable and accrued expenses (excluding statutory payables), which arise directly from its operations. The main risks arising from financial instruments are credit risk and liquidity risk.</p> | Creditors, suppliers, employees, lessees, JVCs | PNCC monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the Board of Directors. |
| <p>Liquidity Risk Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.</p> | Creditors, suppliers, employees | PNCC monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. PNCC maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. |
| <p>Credit Risk Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause</p> | Real estate buyers, suppliers | Management deals only with institutions or individuals for which credit limits have been established and with suppliers |

| | | |
|---|---|--|
| <i>the other party to a financial loss. PNCC's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers and suppliers</i> | | <i>whose paying and performance capabilities are rigorously screened.</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>Opportunities related to material topic are the following: Joint Venture Agreement for Tollway Development under PNCC franchise (PD 1894) New contract of Lease from Investment Properties</i> | <i>JVCs, lessees</i> | <i>PNCC conducts due diligence in evaluating proposals for tollway development and realty development.</i> |

Climate-related risks and opportunities²

| Governance | Strategy | Risk Management | Metrics and Targets |
|--|--|--|--|
| <i>PNCC through its Safety, Health and Environment Committee commits to safeguard the safety and health of its employees, contractors and all stakeholders and to preserve the environment in undertaking its operations and activities.</i> | <i>Allocate budget for Calamity Preparedness Measures to mitigate effects of physical risks</i> | <i>The Safety, Health and Environment unit of the company undertakes to be vigilant on present weather condition and prepare measures to carry out in case of occurrence of risk</i> | <i>PNCC has yet to determine the metrics and targets.</i> |
| Recommended Disclosures | | | |
| <i>PNCC has yet to determine the board's oversight of climate-related risks and opportunities.</i> | <i>PNCC has yet to determine the climate-related risks and opportunities.</i> | <i>PNCC has yet to determine the processes for identifying and assessing climate-related risks.</i> | <i>PNCC has yet to determine the metrics to be used in assessing the climate-related risks and opportunities in line with its strategy and risk management processes</i> |
| <i>PNCC Management has yet to determine its role in assessing and managing climate-related risks and opportunities</i> | <i>PNCC Management has yet to determine the impact of climate-related risks and opportunities on its</i> | <i>PNCC Management has yet to determine the processes for managing climate-related risks.</i> | <i>PNCC Management has yet to determine the targets to be used to manage climate-related risks and opportunities</i> |

² Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

| | | | |
|--|---|---|--|
| | <i>businesses, strategy and financial planning</i> | | |
| | <i>PNCC has yet to determine the resilience of its strategy taking into consideration different climate-related scenarios</i> | <i>PNCC has yet to determine the processes for identifying, assessing, and managing climate-related risks integrated into the overall risk management</i> | |

Procurement Practices

Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| <i>The company has yet to determine the percentage of procurement budget used for significant locations of operations that is spent on local suppliers</i> | | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|---|---|
| <i>PNCC has yet to identify the impact and where it occurs.</i> | <i>employees, community, suppliers, government agencies</i> | <i>Part of PNCC's Quality Management System is the Purchasing procedure where it describes procurement policies, responsibilities, goals and targets.</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>Conflict with contractor – unwillingness of contractor to sign contract technical capacity - specification of requirement is not technically viable Financial capacity – requirement no longer a priority</i> | <i>Employees, suppliers, contractors</i> | <i>Mitigate the effect of the risk, strict adherence to existing policies and procedures</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>PNCC has yet to determine opportunities</i> | <i>PNCC has yet to determine the affected stakeholders</i> | <i>PNCC has yet to determine the management approach on identified opportunity</i> |

Anti-corruption

Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|--|----------|-------|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | None | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | None | % |
| Percentage of directors and management that have received anti-corruption training | None | % |
| Percentage of employees that have received anti-corruption training | None | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>This will result in financial damage. Examples of such is a damaged reputation of the business, which causes fewer business opportunities. Following this loss of finances, the damage to morale will affect employee productivity. A loss in productivity leads to further losses in profits.</i> | <i>Shareholders, employees, Directors</i> | <p><i>PNCC has developed two codes, the "PNCC Codes of Conduct" and the "PNCC Code of Employee Discipline (CCED)". It contains the preambular portion or the "Declaration of Principles", which details out the requirements for the successful implementation of the Codes. It starts with the commitment of the management in providing for just and lawful conditions of employment, and complemented by the principles that should govern employees as they uphold the interests of the company.</i></p> <p><i>Meanwhile, the Board of Directors, by adopting the Manual of Corporate Governance 2017 and provisions of GCG's Code of Corporate Governance, the company is committed to observe the principles of fairness, accountability and transparency. The Board of Directors believes that this will significantly enhance PNCC's corporate governance systems and make it an able partner in national development.</i></p> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the stakeholders affected by risks</i> | <i>The company has yet to determine the approach to be undertaken to manage the risk</i> |

| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
|---|--|---|
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the stakeholders affected by opportunities</i> | <i>The company has yet to determine the approach to be undertaken to manage the opportunities</i> |

Incidents of Corruption

| Disclosure | Quantity | Units |
|--|----------|-------|
| Number of incidents in which directors were removed or disciplined for corruption | 0 | # |
| Number of incidents in which employees were dismissed or disciplined for corruption | 0 | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|--|---|
| <i>There is no impact since it did not occur</i> | <i>No affected stakeholder</i> | <i>The Code of Conduct lays out the management expectations of ethical conduct or behavior of employees covered thereby. The Code of Employee Discipline, on the other hand, enumerates the violations of the Code of Conduct and the penalties or sanctions for each violation. Management maintains its inherent right to discipline or dismiss employees for any offense or violation contained in the Code.</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <ul style="list-style-type: none"> • <i>Fiduciary Risks (fraud or theft)</i> • <i>Legal Risks (Law violation)</i> • <i>Safety Risks (Increasing likelihood of accidents or illness)</i> • <i>Operational Risks (Viability to achieve objectives)</i> • <i>Information Risks (hiding or withholding important data)</i> • <i>Reputational Risks</i> • <i>Procurement Risks (Bid rigging, manipulated tender specifications)</i> • <i>Human Resources (Conflict of interest, recruitment biases)</i> | <i>Employees, Investors, Directors</i> | <i>The company has implemented Risk and Opportunities Management Procedure which aimed at defining the processes involved in identifying, analyzing, evaluating, monitoring and addressing risks and opportunities.</i> |

| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
|--|--|---|
| <i>Improvement of processes and asset management</i> | <i>Employees, Investors, Directors stakeholders of the opportunities</i> | <i>The company has implemented Risk and Opportunities Management Procedure which aimed at defining the processes involved in identifying, analyzing, evaluating, monitoring and addressing risks and opportunities.</i> |

ENVIRONMENT

Resource Management

Energy consumption within the organization:

| Disclosure | Quantity | Units |
|--|----------|-------|
| Energy consumption (renewable sources) | 0 | GJ |
| Energy consumption (gasoline) | 271.109 | GJ |
| Energy consumption (LPG) | 0 | GJ |
| Energy consumption (diesel) | 1,029.22 | GJ |
| Energy consumption (electricity) | 170,123 | KWh |

Reduction of energy consumption

| Disclosure | Quantity | Units |
|--------------------------------|--------------------------|-------|
| Energy reduction (gasoline) | No data of previous year | GJ |
| Energy reduction (LPG) | No data of previous year | GJ |
| Energy reduction (diesel) | No data of previous year | GJ |
| Energy reduction (electricity) | -18,123 | KWh |
| Energy reduction (gasoline) | No data of previous year | GJ |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |

| | | |
|---|--|--|
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |
|---|--|--|

Water consumption within the organization

| Disclosure | Quantity | Units |
|---------------------------|----------|--------------|
| Water withdrawal | No data | Cubic meters |
| Water consumption | 2,678 | Cubic meters |
| Water recycled and reused | No data | Cubic meters |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Materials used by the organization

| Disclosure | Quantity | Units |
|---|----------|-----------|
| Materials used by weight or volume | | |
| • Renewable | No data | kg/liters |
| • non-renewable | No data | kg/liters |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|----------------------------------|---------------------|
|---|----------------------------------|---------------------|

| | | |
|--|---|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
|--|---|--|

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure | Quantity | Units |
|---|-----------------|--------------|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | (None) | |
| Habitats protected or restored | None | Ha |
| IUCN ³ Red List species and national conservation list species with habitats in areas affected by operations | None | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

³ International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

| Disclosure | Quantity | Units |
|---|----------|--------------------------|
| Direct (Scope 1) GHG Emissions | No data | Tonnes CO ₂ e |
| Energy indirect (Scope 2) GHG Emissions | No data | Tonnes CO ₂ e |
| Emissions of ozone-depleting substances (ODS) | No data | Tonnes |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Air pollutants

| Disclosure | Quantity | Units |
|--------------------------------------|----------|-------|
| NO _x | No data | Kg |
| SO _x | No data | Kg |
| Persistent organic pollutants (POPs) | No data | Kg |
| Volatile organic compounds (VOCs) | No data | Kg |
| Hazardous air pollutants (HAPs) | No data | Kg |
| Particulate matter (PM) | No data | Kg |

| | | |
|--|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Solid and Hazardous Wastes

Solid Waste

| Disclosure | Quantity | Units |
|-----------------------------|-----------------|--------------|
| Total solid waste generated | No data | Kg |
| Reusable | No data | Kg |
| Recyclable | No data | Kg |
| Composted | No data | Kg |
| Incinerated | No data | Kg |
| Residuals/Landfilled | No data | Kg |

| | | |
|--|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |

| | | |
|---|--|--|
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |
|---|--|--|

Hazardous Waste

| Disclosure | Quantity | Units |
|---|----------|-------|
| Total weight of hazardous waste generated | No data | Kg |
| Total weight of hazardous waste transported | No data | Kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Effluents

| Disclosure | Quantity | Units |
|----------------------------------|----------|--------------|
| Total volume of water discharges | No data | Cubic meters |
| Percent of wastewater recycled | No data | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Environmental compliance

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | None | PhP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | None | # |
| No. of cases resolved through dispute resolution mechanism | None | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

| Disclosure | Quantity | Units |
|--|-------------|-----------|
| Total number of employees ⁴ | 254 | |
| a. Number of female employees | 20 | # |
| b. Number of male employees | 290 | # |
| Attrition rate ⁵ | 27/310*100% | Rate 8.71 |
| Ratio of lowest paid employee against minimum wage | None | Ratio |

Employee benefits

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|---|-----|--|--|
| SSS | | 11 | 49 |
| PhilHealth | | 2 | 5 |
| Pag-ibig | | 12 | 121 |
| Parental leaves | | | 2 |
| Vacation leaves | | 16 | 30 |
| Sick leaves | | 1 | |
| Medical benefits (aside from PhilHealth)) | | | |
| Housing assistance (aside from Pag-ibig) | | | |
| Retirement fund (aside from SSS) | | | |
| Further education support | | | |
| Company stock options | | | |
| Telecommuting | | | |
| Flexible-working Hours | | | |
| (Others) | | | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|----------------------------------|---------------------|
| <ul style="list-style-type: none"> The company has yet to determine the impact and where it occurs | Employees | |

⁴ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁵ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|--|---|---|
| <ul style="list-style-type: none"> • Increasing health risk, risk protection and well-being benefit cost • Pension financial risks • Administration and fiduciary • Legal and compliance • Benefit decision making and accountability | Employees | The company has yet to determine the processes to be undertaken to manage the risks |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| The company has yet to determine the opportunities | The company has yet to determine the affected stakeholders of the opportunities | The company has yet to determine the processes to be undertaken to manage the opportunities |

Employee Training and Development

| Disclosure | Quantity | Units |
|--|----------|----------------|
| Total training hours provided to employees | | |
| a. Female employees | 68 | hours |
| b. Male employees | 116 | hours |
| Average training hours provided to employees | | |
| a. Female employees | 8.5 | hours/employee |
| b. Male employees | 11.6 | hours/employee |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The company has yet to determine the impact and where it occurs | The company has yet to determine the affected stakeholders | The company has implemented Training procedure to ensure that appropriate training/seminars are provided to needing employees |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| The company has yet to determine the risks | The company has yet to determine the affected stakeholders of the risks | The company has yet to determine the processes to be undertaken to manage the risks |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| The company has yet to determine the opportunities | The company has yet to determine the affected stakeholders of the opportunities | The company has yet to determine the processes to be undertaken to manage the opportunities |

Labor-Management Relations

| Disclosure | Quantity | Units |
|--|--|--|
| % of employees covered with Collective Bargaining Agreements | None | % |
| Number of consultations conducted with employees concerning employee-related policies | None | # |
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
| <i>There is no impact as there is no CBA</i> | <i>No stakeholders affected</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|----------|--------|
| % of female workers in the workforce | 20 | 6.4% |
| % of male workers in the workforce | 290 | 93.54% |
| Number of employees from indigenous communities and/or vulnerable sector* | None | # |

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

| | | |
|--|---|----------------------------|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|---|----------------------------|

| | | |
|--|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

| Disclosure | Quantity | Units |
|--------------------------------|-----------------|--------------|
| Safe Man-Hours | No data | Man-hours |
| No. of work-related injuries | None | # |
| No. of work-related fatalities | None | # |
| No. of work related ill-health | None | # |
| No. of safety drills | None | # |

| | | |
|--|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|----------|-------|
| No. of legal actions or employee grievances involving forced or child labor | None | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the company policy |
|--------------|-----|--|
| Forced labor | Y | Corporate Social Responsibility policy |
| Child labor | Y | Corporate Social Responsibility policy |
| Human Rights | Y | Corporate Social Responsibility policy |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

The company adopts the provision of RA 9184 and its Implementing Rules and Regulations (IRR), thus prequalification of suppliers is based on their registration and accreditation with PhilGeps. All purchases of the company through bidding can only be sourced from PhilGeps-accredited suppliers.

Do you consider the following sustainability topics when accrediting suppliers?

| Topic | Y/N | If Yes, cite reference in the supplier policy |
|---------------------------|-----|---|
| Environmental performance | Y | PhilGeps registration / accreditation |
| Forced labor | Y | PhilGeps registration / accreditation |
| Child labor | Y | PhilGeps registration / accreditation |
| Human rights | Y | PhilGeps registration / accreditation |
| Bribery and corruption | Y | PhilGeps registration / accreditation |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Relationship with Community

Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | Location | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive) |
|---|-----------------|---|---|---|--|
| The company has yet to determine the significant impact on local communities. | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

| Certificates | Quantity | Units |
|----------------------------------|----------|-------|
| FPIC process is still undergoing | N/A | # |
| CP secured | N/A | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|--|--|
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Customer Management

Customer Satisfaction

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|-----------------------|------------|--|
| Customer satisfaction | 4.5 or 90% | Y |

Health and Safety

| Disclosure | Quantity | Units |
|--|----------|-------|
| No. of substantiated complaints on product or service health and safety* | None | # |
| No. of complaints addressed | None | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| | | |
|--|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the impact and where it occurs</i> | <i>The company has yet to determine the affected stakeholders</i> | <i>The company has yet to determine the processes to manage the impact</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the risks</i> | <i>The company has yet to determine the affected stakeholders of the risks</i> | <i>The company has yet to determine the processes to be undertaken to manage the risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

Marketing and labelling

| Disclosure | Quantity | Units |
|---|-----------------|--------------|
| No. of substantiated complaints on marketing and labelling* | None | # |
| No. of complaints addressed | None | # |

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

| | | |
|--|---|----------------------------|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
| - | <i>Not Applicable</i> | <i>Not Applicable</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>Not Applicable</i> | <i>Not Applicable</i> | <i>Not Applicable</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>Not Applicable</i> | <i>Not Applicable</i> | <i>Not Applicable</i> |

Customer privacy

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| No. of substantiated complaints on customer privacy* | None | # |
| No. of complaints addressed | None | # |

| | | |
|--|------|---|
| No. of customers, users and account holders whose information is used for secondary purposes | None | # |
|--|------|---|

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| <i>There is no impact since it does not occur</i> | <i>None</i> | <i>In case of occurrence, the company has provided a facility in its website wherein a customer can report illegal and unethical acts and behavior concerning employees, officers and members of the Board. All reports will be handled with strict confidentiality. Moreover, customer complaints can also be submitted through email, feedback form online or personal.</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>Loss of trust and credibility, increase customer chur and lower referrals and ratings</i> | <i>Lessees, JV partners, employees</i> | <i>The company conducts an annual customer satisfaction survey to determine the satisfaction rating from customers. In this way, employees with direct interaction with customers will be trained and empowered to handle customers with respect, courtesy and competence.</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>Customer satisfaction enhancement, service upgrade, improvement of policies and procedures, boost customer communication, positive impact on company image</i> | <i>Lessees, JV partners, employees</i> | <i>With the implementation of Customer Satisfaction Survey through the ARTA required Client Satisfaction Measurement, customer satisfaction will be enhanced.</i> |

Data Security

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| No. of data breaches, including leaks, thefts and losses of data | None | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|--|---|
| <i>No impact to the company as no data breach occurred</i> | <i>Employees</i> | <i>Strict implementation of firewall policy and adherence to local area and internet control guidelines</i> |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| <i>Loss of data, loss of data integrity, operation disruption, unrealized ROI</i> | <i>Employees, customers</i> | <i>Risk assessment and formulation of action plans on identified risks</i> |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| <i>The company has yet to determine the opportunities</i> | <i>The company has yet to determine the affected stakeholders of the opportunities</i> | <i>The company has yet to determine the processes to be undertaken to manage the opportunities</i> |

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|------------------------------------|---|---|--|
| <i>Leasing of real properties</i> | <i>The company has yet to determine the contribution to UN SDGs</i> | <i>The company has yet to determine the negative impact of contribution</i> | <i>The company has yet to determine the processes to undertake to manage the negative impact</i> |
| <i>Tollway development project</i> | | | |

* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.