2GO

2021

Annual Report Supplements

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4 4 0 9

C O M P A N Y   N A M E

2GO GROUP, INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

8TH FLOOR, TOWER 1, DOUBLE DRAGON PLAZA, EDSA EXTENSION CORNER MACAPAGAL AVENUE, PASAY CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
investor_relations@2go.com.ph	(02) 8554-8777	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,106	4th Thursday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Elmer Serrano	calliope.ngo@serranolawlawph.com	(02) 8651-7408	N/A

CONTACT PERSON's ADDRESS

8th Floor, Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City

NOTE 1 *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **2GO Group, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

SyCip Gorres Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Frederic C. DyBuncio
Chairman of the Board

Frederic C. DyBuncio
President and Chief Executive Officer

William C. Howell
Chief Financial Officer and Treasurer

Signed this 6th day of April, 2022.

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SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of 2GO Group, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and parent company statements of profit or loss, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the parent company financial position of the Company as at December 31, 2021 and 2020, and its parent company financial performance and its parent company cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of 2GO Group, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon
Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2020, January 31, 2020, valid until January 30, 2023
PTR No. 8853475, January 3, 2022, Makati City

April 6, 2022

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2022
RECEIVED
MARK ANTHONY M. PANDIÑO

2GO GROUP, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 19*	**₱168,041**	₱397,899
Trade and other receivables	*8, 19*	**4,133,932**	4,294,535
Inventories	*9*	**103,245**	52,359
Other current assets	*10*	**1,376,237**	1,353,600
Total Current Assets		**5,781,455**	6,098,393
Noncurrent Assets			
Property and equipment	*11, 16, 17*	**4,200,298**	3,889,906
Investments in subsidiaries and an associate - at cost	*12*	**318,628**	355,278
Deferred income tax assets	*26*	**66,872**	90,992
Other noncurrent assets	*13*	**228,132**	675,239
Total Noncurrent Assets		**4,813,930**	5,011,415
TOTAL ASSETS		**₱10,595,385**	₱11,109,808

LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*14*	**₱1,809,000**	₱996,500
Trade and other payables	*15, 18, 19*	**2,553,449**	3,491,625
Current portion of obligations under lease	*11, 17*	**68,184**	156,047
Total Current Liabilities		**4,430,633**	4,644,172
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	*16*	**3,987,844**	3,485,080
Obligations under lease	*11, 17*	**206,768**	274,952
Accrued retirement benefits	*25*	**226,578**	259,238
Total Noncurrent Liabilities		**4,421,190**	4,019,270
Total Liabilities		**8,851,823**	8,663,442
Equity	*20*		
Share capital		**2,500,663**	2,500,663
Additional paid-in capital		**2,498,621**	2,498,621
Other equity reserve		**(11,700)**	(11,700)
Other comprehensive loss		**(75,493)**	(122,805)
Deficit		**(3,109,814)**	(2,359,698)
Treasury shares		**(58,715)**	(58,715)
Total Equity		**1,743,562**	2,446,366
TOTAL LIABILITIES AND EQUITY		**₱10,595,385**	₱11,109,808

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.

PARENT COMPANY STATEMENTS OF PROFIT OR LOSS

(Amounts in Thousands)

		Years Ended December 31	
	Note	**2021**	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS	*5, 19*		
Freight		**₱4,034,588**	₱3,569,098
Passage		**437,692**	839,139
Other services		**1,655,473**	1,689,086
		6,127,753	6,097,323
COST OF SERVICES	*21*	**6,048,438**	5,961,993
GROSS PROFIT		**79,315**	135,330
GENERAL AND ADMINISTRATIVE EXPENSES	*22*	**636,766**	1,014,901
OTHER OPERATIONAL EXPENSES	*30b*	**–**	205,570
OPERATING LOSS		**(557,451)**	(1,085,141)
OTHER INCOME (CHARGES)			
Financing charges	*23*	**(323,358)**	(301,416)
Dividend income	*19*	**175,000**	117,000
Others - net	*23*	**(49,616)**	(301,850)
		(197,974)	(486,266)
LOSS BEFORE INCOME TAX		**(755,425)**	(1,571,407)
PROVISION FOR (BENEFITS FROM) INCOME TAX	*26*		
Current		**(1,963)**	11,065
Deferred		**(3,346)**	(14,196)
		(5,309)	(3,131)
NET LOSS		**(₱750,116)**	(₱1,568,276)

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Note	**2021**	2020
		Years Ended December 31	
NET LOSS		**(₱750,116)**	(₱1,568,276)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax			
Item that will be reclassified subsequently to profit or loss:			
Net changes on cash flow hedge	*27*	–	(2,911)
Income tax effect		–	873
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement losses on accrued retirement benefits	*25*	**74,778**	(37,184)
Income tax effect	*26*	**(27,466)**	11,155
		47,312	(28,067)
TOTAL COMPREHENSIVE LOSS		**(₱702,804)**	(₱1,596,343)

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Thousands)

				Other Comprehensive Loss					
	Share Capital (Note 20)	Additional Paid-in Capital (Note 20)	Other Equity Reserves (Note 20)	Remeasurement Losses on Accrued Retirement Benefit - Net of Tax (Note 25)	Cash Flow Hedge Reserve - Net of Tax (Note 27)	Subtotal	Deficit (Note 20)	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2020	**₱2,500,663**	**₱2,498,621**	**(₱11,700)**	**(₱96,776)**	**₱2,038**	**(₱94,738)**	**(₱791,422)**	**(₱58,715)**	**₱4,042,709**
Net loss for the year	–	–	–	–	–	–	(1,568,276)	–	(1,568,276)
Other comprehensive loss for the year	–	–	–	(26,029)	(2,038)	(28,067)	–	–	(28,067)
Total comprehensive loss for the year	–	–	–	(26,029)	(2,038)	(28,067)	(1,568,276)	–	(1,596,343)
BALANCE AT DECEMBER 31, 2020	**2,500,663**	**2,498,621**	**(11,700)**	**(122,805)**	**–**	**(122,805)**	**(2,359,698)**	**(58,715)**	**2,446,366**
Net loss for the year	–	–	–	–	–	–	(750,116)	–	(750,116)
Other comprehensive income for the year	–	–	–	47,312	–	47,312	–	–	47,312
Total comprehensive income (loss) for the year	–	–	–	47,312	–	47,312	(750,116)	–	(702,804)
BALANCE AT DECEMBER 31, 2021	**₱2,500,663**	**₱2,498,621**	**(₱11,700)**	**(₱75,493)**	**₱–**	**(₱75,493)**	**(₱3,109,814)**	**(₱58,715)**	**₱1,743,562**

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱755,425)**	(₱1,571,407)
Adjustments for:			
Depreciation and amortization of property and equipment and software cost	*11, 13 21, 22*	**1,090,284**	1,464,283
Financing charges	*23*	**323,358**	308,682
Loss (gain) on disposal of property and equipment	*23*	**39,106**	(29,211)
Interest income	*7, 19, 23*	**(100)**	(38,202)
Gain on lease pre-termination	*17*	**–**	(12,428)
Impairment of investments in subsidiaries	*12, 23*	**24,621**	18,524
Dividend income	*19*	**(175,000)**	(117,000)
Retirement benefit cost	*25*	**42,118**	53,717
Unrealized foreign exchange loss		**838**	1,241
Operating income before working capital changes		**589,800**	78,199
Decrease (increase) in:			
Trade and other receivables		**16,857**	(236,743)
Inventories		**(50,886)**	30,579
Prepaid expenses and other current assets		**90,023**	(24,421)
Increase (decrease) in trade and other payables		**(441,306)**	358,779
Cash generated from operations		**204,488**	206,393
Interest received		**100**	38,202
Contribution to retirement fund and payment from Company reserves	*25*	**–**	(5,509)
Income taxes paid, including creditable withholding taxes		**(110,697)**	(70,435)
Net cash provided by operating activities		**93,891**	168,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	*11*	**(1,820,388)**	(435,392)
Software costs	*13*	**(13,245)**	(58,398)
Dividends received	*19*	**184,324**	104,100
Proceeds from sale of property and equipment	*11*	**372,512**	56,347
Collection of proceeds from sale of a subsidiary	*8, 13*	**89,263**	100,582
Receipts of various deposits		**31,629**	25,769
Net cash used in investing activities		**(1,155,905)**	(206,991)

(Forward)

BUREAU OF INTERNAL REVENUE
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LARGE TAXPAYERS ASSISTANCE DIVISION
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	Note	Years Ended December 31 2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES	*29*		
Proceeds from availments of:			
Short-term notes payable	*14*	**₱1,809,000**	₱925,000
Long-term debt	*16*	**500,000**	1,000,000
Payments of:			
Short-term notes payable	*14*	**(996,500)**	(1,215,000)
Obligations under lease	*17*	**(156,047)**	(179,344)
Interest and financing charges	*23*	**(320,547)**	(288,917)
Debt transaction cost	*23*	**(3,750)**	(7,500)
Net cash from financing activities		**832,156**	234,239
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH		**–**	(28)
NET INCREASE (DECREASE) IN CASH		**(229,858)**	195,871
CASH AT BEGINNING OF YEAR		**397,899**	202,028
CASH AT END OF YEAR	*7*	**₱168,041**	₱397,899

See accompanying Notes to the Parent Company Financial Statements.

1. Corporate Information and Approval of the Parent Company Financial Statements

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was renewed in May 12, 1995 and will expire on May 25, 2049. However, under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. It is primarily engaged in the business of operating vessels, motorboats, and offer kinds of watercrafts for purposes of the transportation of cargoes and passengers by sea within the waters and territorial jurisdiction of the Philippines. The Company's registered office address is 8th Floor Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City, Metro Manila. 2GO's shares of stock are publicly traded on the Philippine Stock Exchange (PSE).

On February 23, 2018, the Board of Directors (BOD) approved the internal restructuring of the Group via merger of 2GO with its parent company, Negros Navigation Co., Inc. (NN), with 2GO as the surviving entity. The purpose of this was to simplify the Group's corporate structure and to streamline operations, reduce costs and increase shareholder value. Prior to the merger and as of December 31, 2018, NN owned 88.31% of 2GO, while NN is 39.85%-owned by KGLI-NM Holdings, Inc. (KGLI-NM), 34.5% owned by SM Investments Corporation (SMIC), 25.30%-owned by China-ASEAN Marine B.V. (CAMBV), and 0.35% owned by public shareholders. KGLI-NM's ultimate parent is Udenna Corporation.

Effective January 1, 2019, NN was merged into 2GO, with 2GO as the surviving entity, pursuant to the Articles of Merger as approved by the Securities and Exchange Commission (SEC). Hence, the separate corporate existence of NN ceased by operation of law as provided under Section 80(2) of the Corporation Code. To execute the merger, 2GO issued a total of 2,176,151,907 shares with a par value of One Peso (₱1.00) per share to the stockholders of NN in exchange for the net assets of NN, which shares were composed of the 2,160,141,991 shares reacquired by 2GO as a result of the merger, and 16,009,916 shares from the unissued authorized capital stock of 2GO. As a result, 2GO is 35.22%-owned by KGLI-NM, 30.49% owned by SMIC, 22.36%-owned by CAMBV and 11.93% owned by public shareholders as of December 31, 2020 and 2019. The effect of the merger is disclosed in Notes 20 and 30a.

During 2019, the Company completed series of restructuring activities as part of a plan to focus on improving core services and profitability. The Company discontinued the operations of its two inter-island freighters, and consolidated its operations in certain container yards, warehouses and offices.

On June 3, 2021, SMIC acquired 550,558,388 common shares representing 22.36% of 2GO from KGLI-NM. This resulted in an increase of SMIC's ownership in 2GO to 52.85%, thereby making 2GO a subsidiary of SMIC. On the same date, Trident Investments Holdings Pte. Ltd. (Trident) acquired 230,563,877 common shares of 2GO from KGLI-NM and 550,558,388 common shares from CAMBV, or a total of 781,122,265 common shares representing 31.73% of 2GO. Public shareholders own 15.42%.

The accompanying parent company financial statements as at December 31, 2021 and 2020 and for the years then ended were approved and authorized for issue by the BOD on April 6, 2022.

2. **Basis of Preparation and Statement of Compliance**

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis, except for quoted financial asset investments and hedging instruments which are measured at fair value through other comprehensive income. The parent company financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. All values are presented to the nearest thousands, except when otherwise indicated.

The Company also prepared and issued consolidated financial statements for the same period in which it consolidates all its investments in subsidiaries and associates and interests in joint ventures. Such consolidated financial statements provide information about the economic activities.

Statement of Compliance
The parent company financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRS).

3. **Significant Accounting Policies**

Accounting policies have been applied consistently to all years presented in the parent company financial statements, except for the changes in accounting policies explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Company adopted the following new or revised standards, amendments to standards and interpretations effective for annual periods beginning January 1, 2021. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2021

- Amendment to PFRS 16, *Leases*, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Company adopted the amendments beginning April 1, 2021. The amendments did not have a material impact on the Company.

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

  The Company shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Standards Issued But Not Yet Adopted
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to Philippine Accounting Standards (PAS) 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- 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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The significant accounting policies adopted in the preparation of the parent company financial statements are summarized below.

<u>Investments in Subsidiaries</u>
Investment in subsidiaries are carried at cost less any accumulated impairment in value. Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee, and;
- the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other holders of the investee;
- rights arising from other contractual arrangements; and
- the Company's voting rights and potential voting rights.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in Associates

Investments in associate are accounted for under the cost method less any impairment in value. An associate is an entity in which the Company has significant influence but not control, and which is neither a subsidiary nor a joint venture. This is generally accompanied by a shareholding between 20% to 50% of the voting rights of the investment. Under the cost method, the investment is recognized at cost and rights for dividend payments from the investment are recognized as “Dividend income” in the parent company statement of profit or loss.

The Company determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the difference in the parent company statement of profit or loss.

Current versus Noncurrent classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the financial reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, and are subject to an insignificant risk of change in value.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interest.

Assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable; and,
Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

Financial Instruments
Date of Recognition
The Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets, recognition and de-recognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). With the exception of trade receivables or for which the Company has applied the practical expedient, the Company's initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVTPL), includes transaction cost. Trade receivables or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

Financial assets
At initial recognition, the Company classifies its financial assets as follows:

- FVTPL
- Fair value through other comprehensive income (FVTOCI)
- Financial assets measured at amortized cost

The basis of the classification of the Company's financial instruments depends on the following:

- The Company's business model for managing its financial assets; and
- The contractual cash flow characteristics of the financial assets.

A financial asset is classified to be measured at amortized cost if following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified as FVTOCI if the following conditions were met:

- The financial asset is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial asset; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets shall be classified as FVTPL unless it is measured at amortized cost or at FVTOCI. The Company may also irrevocably elect at the initial recognition of equity instruments that would otherwise be measured at FVTPL to be presented as FVTOCI.

Financial liabilities
Financial liabilities are classified as measured at amortized cost except for:

- Financial liabilities measured at FVTPL which include derivatives that liabilities measured at fair value;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and
- Contingent considerations recognized by an acquirer in a business combination to which PFRS 3 applies.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the parent company statement of profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Subsequent measurement
Financial assets measured at amortized cost
After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the parent company statement of profit or loss when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within twelve months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash in banks and cash equivalents, trade and other receivables and refundable deposits (presented as part of "Other current assets" account and "Other noncurrent assets" account in the parent company statement of financial position) are classified under this category.

FVTOCI (equity instruments)
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial liabilities measured at amortized cost
After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the parent company statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Company's notes payable, trade and other payables excluding unearned revenue, long-term debt, obligations under lease and other noncurrent liabilities are classified under this category.

De-recognition of financial assets and liabilities

Financial assets. A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or,
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in parent company statement of profit or loss.

Impairment of financial assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information (e.g., financial difficulty or insolvency) indicates that the Company is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Cash flow hedge
Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognized directly in OCI within equity (Cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit or loss. When the hedged cash flow affects the profit or loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit or loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognized in OCI at that time remains in OCI and is recognized when the hedged forecast transaction is ultimately recognized in the parent company statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to profit or loss.

The Company has commodity swap agreement for its exposure to volatility in fuel price (commodity price risk).

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. NRV of inventories for sale is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale, while NRV of inventories for usage is the estimated replacement cost. An allowance for inventory obsolescence is provided for based on the Company's historical inventory expiration experience and physical inspection.

Noncurrent Assets Held for Sale and Discontinued Operations

Noncurrent assets and disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The noncurrent assets and disposal group must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable. For the sale to be highly probable, (a) an appropriate level of management must be committed to a plan to sell the asset, (b) an active program must have been initiated, (c) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and (e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Noncurrent assets and disposal group are measured at the lower of their previous carrying amount and fair value less costs to sell and its depreciation or amortization ceases.

The Company presents assets classified as held for sale and liabilities related to assets held for sale separately from other assets and other liabilities, respectively, in the parent company statement of financial position. These assets and liabilities shall not be offset and presented as a single amount and the major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the parent company statement of financial position or in the notes.

Impairment loss is recognized for any subsequent write-down of the asset to fair value less costs to sell. Gain for any subsequent increase in fair value less costs to sell of an asset is also recognized but not in excess of the cumulative impairment loss that has been previously recognized.

If the Company has classified an asset as held for sale but the criteria as set out above are no longer met, the Company ceases to classify the asset as held for sale, the Company measures a noncurrent asset that ceases to be classified as held for sale at the lower of (a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and (b) its recoverable amount at the date of the subsequent decision not to sell.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the parent company statement of profit or loss.

Additional disclosures are provided in Note 30. All other notes to the parent company financial statements include amounts for continuing operations, unless indicated otherwise.

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and related interest incurred during the construction.

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Land is carried at cost, less accumulated impairment losses.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Drydocking costs, consisting mainly of main engine overhaul, replacement of steel plate of the vessels' hull and related expenditures, are capitalized as a separate component of "Vessels in operations". When significant drydocking costs are incurred prior to the end of the amortization period, the remaining unamortized balance of the previous drydocking cost is derecognized in profit or loss.

Vessels under refurbishment, if any, include the acquisition cost of the vessels, the cost of ongoing refurbishments and other direct costs. Construction-in-progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the refurbishment of vessels and construction of property and equipment are capitalized during the refurbishment and construction period. Vessels under refurbishment and construction in progress are not depreciated until such time the relevant assets are complete and available for use but tested for impairment losses. Refurbishment of existing vessels is capitalized as part of vessel improvements and depreciated at the time the vessels are put back into operation.

Vessel on lay-over, if any, represents vessel for which drydocking has not been done pending availability of the necessary spare parts. Such vessels, included under the "Property and equipment" account in the parent company statement of financial position are stated at cost, less accumulated depreciation and any impairment in value.

Minor spare parts and service equipment are typically carried as inventory and recognized in profit or loss as consumed. Major spare parts and stand-by equipment are carried as property and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, namely:

	Note	In Years
Vessels in operations, excluding drydocking costs and vessel equipment and improvements	*4*	30 - 35*
Drydocking costs		2 - 2.5
Vessel equipment and improvements		3 - 5
Containers and reefer vans		5 - 10
Terminal and handling equipment		5 - 10
Furniture and other equipment		3 - 5
Land improvements		5 - 10
Buildings and warehouses		5 - 20
Transportation equipment		5 - 10
Spare parts and service equipment		3 - 5
Leasehold improvements		Shorter of 5 - 20 or lease term

**From the time the vessel was built.*

Depreciation or amortization commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held-for-sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.
When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses are removed from the accounts and any resulting gain or loss is charged to profit or loss.

<u>Software</u>
Software is initially recognized at cost. Following initial recognition, software is carried at cost, less accumulated amortization and any accumulated impairment losses.

The software is amortized on a straight-line basis over its estimated useful life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software is available for use. The amortization period and the amortization method for the software are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the software.

<u>Property Acquisitions</u>
Property Acquisitions. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Impairment of Nonfinancial Assets

The carrying values of the Company's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written-down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use (VIU). The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the parent company statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the parent company statement of profit or loss. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Share capital is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital (APIC) is the difference between the proceeds and the par value when the shares are sold at a premium. Contributions received from shareholders are recorded at the fair value of the items received with the credit going to share capital and any excess to APIC.

Treasury Shares are the Company's own equity instruments that are reacquired. Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

Other Comprehensive Income/(Loss) (OCI) comprises items of income and expenses that are not recognized in profit or loss for the year. OCI of the Company includes net changes in FVTOCI financial assets, share in OCI of associates and remeasurement gains or losses on accrued retirement benefits.

Retained Earnings (Deficit) represents the cumulative balance of net income or loss, net of any dividend declaration and other capital adjustments.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when controls of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. The specific recognition criteria for each type of revenue are as follows:

Shipping revenues are recognized when the related services are rendered. Shipping revenues include revenue from ancillary services such as wharfage, arrastre, stevedoring and other freight related services. Customer payments for services which have not yet been rendered are classified as contract liabilities under "Trade and other payables" account in the parent company statement of financial position.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section for "Financial instruments - initial recognition and subsequent measurement."

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Other Income

Rental income arising from operating leases is recognized on a straight-line basis over the lease term.

Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Management fee is recognized at a point in time when the related services are rendered.

Dividend income is recognized when the shareholders' right to receive the payment is established.

Costs and Expenses

Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Employee Benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement benefits
Majority of the subsidiaries of the Company have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting the net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Re-measurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized on the earlier of the date of the plan amendment or curtailment, and the date the Company recognizes restructuring related costs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to the parent company statement of profit or loss.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not retranslated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Right-of-use assets are recognized at the commencement date of the lease. These assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the following amount:

- lease liabilities recognized;
- initial direct costs incurred; and
- lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	In Years
Container Yard	10
Office	10
Warehouse	10
Equipment	3-10

Lease liabilities are recognized at the commencement date of the lease and is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liability is carried at amortized. Lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company applies the following recognition exemptions:

- short-term lease (leases with lease term of 12 months or less from the commencement date and do not contain a purchase option); or
- low-value assets.

Lease payments under short-term leases and low value assets are recognized as rent expense on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Cost

Borrowing cost is capitalized as part of the cost of the asset if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that they will result in future economic benefits to the Company. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Taxes

Current Tax. Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the parent company statement of comprehensive income is recognized in the parent company statement of comprehensive income and not in the parent company statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Creditable Withholding Taxes (CWTs)
CWTs included in “Other current assets” account in the parent company statement of financial position, are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rule on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve (12) months are classified as current assets.

Dividends
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed when an inflow of economic benefits is probable.

Related Parties
A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel (KMP), directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Events After Reporting Period
Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company's Chief Decision Maker regularly reviews the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Financial information on business segments is presented in Note 6.

4. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

Revenue from contracts with customers
The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determining the timing of satisfaction of performance obligation shipping and logistics and other services*
  The Company assessed that performance obligation for shipping other services are rendered to the customers over time. As a result, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement. The measurement of progress used the estimated period travelled (measured in days) of the cargoes or goods delivered over the period of the date of acceptance up to the delivery date.

- *Determining whether the Company is acting as principal or an agent*
  The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

  - whether the Company has primary responsibility for providing the services;
  - whether the Company has inventory risk;
  - whether the Company has discretion in establishing prices; and
  - whether the Company bears the credit risk.

If the Company has determined it is acting as a principal, the Company recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

Evaluation of events after the reporting period
Management exercises judgment in determining whether an event, favorable or unfavorable, occurring between the end of reporting period and the date when the parent company financial statements are authorized for issue, is an adjusting event or nonadjusting event. Adjusting events provide evidence of conditions that existed at the end of the reporting period whereas nonadjusting events are events that are indicative of conditions that arose after the reporting period. Management evaluated that there are no significant adjusting or nonadjusting events after the reporting period.

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

Leases - estimation of incremental borrowing rate (IBR)
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provision for ECL of trade receivables and contract assets
The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer to Note 8.

Determination of NRV of inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. In estimating the allowance for inventory obsolescence, the Company also considers the physical condition of inventory stocks and expiration dates of inventories. Management estimates the provisioning rates to be applied to the age brackets of expiring inventories based on the Company's historical expiration experience. Refer to Note 9.

Estimation of probable losses on CWTs and input VAT
The Company makes an estimate of the provision for probable losses on its CWTs and input VAT. Management's assessment is based on historical experience and other developments that indicate that the carrying value may no longer be recoverable. In 2021 and 2020, the Company assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 10 and 13.

Estimation of useful lives of property and equipment
The useful life of each of the Company's items of property and equipment is estimated based on the period over which the asset is expected to be available for use until it is derecognized. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. Specifically, in evaluating the useful lives of the vessels and related assets, management takes into account the intended life of the vessel fleet being operated, the estimate of the economic life from the date purchased or built, development in the domestic shipping regulations, the fleet deployment plans including the timing of fleet replacements, the changes in technology, as well as the repairs and maintenance program, among others.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expenses and decrease the carrying value of property and equipment. Refer to Note 11.

Assessment of impairment and estimation of recoverable amount of property and equipment and investments in subsidiaries and an associate
The Company assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the VIU, the Company is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the parent company financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Company.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

		December 31	
	Note	**2021**	2020
		(In Thousands)	
Property and equipment	*11*	**₱4,200,298**	₱3,889,906
Investments in subsidiaries and an associate	*12*	**318,628**	355,278

As at December 31, 2021 and 2020, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Company's property and equipment as the recoverable amount of the assets is higher than their carrying values.

Management determined that no impairment loss has to be recognized on its investments in subsidiaries and an associate.

Estimation of retirement benefits costs and obligation
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions were described in Note 25 and include, among others, discount rate and future salary increase. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's pension and other retirement obligations.

The discount is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Refer to Note 25.

Recognition of deferred income tax assets
The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Company's assessment on the recognition of deferred income tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Consequently, only a portion of the Company's deferred income tax assets was recognized. Refer to Note 26.

Estimation of provisions for contingencies
The Company is involved in certain legal and administrative proceedings arising from the ordinary course of business. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates. These estimates are based on consultations with independent outside parties, historical experience and other available data. The Company does not believe that these proceedings will have a

material adverse effect on its financial position and performance. It is possible, however, that significant differences in actual experience or assumption may materially affect the recorded provision. The inherent uncertainty over the outcome of these legal proceedings and other claims is brought about by the difference in the interpretation and implementation of the relevant laws and regulations. Refer to Note 18.

5. Revenue from Contracts with Customers

Disaggregated revenue information
The disaggregation of the Company's revenue from contracts with customers is presented in the parent company statement of profit or loss and disclosed in the operating segment information. The Company's disaggregation of revenue from contracts with customers based on categories that depicts the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Performance obligations and timing of revenue recognition
Freight, passage, and others other services: performance obligations are generally satisfied over time once the delivery services are completed.

6. Operating Segment Information

The Company has identified two reportable operating segments as follows:

- The shipping segment provides ocean-going transportation of passengers, rolling cargo, and freight cargo.
- The nonshipping segment provides logistics, sale of goods, supply chain management and other services.

The BOD monitors the operating results of its two operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the parent company financial statements.

Segment revenue includes revenue from services between operating segments. Such revenue and related costs are fully eliminated in the consolidation. Further, there were no revenue transactions with a single customer that accounts for 10.0% or more of total revenues.

Revenues, expenses, results of operations, assets, liabilities and other information about the business segments are as follows:

	December 31, 2021			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Parent company Balance**
	(In Thousands)			
External customers	₱3,832,583	₱11,575,513	(₱10,458,978)	₱4,949,118
Intersegment revenue	1,178,635	585,634	(585,634)	1,178,635
Revenues from contracts with customers	**₱5,011,218**	**₱12,161,147**	**(₱11,044,612)**	**₱6,127,753**
Loss before income tax	(₱726,560)	(₱197,474)	₱168,609	(₱755,425)
Provision for (Benefits from) income tax from continuing operations	1,440	(45,352)	49,221	5,309
Segment loss	**(₱725,120)**	**(₱242,826)**	**₱217,830**	**(₱750,116)**
Segment assets	**₱10,780,212**	**₱5,708,431**	**(₱5,893,258)**	**₱10,595,385**
Segment liabilities	**₱8,871,660**	**₱6,921,930**	**(₱6,941,768)**	**₱8,851,822**

	December 31, 2021			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Parent company Balance**
		(In Thousands)		
Other Information:				
Capital expenditures	**₱1,806,437**	**₱157,643**	**(₱157,643)**	**₱1,806,437**
Depreciation and amortization	**1,090,283**	**362,870**	**(362,869)**	**1,090,284**
Provision for expected credit losses	**39,001**	**343,113**	**(343,114)**	**39,000**
Dividend income	**175,000**	**–**	**–**	**175,000**
Equity in net earnings of associates and joint ventures	**29,044**	**26,363**	**(55,407)**	**–**

	December 31, 2020			
	Shipping	Non Shipping	Eliminations/ Adjustments	Parent company Balance
		(In Thousands)		
External customers	₱3,864,600	₱13,544,095	(₱12,273,553)	₱5,135,142
Intersegment revenue	962,181	633,439	(633,439)	962,181
Revenues from contracts with customers	₱4,826,781	₱14,177,534	(₱12,906,992)	₱6,097,323
Loss before income tax	(₱1,591,620)	(₱96,319)	₱116,532	(₱1,571,407)
Provision for (Benefits from) income tax from continuing operations	(19,242)	38,440	(22,329)	(3,131)
Segment loss	(₱1,572,378)	(₱134,759)	₱138,861	(₱1,568,276)
Segment assets	₱11,258,848	₱7,234,620	(₱7,383,660)	₱11,109,808
Segment liabilities	₱8,663,441	₱8,042,683	(₱8,042,682)	₱8,663,442
Other Information:				
Capital expenditures	₱379,559	₱27,850	(₱27,850)	₱379,559
Depreciation and amortization	1,511,479	344,970	(392,166)	1,464,283
Provision for expected credit losses	–	40,828	(40,828)	–
Dividend income	117,000	18,602	(18,602)	117,000
Equity in net losses of associates and joint ventures	(17,248)	(26,286)	43,534	–

7. Cash and Cash Equivalents

This account consists of:

		December 31	
	Note	**2021**	2020
		(In Thousands)	
Cash on hand and in banks	*19*	**₱166,659**	₱396,517
Cash equivalents		**1,382**	1,382
		₱168,041	₱397,899

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are placements for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at prevailing market rates.

Interest income earned by the Company from cash in banks amounted to ₱0.1 million in 2021 and ₱0.4 million in 2020 (see Note 23).

8. Trade and Other Receivables

This account consists of:

	Note	December 31 2021	2020
		(In Thousands)	
Trade	*19*	**₱1,078,137**	₱725,001
Nontrade	*19*	**2,922,826**	3,532,573
Contract assets		**183,808**	251,508
Advances to officers and employees		**5,306**	15,751
		4,190,077	4,524,833
Less allowance for ECL		**56,145**	230,298
		₱4,133,932	₱4,294,535

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms.

b. Nontrade receivables include advances to principals, suppliers and contractors, passage bonds, receivable from trustee fund and insurance from other claims. These receivables are noninterest-bearing and collectible on demand.

The balance as of December 31, 2020 also includes the current portion of receivable from Chelsea Logistics and Infrastructure Holdings, Corp. amounting to ₱131.6 million (see Notes 13 and 19). This was fully settled on March 31, 2021. The Company recorded the related interest income for this receivable amounting to nil in 2021 and ₱37.7 million in 2020 (see Notes 13 and 23).

c. Contract assets include unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers.

d. The following tables set out the rollforward of the allowance for ECL:

		December 31, 2021		
	Note	**Trade and Contract Assets**	**Nontrade**	**Total**
			(In Thousands)	
Beginning		**₱155,849**	**₱74,449**	**₱230,298**
Provision	*22*	**26,622**	**12,378**	**39,000**
Write-off/adjustment		**(142,422)**	**(70,731)**	**(213,153)**
Ending		**₱40,049**	**₱16,096**	**₱56,145**

		December 31, 2020		
	Note	Trade and Contract Assets	Nontrade	Total
			(In Thousands)	
Beginning		₱206,205	₱267,692	₱473,897
Write-off/adjustment	*22*	(50,356)	(193,243)	(243,599)
Ending		₱155,849	₱74,449	₱230,298

9. Inventories

This account consists of:

	December 31	
	2021	2020
	(In Thousands)	
At cost:		
Fuel, oil and lubricants	**₱94,625**	₱39,730
Trading goods	**6,035**	9,171
At net realizable value:		
Materials, parts and supplies	**2,585**	3,458
	₱103,245	₱52,359

The cost of materials, parts and supplies carried at net realizable value amounted to ₱3.4 million and ₱4.0 million as at December 31, 2021 and 2020, respectively. The allowance for inventory obsolescence as at December 31, 2021 and 2020 amounted to ₱0.8 million and ₱24.3 million, respectively. In 2021, the Company wrote off materials, parts and supplies amounting to ₱23.4 million (nil in 2020). The Company did not recognize any write-down of inventories to NRV in 2021 and 2020.

Costs of inventories were recognized and presented in the following accounts in the parent company statements of profit or loss:

		December 31	
	Note	**2021**	2020
		(In Thousands)	
Cost of services	*21*	**₱1,891,933**	₱1,558,135
General administrative expenses	*22*	**1,359**	6,205
		₱1,893,292	₱1,564,340

The cost of inventories used is presented as “Cost of services” and pertains mainly to fuel, oil and lubricants used in vessels’ operation, food and beverages sold by the shipping segment and materials and supplies used. The cost of inventories presented as “General and administrative expenses” pertains to office supplies.

10. Other Current Assets

This account consists of:

		December 31	
	Note	**2021**	2020
		(In Thousands)	
CWTs		**₱1,243,565**	₱1,130,905
Input VAT		**55,955**	–
Prepaid expenses and others		**44,516**	42,113
Refundable deposits - current portion	*13*	**16,796**	16,724
Advances to suppliers/contractors		**15,405**	163,858
		₱1,376,237	₱1,353,600

a. CWTs represent creditable tax certificates which can be applied against any related income tax liability of the Company.

b. Prepaid expenses and others include prepaid insurance and taxes.

11. Property and Equipment

	December 31, 2021										
	Vessels in Operations	**Containers and Reefer Vans**	**Terminal and Handling Equipment**	**Furniture and Other Equipment**	**Land Improvements**	**Buildings and Warehouses**	**Transportation Equipment**	**Spare parts and Service Equipment**	**Leasehold Improvements**	**Right-Of-Use Asset**	**Total**
	(In Thousands)										
Cost											
January 1, 2021	**₱11,342,785**	**₱1,627,181**	**₱788,613**	**₱163,633**	**₱493,288**	**₱359,658**	**₱159,720**	**₱11,813**	**₱434,169**	**₱795,591**	**₱16,176,451**
Additions	**1,740,418**	**–**	**61,095**	**10,430**	**–**	**82**	**338**	**5**	**7,464**	**–**	**1,819,832**
Disposals/retirements	**(2,661,692)**	**(238,449)**	**(44,419)**	**(7,320)**	**–**	**–**	**–**	**(9,387)**	**(84,456)**	**–**	**(3,045,723)**
Reclassifications/adjustments	**(328)**	**(16,653)**	**(136)**	**(1,178)**	**(21,743)**	**(3,974)**	**(91)**	**(41)**	**–**	**–**	**(44,144)**
December 31, 2021	**10,421,183**	**1,372,079**	**805,153**	**165,565**	**471,545**	**355,766**	**159,967**	**2,390**	**357,177**	**795,591**	**14,906,416**
Accumulated Depreciation and Amortization											
January 1, 2021	**9,051,390**	**1,334,621**	**527,214**	**147,418**	**152,275**	**284,724**	**141,156**	**4,597**	**281,971**	**361,178**	**12,286,545**
Depreciation and amortization	**758,647**	**62,486**	**19,080**	**7,170**	**2,904**	**7,044**	**9,032**	**1,416**	**28,436**	**161,826**	**1,058,041**
Disposals/retirements	**(2,370,366)**	**(200,726)**	**(14,469)**	**(1,843)**	**–**	**–**	**–**	**(4,774)**	**(46,290)**	**–**	**(2,638,468)**
December 31, 2021	**7,439,671**	**1,196,381**	**531,825**	**152,745**	**155,178**	**291,768**	**150,188**	**1,239**	**264,117**	**523,004**	**10,706,118**
Net Carrying Amounts	**₱2,981,512**	**₱175,697**	**₱273,328**	**₱12,820**	**₱316,366**	**₱63,998**	**₱9,779**	**₱1,151**	**₱93,060**	**₱272,587**	**₱4,200,298**

	December 31, 2020										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Right-Of-Use Asset	Total
	(In Thousands)										
Cost											
January 1, 2020	₱11,034,242	₱1,602,528	₱740,785	₱312,767	₱493,288	₱356,248	₱163,214	₱11,773	₱426,384	₱1,230,901	₱16,372,130
Additions	308,543	331	19,002	2,512	–	4,848	200	40	44,083	1,126	380,685
Disposals/retirements	–	(130,102)	(57)	(151,646)	–	(1,438)	(3,694)	–	(36,298)	(253,129)	(576,364)
Reclassifications/adjustments	–	154,424	28,883	–	–	–	–	–	–	(183,307)	–
December 31, 2020	11,342,785	1,627,181	788,613	163,633	493,288	359,658	159,720	11,813	434,169	795,591	16,176,451
Accumulated Depreciation and Amortization											
January 1, 2020	7,939,751	1,312,167	460,455	290,094	149,116	278,675	134,047	2,242	271,139	379,069	11,216,755
Depreciation and amortization	1,111,639	51,359	47,155	8,946	3,159	7,480	10,782	2,355	20,304	189,630	1,452,809
Disposals/retirements	–	(129,844)	(57)	(151,622)	–	(1,431)	(3,673)	–	(9,472)	(86,920)	(383,019)
Reclassifications/adjustments	–	100,940	19,661	–	–	–	–	–	–	(120,601)	–
December 31, 2020	9,051,390	1,334,622	527,214	147,418	152,275	284,724	141,156	4,597	281,971	361,178	12,286,545
Net Carrying Amounts	₱2,291,395	₱292,559	₱261,399	₱16,215	₱341,013	₱74,934	₱18,564	₱7,216	₱152,198	₱434,413	₱3,889,906

Property and equipment under lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of December 31, 2021 and 2020 include units acquired under lease arrangements (see Note 17).

Noncash additions include costs of leased assets for the years ended December 31, 2021 and 2020 amounting to nil and ₱1.1 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2021 and 2020 amounted to ₱161.8 million and ₱189.6 million, respectively, were computed on the basis of the Company's depreciation policy for property and equipment. Set out below are the carrying amount of right-of- use assets.

December 31, 2021

	Container Yard	**Office**	**Warehouse**	**Equipment**	**Total**
			(In Thousands)		
Cost					
January 1 and December 31, 2021	**₱277,990**	**₱300,022**	**₱123,625**	**₱93,954**	**₱795,591**
Accumulated depreciation					
January 1, 2021	**175,827**	**66,672**	**58,176**	**60,503**	**361,178**
Depreciation	**87,717**	**33,261**	**29,023**	**11,825**	**161,826**
Disposal	**–**	**–**	**–**	**–**	**–**
December 31, 2021	**263,544**	**99,933**	**87,199**	**72,328**	**523,004**
Net Carrying Amounts	**₱14,446**	**₱200,089**	**₱36,426**	**₱21,626**	**₱272,587**

December 31, 2020

	Container Yard	Office	Warehouse	Equipment	Total
			(In Thousands)		
Cost					
January 1, 2020	₱357,466	₱472,573	₱123,625	₱277,237	₱1,230,901
Additions	–	1,102	–	24	1,126
Disposal	(79,476)	(173,653)	–	–	(253,129)
Reclassification	–	–	–	(183,307)	(183,307)
December 31, 2020	277,990	300,022	123,625	93,954	795,591
Accumulated depreciation					
January 1, 2020	131,264	56,979	29,088	161,738	379,069
Depreciation	87,913	53,263	29,088	19,366	189,630
Disposal	(43,350)	(43,570)	–	–	(86,920)
Reclassification	–	–	–	(120,601)	(120,601)
December 31, 2020	175,827	66,672	58,176	60,503	361,178
Net Carrying Amounts	₱102,163	₱233,350	₱65,449	₱33,451	₱434,413

Unpaid acquisition costs of property and equipment amounted to ₱29.1 million and ₱43.1 million as of December 31, 2021 and 2020, respectively.

Residual value of vessels
The Company reviews the residual value of the vessels periodically to ensure that the amount is consistent with the future economic benefits embodied in these vessels at the point of disposal. The residual value for vessels is reassessed by management based on the lightweight and the market price of scrap metals and history of vessels disposal.

Capitalization of drydocking costs
Vessels in operations also include capitalized drydocking costs incurred amounting to ₱258.5 million and ₱174.9 million for the years ended December 31, 2021 and 2020, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Acquisition of property and equipment
In 2021, the Company acquired two vessels in operations with an acquisition cost totaling to ₱1,518.2 million.

Sale and disposal of property and equipment
The Company disposed certain property and equipment for net cash proceeds of ₱372.5 million and ₱56.3 million for the years ended December 31, 2021 and 2020, respectively.

In 2021, the proceeds from the disposal of property and equipment pertain mainly to the sale of two vessels amounting to ₱320.15 million.

Depreciation and amortization
Depreciation and amortization were recognized and presented in the following accounts in the parent company statements of profit or loss:

		Years Ended December 31	
	Note	**2021**	2020
		(In Thousands)	
Cost of services and goods sold	*21*	**₱1,014,409**	₱1,309,447
General and administrative expense	*22*	**43,632**	81,040
Other operational expenses	*30b*	**–**	62,322
		₱1,058,041	₱1,452,809

Property and equipment held as collateral
As at December 31, 2021 and 2020, the Company's property and equipment held or deemed as collateral include under lease and a certain vessel with total net book value of ₱1,020.7 million and ₱434.4 million, respectively (see Note 17). In 2021, one of the vessels in operations of the Company, with a carrying value of ₱758.7 million, is subject to secure the ₱500.0 million term loan facility agreement with BDO (see Note 16).

12. **Investments in Subsidiaries and an Associate**

As at December 31, 2021 and 2020, the subsidiaries and an associate of the Company, all incorporated in the Philippines, are the following:

		Percentage of Ownership	
	Nature of Business	Direct	Indirect
Subsidiaries:			
2GO Express Inc. (2GO Express) and Subsidiaries:	Transportation/logistics	100.0	–
2GO Logistics, Inc. (2GO Logistics)	Logistics/warehousing	–	100.0
Scanasia Overseas, Inc. (SOI)	Distribution	–	100.0
2Go Land Transport, Inc. [1]	Transportation	–	100.0
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	100.0	–
WG&A Supercommerce, Inc. (WSI) [2][5]	Vessels' hotel management	100.0	–

(Forward)

	Nature of Business	Percentage of Ownership Direct	Indirect
2GO Rush Delivery, Inc. (RUSH) (3)	Transportation/logistics	–	–
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI) (4) and Subsidiaries:	Holding company	100.0	–
North Harbor Tugs Corporation (NHTC)	Tug assistance	–	59.0
Astir Engineering Works, Inc. (AEWI) (2) (4)	Engineering works	–	100.0
J&A Services Corporation (J&A) (6)	Vessel support services	–	–
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) (7)	Freight and related services	–	–
Sea Merchants, Inc. (SMI) (6)	Hotel and allied services	–	–
Bluemarine, Inc. (BMI) (6)	Housekeeping and allied services	–	–
Associate:			
MCC Transport Philippines (MCCP)	Container transportation business	33.0	–

[1]*Formerly WRR Trucking Corporation*
[2]*Ended commercial operations in 2018 or prior*
[3]*Wound down due to non-operation*
[4]*In September 2020, the BOD approved the merger of these companies*
[5]*Dormant companies*
[6]*Ended corporate life in 2020*
[7]*Ended corporate life in May 2021*

The details of the Company's investments in subsidiaries and an associate accounted for under the cost method are as follows:

	December 31 2021	2020
	(In Thousands)	
Subsidiaries:		
2GO Express	**₱260,628**	₱260,628
NALMHCI	**37,500**	37,500
SCVASI	**4,000**	4,000
BNDSI	**–**	36,650
WSI	**250**	250
	302,378	339,028
Associate - MCCP	**16,500**	16,500
	318,878	355,528
Less allowance for impairment losses	**250**	250
	₱318,628	₱355,278

In 2020, the corporate life of BMI and SMI has ended which resulted to recognition of impairment loss amounting to ₱18.5 million while RUSH was wound down due to non-operation (see Note 23). In 2021, the corporate life of BNDISI has ended which resulted to recognition of loss from write-off of investment amounting to ₱24.6 million.

Summarized financial information of the Company's subsidiaries and associate are set as follows:

	Subsidiaries Express 2021	2020	SCVASI 2021	2020	Others 2021	2020	Associate MCCP 2021	2020
	(In Thousands)							
As at December 31:								
Current assets	**₱778,627**	₱1,184,188	**₱453,236**	₱650,454	**₱170,241**	₱209,518	**₱413,931**	₱363,896
Noncurrent assets	**721,515**	786,011	**161,418**	168,125	**29,362**	29,384	**425,190**	486,918
Current liabilities	**1,065,934**	1,172,942	**375,084**	517,289	**154,945**	183,599	**410,000**	547,713
Noncurrent liabilities	**136,437**	174,783	**29,058**	36,981	**–**	–	**85,679**	60,159
Equity	**297,771**	622,474	**210,512**	264,309	**44,658**	55,303	**343,442**	242,942
For the years ended December 31:								
Revenue from contracts with customers	**₱2,425,800**	₱2,231,333	**₱5,494,013**	₱1,622,999	**₱–**	₱–	**₱1,845,126**	₱1,260,810
Net income (loss)	**(348,461)**	43,052	**(13,864)**	101,325	**(13,534)**	2,783	**85,551**	(99,881)

13. **Other Noncurrent Assets**

	Note	December 31 **2021**	2020
		(In Thousands)	
Software		**₱113,792**	₱132,790
Deferred input VAT		**103,351**	122,826
Refundable deposits - net of current portion		**10,966**	23,142
Receivable from a related party - net of current portion	*8, 12 19, 23*	**–**	396,481
Others		**23**	–
		₱228,132	₱675,239

a. The movements in Software are as follows:

	Note	December 31 **2021**	2020
Cost		*(In Thousands)*	
Balances at beginning of year		**₱171,193**	₱113,972
Additions		**13,245**	58,398
Disposal		**–**	(1,177)
Balances at end of year		**184,438**	171,193
Accumulated Amortization			
Balances at beginning of year		**38,403**	28,106
Amortization	*23*	**32,243**	11,474
Disposal		**–**	(1,177)
Balances at end of year		**70,646**	38,403
Carrying Amount		**₱113,792**	₱132,790

Amortization was recognized and presented in the parent company statements of profit or loss under "General and administrative expenses".

b. Refundable deposits consist of amounts paid for rental deposits which can be collected in cash upon termination of the lease.

c. Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels.

d. Receivable from a related party as of December 31, 2020 pertains to long-term receivable arising from the sale of SFFC (see Note 8). This was fully settled on March 31, 2021.

14. **Short-term Notes Payable**

Notes payable represents unsecured short-term peso-denominated notes payable obtained by the Company from local banks with annual interest rates ranging from 3.75% to 4.50% in 2021 and 3.85% to 4.75% in 2020. Total interest expense incurred by the Company for short-term notes payable was ₱ 67.0 million and ₱83.1 million for the years ended December 31, 2021 and 2020, respectively (see Notes 19 and 23).

15. Trade and Other Payables

	Note	December 31 **2021**	2020
		(In Thousands)	
Trade	*19*	**₱567,219**	₱453,578
Accrued expenses			
Expenses	*19*	**1,328,456**	1,871,205
Co-loading termination cost	*19, 23*	–	352,062
Salaries and wages		**52,166**	52,684
Interest		**52,878**	56,581
Withholding and other taxes		**23,051**	56,338
Capital expenditure		**29,116**	43,067
Nontrade	*19*	**402,135**	499,604
Contract liabilities		**59,061**	49,829
Other payables	*18, 19*	**39,367**	56,677
		₱2,553,449	₱3,491,625

a. Trade and other payables are noninterest-bearing and normally have 30 to 45 days terms. Trade payables from related parties are payable on demand.

b. Accrued expenses pertain to various expenses which were already incurred but no invoice has been received at the end of the financial reporting period.

c. Nontrade payables consist of customers' deposits, advances from principals and contractors, payables due to government agencies, due to related parties and others.

d. Contract liabilities include advance payments received for services to be rendered. Set out below is the amount of revenue recognized from:

	December 31 **2021**	2020
	(In Thousands)	
Amounts included in contract liabilities at the beginning of the year	**₱49,829**	₱35,169

e. Other payables pertain to provision for contingencies amounting to ₱39.4 million and ₱56.7 million as at December 31, 2021 and 2020 (see Note 18).

16. Long-term Debt

Long-term debt consists of:

	Note	December 31 **2021**	2020
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*19*	**₱4,000,000**	₱3,500,000
Unamortized debt arrangement fees		**(12,156)**	(14,920)
Noncurrent portion		**3,987,844**	3,485,080
Current portion		**–**	–
Noncurrent portion		**₱3,987,844**	₱3,485,080

BDO Term Loan Facility Agreements

a) On April 10, 2018, 2GO entered into a five-year ₱3.5 billion term loan facility agreement with BDO to refinance the outstanding balance from its previous long-term loan with BDO and to fund various capital expenditures and other general requirements. Principal borrowings are due upon maturity at the end of five years in April 2023, while interest is payable quarterly. In April 2018 and April 2020, 2GO borrowed ₱2.5 billion and ₱1.0 billion, respectively, which is subject to fixed and floating interest rate, respectively.

b) On April 19, 2021, 2GO entered into another five-year ₱500.0 million term loan facility agreement with BDO to partially finance acquisition and landed cost of vessel. Principal borrowings are due upon maturity at the end of five years in April 2026, while interest is payable quarterly and is subject to fixed interest rate. The facility was fully drawn in April 2021.

The term loan facility agreements are secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI and SCVASI. In addition, the second term loan facility agreement is secured by the Chattel Mortgage over a passenger-cargo ship named M/V Maligaya with a carrying value of ₱758.7 million as of December 31, 2021.

In accordance with the Facilities, 2GO is required to maintain a debt-to-equity ratio not exceeding 2.5:1 based on the latest audited annual consolidated financial statements of 2GO.

Interest rate is ranging from 4.00% to 6.23%. The floating interest rate is subject to periodic review and adjustment earlier than five banking days prior to each "Interest Setting Date" as long as the term loan remains unpaid.

Borrowing costs and debt transaction costs
Interests from long-term borrowings of the Company recognized as expense totaled ₱224.2 million and ₱183.6 million for the years ended December 31, 2021 and 2020, respectively (see Note 23).

The Company paid ₱3.8 million and ₱7.5 million debt transaction cost as a result of the loan availments under BDO facility in 2021 and 2020, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱6.5 million and ₱5.4 million for the years ended December 31, 2021 and 2020, respectively (see Note 23).

Compliance with debt covenants
At December 31, 2021, the Company was not compliant with the debt-to-equity ratio under the Company's long-term loan agreement with BDO. However, the Company obtained a waiver letter from BDO which waives the financial covenant at December 31, 2021 and 2020.

17. **Leases**

The Company has various lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handling equipment transportation equipment, warehouse, container yard and office space.

The future minimum lease payments on the obligations under lease together with the present value of the minimum lease payments are as follows:

	December 31, 2021		December 31, 2020	
	Future Minimum Lease Payments	**Present Value of Minimum Lease Payments**	Future Minimum Lease Payments	Present Value of Minimum Lease Payments
		(In Thousands)		
Less than one year	**₱69,647**	**₱68,184**	₱176,961	₱156,047
Between one and five years	**211,836**	**172,296**	228,122	188,568
Beyond five years	**35,252**	**34,472**	91,247	86,384
	316,735	**274,952**	496,330	430,999
Interest component	**41,783**	**–**	65,331	–
Present value	**₱274,952**	**₱274,952**	₱430,999	₱430,999

The net carrying values of the above property and equipment held by the Company under leases disclosed in Note 11 to the parent company financial statements are summarized as follows:

	December 31	
	2021	2020
	(In Thousands)	
Cost	**₱795,591**	₱795,591
Less accumulated depreciation	**523,004**	361,178
Net book value	**₱272,587**	₱434,413

Interest expense recognized related to these leases amounted to ₱21.0 million and ₱36.1 million in 2021 and 2020, respectively, under "Financing charges" and "Other operational expenses" in the parent company statements of profit or loss (see Note 23).

Set out below are the amounts recognized in the parent company statements of profit or loss in relation to the obligation under lease and right-of-use assets for the years ended December 31, 2021 and 2020:

		Years Ended December 31	
	Note	**2021**	2020
		(In Thousands)	
Depreciation expense of right-of-use assets	*11*	**₱161,826**	₱189,630
Interest expense on obligations under lease	*23, 30b*	**21,018**	36,050
Rent expense - short-term leases	*21,22*	**31,656**	22,959
Rent expense - low-value assets	*21,22*	**58,806**	42,650
Gain on lease pre-termination	*23, 30b*	**–**	(12,428)
		₱273,306	₱278,861

The rollforward analysis of obligation under lease for the years ended December 31, 2021 and 2020 is disclosed in Note 29.

Lease-related expenses are presented under "Cost of Services", "General and Administrative Expenses" and "Financing charges" as follows:

	Note	Years Ended December 31 2021	2020
		(In Thousands)	
Cost of services	*21*	**₱214,305**	₱168,713
General and administrative expenses	*22*	**37,983**	71,400
Financing charges	*23*	**21,018**	28,784
Others - net		**–**	(1,931)
Other operational expenses	*30b*	**–**	11,895
		₱273,306	₱278,861

18. **Provisions and Contingencies**

There are certain legal cases filed against the Company in the normal course of business. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the parent company financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, only general descriptions were provided.

The Company's provision for probable losses arising from these legal cases as at December 31, 2021 and 2020 amounted to ₱39.4 million and ₱56.7 million as at December 31, 2021 and 2020, respectively, and are presented as part of "Other payables" under "Trade and other payables" in the parent company statements of financial position (see Note 15). Provision for probable losses recognized in the parent company statements of profit or loss amounted to nil and ₱21.6 million in 2021 and 2020, respectively (see Note 22).

19. **Related Parties**

In the normal course of business, the Company has transacted with the following related parties:

Relationship	**Name**
Stockholders of the Company	SM Investments Corporation (SMIC)[2]
	Trident Investments Holdings Pte. Ltd.
Subsidiaries	2GO Express, Inc. (2GO Express or EXP)
	2GO Logistics, Inc. (2GO Logistics or 2GOLI)
	Scanasia Overseas, Inc. (SOI)
	2GO Land Transport, Inc. (2GO Land) [3]
	Special Container and Value Added Services, Inc. (SCVASI)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	North Harbor Tugs Corporation (NHTC)
	United South Dockhandlers, Inc. (USDI)
Associates	MCC Transport Philippines, Inc. (MCCP)
	Mober Technology PTE Inc.
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLPI)
Other Affiliated Companies [1]	Chelsea Logistics and Infrastructure Holdings Corporation (Chelsea Logistics)[1]
	Phoenix Petroleum Philippines, Inc.
	PNX – Chelsea Shipping Corp.
	Chelsea Marine Power Resources, Inc.

(Forward)

Relationship	Name
Other Affiliated Companies [2]	BDO Unibank, Inc. *
	SM Mart, Inc. *
	Supervalue, Inc. *
	Super Shopping Market, Inc. *
	Goldilocks Bakeshop, Inc. *
	Sanford Marketing Corporation
	China Banking Corporation
	SM Development Corporation
	SM Prime Holdings Inc.
	Alfamart Trading Philippines, Inc.
	Costa Del Hamilo Inc.
	Digital Advantage Corp.
	Fast Retailing Philippines, Inc.
	Homeworld Shopping Corporation
	Mindpro Retail Inc.
	Mini Depato Corp.
	Online Mall Incorporated
	Sports Central (Manila), Inc.
	Star Appliance Center, Inc.
	Warehouse Development Company, Inc.
	Waltermart Supermarket, Inc.
	International Toyworld, Inc.

(1) *Affiliates of KGLI-NM which divested its ownership in 2Go at June 3, 2021 (see Note 1). Transactions disclosed are for the period up to the divestment.*
(2) *SMIC became the Group's Parent Company as of June 3, 2021 (see Note 1). Transactions disclosed are for period starting Parent Company obtained control over the Group, except for the entities with *.*
(3) *Formerly WRR Trucking Corporation*

The following are the revenue and income (costs and expenses) included in the parent company statements of profit or loss with related parties:

		December 31	
	Nature	**2021**	2020
		(In Thousands)	
Stockholders of the Company	Co-loading	**₱–**	(₱114,462)
	Other services	**8,770**	–
	Outside services	**(90,342)**	–
	Computer charges	**(26,297)**	–
	Communication, light and water	**(1,341)**	–
	Gain on sale of a subsidiary	**–**	37,733
	Others	**(8,599)**	–
Subsidiaries	Freight revenue	**597,786**	607,638
	Shared cost income	**436,976**	346,927
	Dividend income	**175,000**	117,000
	Outside services	**(65,358)**	(62,697)
	Transportation and delivery	**(30,387)**	(28,809)
	Arrastre and stevedoring	**(8,721)**	(3,462)
	Sales related expenses	**(959)**	(543)
	Others	**142,717**	7,603
Associate/Joint ventures	Freight expense	**(38,2249)**	(34,104)
	Shared cost	**10,250**	–
	Freight revenue	**–**	4,600
	Other services	**139**	–
Other Affiliated Companies	Freight	**58,635**	7,790
	Other services	**36,669**	–
	Co-loading termination cost	**–**	(352,062)
	Outside services	**(7,028)**	(203,947)
	Food and beverage	**(92,201)**	(137,416)
	Financing charges	**(239,922)**	(11,836)

(Forward)

	Nature	December 31 2021	2020
		(In Thousands)	
	Fuel and lubricant	–	(302)
	Other expenses	**(20,676)**	–
Key Management Personnel	Short-term employee benefits	**(38,675)**	(39,995)
	Long-term employee benefits	**(7,995)**	(7,605)

The parent company statements of financial position include the following amounts with respect to the balances with related parties:

	Financial Statement Account	Terms and Conditions	December 31 2021	2020
			(In Thousands)	
Stockholders of the Company	Trade and other receivables	30 to 60 days; noninterest-bearing	**₱53,999**	₱–
	Nontrade receivable[1]	60 equal monthly installments; interest - bearing	–	528,132
Subsidiaries	Trade receivables	30 to 60 days; noninterest-bearing	**325,519**	214,879
	Nontrade receivables	On demand; noninterest-bearing	**2,709,509**	2,942,777
	Trade payables and other payables	30 to 60 days; noninterest-bearing	**(81,946)**	(86,200)
	Due to related parties	30 to 60 days; noninterest-bearing	**(42,200)**	(71,048)
Associate	Due from related parties	On demand; noninterest-bearing	–	–
	Trade receivables and other receivables	30 to 60 days; noninterest-bearing	**258,120**	76,039
	Trade payables and other payables	30 to 60 days; noninterest-bearing	**(108,401)**	(6,836)
Other Affiliated Companies	Short-term loan	See Note 14	**(195,000)**	–
	Long-term loan	See Note 16	**(3,985,477)**	(3,485,080)
	Cash in bank	On demand	**90,143**	251,920
	Nontrade receivable	30 to 60 days; noninterest -bearing	**98,493**	44,166
	Trade payables and other payables	30 to 60 days; noninterest -bearing	**(67,379)**	(590,797)

[(1)] *Pertains to balances with affiliates of KGLI-NM which divested its ownership in 2Go at June 3, 2021.*

The outstanding related party balances are unsecured and settlement is expected to be in cash, unless otherwise indicated. The Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period through examining the financial position of the related parties and the market in which these related parties operate.

Transactions with Shareholders, Subsidiaries, Associates and Other Related Parties under Common Control

- Transactions with other associates and related companies consist of shipping services, shared services, ship management services, agency fee for manpower services, purchase of steward supplies, availment of stevedoring, arrastre, trucking, repair services and rental.
- The Company's transactions with SCVASI and 2GO Express include shipping and forwarding services, commission and trucking services.
- The Company provides shared services to 2GO Express, 2GO Logistics, and SOI at fees based on agreed rates.

- The following subsidiaries declared dividends to the Company:

	December 31	
	2021	2020
	(In Thousands)	
SCVASI	**₱175,000**	₱70,000
NALHMCI	**–**	47,000
	₱175,000	₱117,000

- In October 2019, the Company sold SFFC to Chelsea Logistics for ₱650.0 million, of which ₱528.1 million is the unpaid consideration as of December 31, 2020. This has been fully settled on March 31, 2021 (see Notes 12 and 13).

Compensation of Key Management Personnel

The Company considers managerial positions up to the president as key management personnel. Compensation of key management personnel are as follows:

	December 31	
	2021	2020
	(In Thousands)	
Short-term benefits	**₱38,675**	₱39,995
Retirement and other benefits	**7,996**	7,605
	₱46,671	₱47,600

20. **Equity**

a. Share Capital

Details of share capital as at December 31, 2021 and 2020 are as follows:

	Number of Shares	Amount
		(In Thousands)
Authorized common shares at ₱1.00 par value each	4,070,343,670	₱4,070,344
Authorized preferred shares at ₱1.00 par value each	4,564,330	₱4,564
Issued and outstanding common shares as at December 31, 2021 and 2020	2,462,146,316	₱2,462,146

Movements in issued and outstanding capital stocks follow:

			Number of shares
Date	**Activity**	**Issue price**	**Common shares**
May 26, 1949	Issued capital stocks as of incorporation date	₱1,000.00	1,002
December 10, 1971 to October 26, 1998	Increase in issued capital stock	1,000.00	1,496,597,636
December 6, 2002	Reclassification of common shares to preferred shares	1.00	40,000,000
February 10, 2003	Issuance of preferred shares before redemption	1.00	–
November 18, 2003	Redemption of preferred shares	6.67	–
September 6, 2004	Issuance of common shares by way of stock dividends	1.00	393,246,555
November 22, 2004	Redemption of preferred shares	6.67	–
December 31, 2004	Issuance of common shares prior to reorganization	1.00	(756)
October 24, 2005	Issuance of common shares through share swap transactions	1.76	414,121,123
August 22 to October 13, 2006	Conversion of redeemable preferred shares to common shares	3.20	140,687,340
December 6 -31, 2012	Redemption of redeemable preference share	6.00	–
January 1, 2019	Issuance of common shares	1.00	16,009,916
			2,500,662,816
December 31, 2001	Treasury shares*	1.50	(38,516,500)
			2,462,146,316

** The carrying value of treasury shares is inclusive of ₱0.9 million transaction cost.*

Issued and outstanding common shares are held by 5,106 and 5,118 equity holders as of December 31, 2021 and 2020, respectively.

b. As discussed in Note 1, 2GO issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of NN in exchange for the net assets of NN. As a result of the merger, 2GO recognized the excess of the net assets of NN over the carrying value of additional shares issued by 2GO to NN stockholders as additional paid-in capital amounting to ₱1.6 billion.

c. Retained earnings is restricted to the extent of the cost of the shares held in treasury and deferred income tax assets recognized as of December 31, 2021 and 2020.

d. Other equity reserves pertain to the Company's excess investment cost over the net assets of acquired entities under common control during the time of the acquisition.

21. Cost of Services

This account consists of the following:

	Note	**2021**	2020
		(In Thousands)	
Fuel, oil and lubricants	*9, 19*	**₱1,803,220**	₱1,422,729
Outside services	*19*	**1,305,897**	1,152,311
Depreciation and amortization	*11*	**1,014,409**	1,309,447
Transportation and delivery	*19*	**613,252**	1,041,007
Personnel costs	*24, 25*	**383,150**	216,715
Insurance		**215,512**	180,989
Repairs and maintenance	*19*	**187,565**	173,488
Arrastre and stevedoring	*19*	**180,811**	144,909
Rent	*17*	**86,457**	53,108
Communication, light and water		**59,368**	53,349
Food and subsistence		**46,684**	49,110
Materials and supplies used	*9*	**46,049**	40,828
Food and beverage	*9*	**42,664**	94,578
Concession expense		**22,707**	18,235
Taxes and licenses		**20,403**	3,069
Others		**20,290**	8,121
		₱6,048,438	₱5,961,993

Fuel, oil and lubricants include the effect of cash flow hedge amounting ₱57.1 million in 2020 (nil in 2021).

22. General and Administrative Expenses

This account consists of the following:

	Note	2021	2020
		(In Thousands)	
Personnel costs	*24, 25*	**₱360,225**	₱462,281
Depreciation and amortization	*11, 13*	**75,875**	92,514
Computer-related charges		**58,399**	49,420
Provision for ECL	*8*	**39,000**	–
Outside services	*19*	**34,390**	171,422
Transportation and travel	*19*	**16,781**	25,544
Communication, light and water		**11,995**	37,707
Advertising		**10,443**	12,735
Repairs and maintenance		**9,627**	17,548
Taxes and licenses		**6,734**	21,047
Rent	*17, 19*	**4,005**	12,501
Insurance		**1,463**	10,280
Entertainment, amusement and recreation		**669**	3,760
Provisions for contingencies	*18*	**–**	21,538
Others	*8*	**7,160**	76,604
		₱636,766	₱1,014,901

Others consist of various expenses that are individually immaterial such as input VAT expense and other corporate expenses. It also includes recovery on ECL amounting to ₱32.3 million in 2021 (nil in 2020) (see Note 8).

23. Other Income (Charges)

Financing Charges

	Note	2021	2020
		(In Thousands)	
Interest expense on:			
Short-term notes payable	*14*	**₱67,015**	₱83,083
Long-term debt	*16*	**224,202**	183,602
Amortization of:			
Obligation under lease	*17*	**21,018**	28,784
Debt transaction costs	*16*	**6,514**	5,427
Other financing charges		**4,609**	520
		₱323,358	₱301,416

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2021 and 2020 amounted to ₱52.9 million and ₱56.6 million, respectively (see Note 15).

Others - net

	Note	2021	2020
		(In Thousands)	
Gain (loss) on:			
Disposal of property and equipment	*11*	**(₱39,106)**	₱29,211
Pre-termination of leases	*17*	**–**	1,931
Interest income	*7,19*	**100**	38,202
Co-loading termination cost	*15*	**–**	(352,062)
Impairment of investments in subsidiaries	*12*	**(24,621)**	(18,524)
Foreign exchange losses		**(7,394)**	(641)
Others - net		**21,405**	33
		(₱49,616)	(₱301,850)

During 2020, the Company terminated its co-loading agreement with PNX - Chelsea Shipping Corp. to focus on its core shipping roll-on-roll-off passenger (ROPAX) services and improve profitability.

During 2021, the Company sold two ROPAX vessels (see Note 11)

Others - net comprise of prompt payment discount and other items that are individually immaterial.

24. Personnel Costs

Details of personnel costs are as follows:

	Note	2021	2020
		(In Thousands)	
Salaries and wages		**₱623,434**	₱557,080
Retirement benefit costs	*25*	**42,118**	53,717
Other employee benefits		**77,823**	68,199
		₱743,375	₱678,996

Other employee benefits include medical allowances and hospitalization, Social Security System, PhilHealth, Pag-IBIG premiums, directors' fee and other items that are individually immaterial.

25. Retirement Benefits

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The Company's retirement plans meet the minimum requirement specified under Republic Act No. 7641, *Retirement Pay Law.*

The fund is administered by trustee banks under the supervision of the Board of Trustees who is also responsible for the investment strategy of the plan. The investment strategy of the Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Company expects to contribute ₱36.6 million to the retirement fund in 2022. The Company's transaction with the plan pertain to contribution and benefit payments.

The following tables summarize the components of retirement benefit cost included in the parent company statements of profit or loss are as follows:

	Years Ended December 31	
	2021	2020
	(In Thousands)	
Current service cost	**₱31,456**	₱43,782
Net interest cost	**10,662**	9,935
	₱42,118	₱53,717

The following tables summarize the fund status and amounts recognized in the parent company statements of financial position:

	December 31, 2021		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**
		(In Thousands)	
January 1	**₱348,365**	**(₱89,127)**	**₱259,238**
Net retirement benefits cost in profit or loss:			
Current service cost	**31,456**	**–**	**31,456**
Net interest cost	**13,448**	**(2,786)**	**10,662**
	44,904	**(2,786)**	**42,118**
Benefits paid from plan assets	**(48,000)**	**48,000**	**–**
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	**(111,606)**	**–**	**(111,606)**
Experience adjustments	**30,439**	**–**	**30,439**
Return on plan assets	**–**	**6,389**	**6,389**
	(81,167)	**6,389**	**(74,778)**
December 31	**₱264,103**	**(₱37,524)**	**₱226,578**

	December 31, 2020		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱284,822	(₱110,976)	₱173,846
Net retirement benefits cost in profit or loss:			
Current service cost	43,782	–	43,782
Net interest cost	15,210	(5,275)	9,935
	58,992	(5,275)	53,717
Benefits paid from plan assets	(29,889)	29,889	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	57,762	–	57,762
Experience adjustments	(23,322)	–	(23,322)
Return on plan assets	–	2,744	2,744
	34,440	2,744	37,184
Actual contributions	–	(5,509)	(5,509)
December 31	₱348,365	(₱89,127)	₱259,238

The plan assets available for benefits are as follows:

	December 31	
	2021	2020
	(In Thousands)	
Cash and cash equivalents	**₱558**	₱–
Government securities and other debt services	**12,436**	69,724
Shares of stock	**24,479**	20,624
Others	**51**	(1,221)
Fair value of plan assets	**₱37,524**	₱89,127

The Company's plan assets do not have quoted market price in active market except for some debt instrument by the Company. The plan assets have diverse investments and do not have any concentration risk. The plan assets are handled by BDO Unibank, Inc.

As of December 31, 2021 and 2020, the Company has no transactions with its retirement funds such as loans, investments, gratuities, or surety. The fund also does not have investments in debt or equity securities of the companies in the Company.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk. Management reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The cost of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The Company updates the actuarial valuation every year by hiring the services of a third-party qualified actuary. The latest actuarial valuation report was as of reporting date. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining DBO for the Company's plans as of January 1 are shown below.

	2021	2020
Discount rate	**3.96%**	5.34%
Future salary increase	**6.00%**	6.00%
Turnover rate	**7.50%**	7.50%

As of December 31, 2021, the discount rate, future salary increase rate and turnover rate used were 5.13%, 4.50%, and 7.50%, respectively.

The accrued retirement benefits is subject to several key assumptions. Shown below is the sensitivity analysis of the retirement obligation to reasonably possible changes on each significant assumption as of December 31, 2021 and 2020:

	Increase (Decrease)	Impact on Accrued Retirement Benefits 2021	2020
		(In Thousands)	
Discount rate	+1%	**(₱28,328)**	(₱43,230)
	-1%	**33,384**	51,815
Salary increase rate	+1%	**33,257**	50,207
	-1%	**(28,739)**	(42,838)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The average duration of the defined benefit obligation at the end of the reporting period is 11.7 years and 13.6 years as of December 31, 2021 and 2020, respectively.

Maturity analysis of the benefit payments:

	2021	2020
	(In Thousands)	
Less than 5 years	**₱73,751**	₱55,789
More than 5 year to 10 years	**204,386**	197,119
More than 10 years	**1,589,053**	2,079,980

26. Income Taxes

a. The components of provision (benefit from) for income tax are as follows:

	Years Ended December 31 2021	2020
	(In Thousands)	
Current		
MCIT	**₱804**	₱11,065
Impact of CREATE in 2020	**(2,767)**	–
	(1,963)	11,065
Deferred	**(9,740)**	(14,196)
Impact of CREATE in 2020	**6,394**	–
	(3,346)	(14,196)
	(₱5,309)	(₱3,131)

The current provision for income tax represents 1% MCIT in 2021 and 2% in 2020.

Corporate Recovery and Tax Incentive for Enterprise Act (CREATE) Act
On March 26, 2021, the President of the Philippines signed the Republic Act No. 11534, CREATE Act (the Law). The Law took effect on April 11, 2021. The Law reformed corporate income taxes and incentives in the country by implementing the changes to the current tax regulations. Effective July 1, 2020, some of these changes are as follows:

- Reduction in the RCIT from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the particular business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Reduction in the MCIT from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and
- Imposition of 10% improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred income taxes as of and for the year ended December 31, 2020 is computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT or 2% MCIT) for financial reporting purposes.

Applying the Law, the Company is subjected to lower RCIT rate of 25%, or MCIT rate of 1%, whichever is applicable, effective July 1, 2020. The reduced amounts are reflected in the Company's 2020 income tax return. However, for the financial reporting, the changes are recognized in 2021 as shown in the table on the previous page. The impact of the Law for the remeasurement of deferred income tax assets directly recognized to OCI amounted to ₱8.8 million.

b. The components of the Company's recognized net deferred income tax assets and liabilities are as follows:

	Years Ended December 31	
	2021	2020
	(In Thousands)	
Directly recognized in profit or loss		
Deferred income tax assets on:		
Accrued retirement benefits	**₱31,480**	₱25,141
Unamortized past service cost	**6,593**	9,080
Obligations under lease, net of right-of-use assets	**–**	8,621
Accruals and others	**6,677**	–
	44,750	42,842
Deferred income tax liability on unamortized debt arrangements fees and others	**(3,042)**	(4,480)
	41,708	38,362
Directly recognized in OCI		
Deferred income tax asset on remeasurement of accrued retirement benefit costs	**25,164**	52,630
	₱66,872	₱90,992

Deferred income tax assets on obligations under leases, net of deferred income tax liabilities on right-of-use assets, pertain to lease arrangements that are treated as operating lease for tax purposes.

c. On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Company's NOLCO and excess MCIT and RCIT which can be claimed forward and claimed as tax audit against regular taxable income and regular income tax due, respective are as follows:

NOLCO

					Balances as at December 31, 2021	
					(In Thousands)	
Year incurred	Available until	Amount	Applied	Expired	Amount	Tax
2021	2026	₱1,045,214	₱–	₱–	₱1,045,214	₱261,304
2020	2025	1,091,483	–	–	1,091,483	272,871
2019	2022	755,943	–	–	755,943	188,986
2018	2021	1,254,143	–	(1,254,143)	–	–
Total		₱4,146,783	₱–	(₱1,254,143)	₱2,892,640	₱723,161

Excess MCIT over RCIT

					Balances as at December 31, 2021
					(In Thousands)
Year incurred	Available until	Amount	Applied	Expired	Amount
2021	2024	₱804	₱–	₱–	₱804
2020	2023	11,065	–	–	11,065
2019	2022	13,338	–	–	13,338
2018	2021	10,419	–	(10,419)	–
Total		₱35,626	₱–	(₱10,419)	₱25,207

d. The following are the Company's NOLCO, excess MCIT and RCIT, and other deductible temporary differences for which no deferred tax assets have been recognized:

	Years Ended December 31	
	2021	2020
	(In Thousands)	
NOLCO	**₱2,892,640**	₱3,101,569
Allowance for ECL	**56,145**	230,298
Allowance for inventory obsolescence	**836**	24,281
Allowance for cargo losses and damages	**21,461**	44,141
Accruals and provisions	**690,544**	772,016
Unrealized foreign exchange loss	**838**	1,241
Excess MCIT over RCIT	**25,507**	34,822
Impairment of investment in subsidiary	**250**	250

e. Reconciliation between the income tax expense computed at statutory income tax rate of 25% in 2021 and 30% in 2020 to the provision for income tax expense as shown in profit or loss is as follows:

	2021	2020
	(In Thousands)	
Tax effect of loss at statutory rates	**(₱188,856)**	(₱471,422)
Income tax effects of:		
Deductible temporary difference for which no deferred income tax assets were recognized	**222,960**	503,110
Nondeductible expenses	**807**	1,258
Interest income already subjected to final tax	**(25)**	(139)
Impact of CREATE in 2020	**3,627**	–
Other nontaxable income	**(44,012)**	(35,399)
Others	**190**	(539)
Provision for income tax	**(₱5,309)**	(₱3,131)

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt and obligations under lease. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has other various financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from operations.

The main risks arising from the Company's financial instruments are credit risk involving possible exposure to counter-party default, primarily, on its trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments and maturing obligations; foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings; and interest rate risk resulting from movements in interest rates that may have an impact on interest bearing financial instruments.

There has been no change to the Company's exposure to credit, liquidity, foreign exchange, and interest rate risks on the manner in which it manages and measures the risks since prior years.

The Company uses derivative investments to manage exposures to fuel price risks arising from the Company's operations and its sources of financing. The details of the Company's derivative transactions, including the risk management objectives and the accounting results are discussed in this note.

Credit risk
To manage credit risk, the Company has policies in place to ensure that all customers that wish to trade on credit terms are subject to credit verification procedures and approval of the Credit Committee. In addition, receivable balances are monitored on an ongoing basis to reduce the Company's exposure to bad debts. The Company has policies that limit the amount of credit exposure to any particular customer.

The Company's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. The Company has concentration of credit risk given that majority of the Company's cash and cash equivalents are deposited in the local affiliated bank. Management assessed and believes that the Company is not exposed to any significant risk since the local affiliated bank is a related party and is one of the country's reputable banks. The Company does not have any significant credit risk exposure to other single counterparties. As of December 31, 2021 and 2020, the Company did not hold collateral from any counterparty.

The credit quality per class of financial assets and contract assets that are current or neither past due nor impaired is as follows:

December 31, 2021

	High	**Medium**	**Total**
Financial Assets		*(In Thousands)*	
Cash in banks	**₱131,812**	**₱–**	**₱131,812**
Cash equivalents	**1,382**	**–**	**1,382**
Trade receivables	**–**	**544,709**	**544,709**
Nontrade receivables	**–**	**79,108**	**79,108**
Refundable deposits	**27,762**	**–**	**27,762**
Advances to officers and employees[1]	**97**	**–**	**97**
Contract assets	**–**	**183,808**	**183,808**
	₱161,053	**₱807,625**	**₱968,678**

[1]*Excluding advances amounting to ₱5.2 million subject to liquidation*

December 31, 2020

	High	Medium	Total
Financial Assets		*(In Thousands)*	
Cash in banks	₱374,315	₱–	₱374,315
Cash equivalents	1,382	–	1,382
Trade receivables[1]	–	316,641	316,641
Nontrade receivables	531,281	181,369	712,650
Refundable deposits	39,866	–	39,866
Advances to officers and employees[2]	2,511	–	2,511
Contract assets	–	251,508	251,508
	₱949,355	₱749,518	₱1,698,873

[1]*Excluding nonfinancial asset amounting to ₱25.2 million*
[2]*Excluding advances amounting to ₱13.2 million.*

High quality receivables pertain to receivables from related parties and customers with good favorable credit standing. Medium quality receivables pertain to receivables from customers that slide beyond the credit terms but pay a week after being past due. Low quality receivables are accounts that are deemed uncollectible and provided for with a provision. For new customers, the Company has no basis yet as far as payment habit is concerned.

The Company evaluated its cash in banks as high quality financial assets since these are placed in financial institutions of high credit standing. The Company also evaluated its advances to officers and employees as high grade since these are collected through salary deductions. The credit risk for refundable deposits is considered negligible as the Company has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

The aging per class of financial assets and contract assets and the expected credit loss are as follows:

		Past Due					Expected	
December 31, 2021	**Current**	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**Over 120 Days**	**Credit Loss**	**Total**
				(In Thousands)				
Financial assets								
Cash in banks	**₱131,812**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱131,812**
Cash equivalents	**1,382**	**–**	**–**	**–**	**–**	**–**	**–**	**1,382**
Trade receivables	**544,709**	**178,017**	**73,133**	**37,831**	**22,762**	**221,685**	**(38,579)**	**1,039,558**
Nontrade receivables	**79,108**	**32,442**	**12,848**	**16,750**	**3,677**	**2,778,001**	**(16,096)**	**2,906,730**
Refundable deposits	**27,762**	**–**	**–**	**–**	**–**	**–**	**–**	**27,762**
Advances to officers and employees[1]	**97**	**–**	**–**	**–**	**–**	**–**	**–**	**97**
Contract assets	**183,808**	**–**	**–**	**–**	**–**	**–**	**(1,470)**	**182,338**
Total	**₱968,678**	**₱210,459**	**₱85,981**	**₱54,581**	**₱26,439**	**₱2,999,686**	**(₱56,145)**	**₱4,289,679**

[1]*Excluding advances amounting to ₱5.2 million subject to liquidation*

		Past Due					Expected	
December 31, 2020	Current	Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Credit Loss	Total
				(In Thousands)				
Financial assets								
Cash in banks	₱374,315	₱–	₱–	₱–	₱–	₱–	₱–	₱374,315
Cash equivalents	1,382	–	–	–	–	–	–	1,382
Trade receivables[1]	316,641	202,067	65,144	23,597	14,791	77,531	(150,149)	549,622
Nontrade receivables[2]	712,650	14,599	135,048	86,640	487,024	2,493,092	(74,449)	3,854,604
Refundable deposits	39,866	–	–	–	–	–	–	39,866
Advances to officers and employees[3]	2,511	–	–	–	–	–	–	2,511
Contract assets	251,508	–	–	–	–	–	(5,700)	245,808
Total	₱1,698,873	₱216,666	₱200,192	₱110,237	₱501,815	₱2,570,623	(₱230,298)	₱5,068,108

[1]*Excluding nonfinancial asset amounting to ₱25.2 million*
[2]*Including long term receivables amounting to ₱396.5 million*
[3]*Excluding advances amounting to ₱13.2 million subject to liquidation*

Liquidity risk
The Company manages its liquidity profile to be able to finance its capital expenditures and service its maturing debt by maintaining sufficient cash during the peak season of the passage business. The Company regularly evaluates its projected and actual cash flows generated from operations.

The Company's existing credit facilities with various banks are covered by the Continuing Suretyship for the accounts of the Company.

The liability of the Surety is primary and solidary and is not contingent upon the pursuit by the bank of whatever remedies it may have against the debtor or collaterals/liens it may possess. If any of the secured obligations is not paid or performed on due date (at stated maturity or by acceleration), the Surety shall, without need for any notice, demand or any other account or deed, immediately be liable therefore and the Surety shall pay and perform the same.

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual repayment obligations and the Company's cash to be generated from operations and the Company's financial assets:

	December 31, 2021			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	**₱2,143,718**	**₱–**	**₱–**	**₱2,143,718**
Short-term notes payable	**1,809,000**	**–**	**–**	**1,809,000**
Long-term debt[2]	**–**	**4,000,000**	**–**	**4,000,000**
Obligations under lease[3]	**69,647**	**211,836**	**35,252**	**316,735**
	₱4,022,365	**₱4,211,836**	**₱35,252**	**₱8,269,453**
Financial Assets				
Cash and cash equivalents	**₱168,041**	**₱–**	**₱–**	**₱168,041**
Trade and other receivables[4]	**4,028,822**	**–**	**–**	**4,028,822**
Refundable deposits	**16,797**	**10,965**	**–**	**27,762**
	₱4,213,660	**₱10,965**	**–**	**₱4,224,625**

	December 31, 2020			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	₱3,025,609	₱–	₱–	₱3,025,609
Short-term notes payable	996,500	–	–	996,500
Long-term debt[2]	–	3,500,000	–	3,500,000
Obligations under lease[3]	176,961	228,122	91,247	496,330
	₱4,199,070	₱3,728,122	₱91,247	₱8,018,439
Financial Assets				
Cash and cash equivalents	₱397,899	₱–	₱–	₱397,899
Trade and other receivables[4]	4,652,547	–	–	4,652,547
Refundable deposits	16,724	23,142	–	39,866
Receivable from a related party[5]	167,919	439,172	–	607,091
	₱5,235,089	₱462,314	₱–	₱5,697,403

[1] *Excluding nonfinancial liabilities amounting to ₱409.7 million and ₱446.0 million as of December 31, 2021 and 2020, respectively.*
[2] *Gross of unamortized debt arrangement fees amounting to ₱12.1 million and ₱14.9 million as of December 31, 2021 and 2020, respectively.*
[3] *Gross of interest component amounting to ₱41.8 million and ₱65.3 million as of December 31, 2021 and 2020, respectively.*
[4] *Excluding nonfinancial assets amounting to ₱2.2 million and ₱38.5 million as of December 31,2021 and 2020, respectively, and current portion of receivable from a related party in 2021 and 2020.*
[5] *Gross of interest component amounting to nil and ₱79.0 million as of December 31, 2021 and 2020, respectively.*

Trade and other payables and maturing other liabilities are expected to be settled using cash to be generated from operations, drawing from existing and new credit lines, and additional capital contribution of the shareholders.

Foreign exchange risk
Foreign currency risk arises when the Company enters into transactions denominated in currencies other than their functional currency. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments.

To mitigate the risk of incurring foreign exchange losses, the Company maintains cash in banks in foreign currency to match its financial liabilities.

The Company's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2021 and 2020 are as follows:

		December 31, 2021		December 31, 2020	
	Currency	**Amount in Original Currency**	**Total Peso Equivalent**	Amount in Original Currency	Total Peso Equivalent
Financial Assets					
Cash in banks	**USD**	**43**	**2,183**	4	192
Financial Liabilities					
Trade and other payables	**USD**	**374**	**18,988**	679	32,606
	JPY	**–**	**–**	73,399	32,919
			18,988		65,525
Net foreign currency denominated assets (liabilities)	**USD**	**(331)**	**(16,805)**	(675)	(32,414)
	JPY	**–**	**–**	(73,399)	(32,919)

USD 1 = ₱50.77 in 2021 and ₱48.02 in 2020
JPY 1 = ₱0.45 in 2020

The Company has recognized foreign exchange loss amounting to ₱0.8 million and ₱1.2 million for the years ended December 31, 2021 and 2020, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Company's profit before tax for years ended December 31, 2021 and 2020.

	Appreciation (Depreciation) of Foreign Currency	**Decrease (Increase) in loss before tax** December 31 **2021**	2020
		(In Thousands)	
US Dollar (USD)	1%	**(₱168)**	(₱324)
	(1%)	**168**	324
Japanese Yen (JPY)	1%	–	(329)
	(1%)	–	329

There is no other impact on the Company's equity other than those already affecting profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are subject to fixed interest rates ranging from 3.75% to 6.23% and 3.85% to 6.22% in 2021 and 2020, respectively.

The Company's ₱4.0 billion long-term debt under the BDO Term Loan Facility Agreements includes ₱1.5 billion long-term debt which bear floating interest rates and exposes the Company to cash flow interest rate risk.

The table below sets forth the estimated change in the Company's income before tax (through the impact on the floating interest rate borrowings) due to parallel changes in the interest rate curve in terms of the basis points (bp) as of December 31, 2021 and 2020, with all other variables held constant. There is no other impact on the Company's equity other than those already affecting the parent company statements of profit or loss.

	Decrease (increase) in loss before income tax	
	December 31	
	2021	2020
	(In Thousands)	
100 bp rise	**₱39,878**	₱34,851
100 bp fall	**(39,878)**	(34,851)
50 bp rise	**19,939**	17,425
50 bp fall	**(19,939)**	(17,425)

Cashflow hedge
The Company was exposed to the increased volatility of fuel prices (commodity price risk). As a result, the Company entered into a commodity swap agreement with a certain bank, which commenced on August 13, 2019, in order to manage the risk on fuel price volatility. Hedging the price volatility of forecast fuel purchases is in line with the management strategy implemented by the Board of Directors. The Company designated the commodity swap agreement as cashflow hedge. The Company has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of commodity swap agreement is identical to the hedged risk component.

In 2021, the Company discontinued the hedging instrument with a carrying amount of ₱0.2 million. The cumulative loss on the hedging instrument amounting to ₱57.1 million that has been reported directly in equity is recognized in profit or loss.

Capital Risk Management Objectives and Procedures
The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and produce adequate and continuous opportunities to its employees; and to provide an adequate return to shareholders by pricing products/services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company's overall strategy in managing its capital remains unchanged since the prior year.

The Company considers its total equity as its capital. The Company monitors capital on the basis of the carrying amount of equity as presented on the parent company statement of financial position. The capital ratios are as follows:

	December 31	
	2021	2020
Assets financed by:		
Creditors	**84%**	78%
Stockholders	**16%**	22%

As of December 31, 2021 and 2020, the Company met its capital management objectives.

28. **Fair Values of Financial Instruments and Nonfinancial Assets**

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their level in the fair value hierarchy. The table below does not include the fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are the reasonable approximation of their fair values.

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)		
Financial Liabilities				
Long-term debts	**₱3,987,844**	**₱4,155,983**	₱3,485,080	₱3,609,100
Obligations under lease	**274,952**	**279,637**	430,999	449,662
	₱4,262,796	**₱4,435,620**	₱3,916,079	₱4,058,762

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and non-financial assets:

Cash and cash equivalents, trade and other receivables, trade and other payables, refundable deposits included under "Other current assets"
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Refundable deposits included under "Other noncurrent assets"
The carrying amount of this financial instrument is carried at present value due to the long-term nature of this account. The fair value of refundable deposits was computed by discounting the expected cash flows ranging from 4.52% to 4.99% as the EIR. The computed fair value approximates the carrying amount of this account.

Short-term notes payable
The carrying value of short-term notes payable that reprice every three (3) months, approximates their fair value because of recent and regular repricing based on current market rate. For fixed rate loans, the carrying value approximates fair value due to its short-term maturities, ranging from three months to twelve months.

Long-term debt
Discount rate of 5.4% and 4.6% was used in calculating the fair value of the long-term debt as of December 31, 2021 and 2020, respectively.

Obligations under lease
The fair values of obligations under finance lease are based on the discounted net present value of cash flows using the discount rate ranging from 4.6% to 7.0% and 4.5% to 5.4% as of December 31, 2021 and 2020, respectively.

Derivatives assets
The fair value of derivatives is determined by the use of either present value methods or standard option valuation models. The valuation inputs on these derivatives are based on assumptions developed from observable information, including, but not limited to, the forward curve derived from published or future prices adjusted for factors such as seasonality considerations and the volatilities that take into account the impact of spot process and the long-term price outlook of the underlying commodity and currency.

29. Notes to Parent Company Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

	January 1, 2021	Cash Flows Availments	Payments	Net	Others	December 31, 2021
			(In Thousands)			
Short-term notes payable	**₱996,500**	**₱1,809,000**	**(₱996,500)**	**₱812,500**	**₱–**	**₱1,809,000**
Current portion of obligations under lease	**156,047**	**–**	**(156,047)**	**(156,047)**	**68,184**	**68,184**
Noncurrent portion of:						
Long-term debt	**3,485,080**	**500,000**	**–**	**500,000**	**2,764**	**3,987,844**
Obligations under lease	**274,952**	**–**	**–**	**–**	**(68,184)**	**206,768**
Total liabilities from financing activities	**₱4,912,579**	**₱2,309,000**	**(₱1,152,547)**	**₱1,156,453**	**₱2,764**	**₱6,071,796**

For the Year Ended December 31, 2020

	January 1, 2020	Cash Flows Availments	Payments	Net	Others	December 31, 2020
			(In Thousands)			
Short-term notes payable	₱1,286,500	₱925,000	(₱1,215,000)	(₱290,000)	₱–	₱996,500
Current portion of obligations under lease	218,811	–	(179,344)	(179,344)	116,580	156,047
Noncurrent portion of:						
Long-term debt	2,487,153	1,000,000	–	1,000,000	(2,073)	3,485,080
Obligations under lease	569,043	–	–	–	(294,091)	274,952
Total liabilities from financing activities	₱4,561,507	₱1,925,000	(₱1,394,344)	₱530,656	(₱179,584)	₱4,912,579

"Others" includes the effect of the following:

a. reclassification of non-current portion to current due to the passage of time;
b. amortization of debt transaction costs capitalized amounting to ₱6.5 million in 2021 and ₱5.4 million in 2020, respectively;
c. payment of debt transaction cost amounting to ₱3.8 million and ₱7.5 million in 2021 and 2020, respectively;
d. availment of obligation under lease amounting to ₱1.0 million in 2020 (nil in 2021);
e. amortization of obligation under lease amounting to ₱21.0 million in 2021 and ₱36.1 million in 2020; and
f. Pre-termination gain from leases amounting to ₱12.4 million in 2020.

30. Merger and Other Operational Expenses

a. Merger

The objective of the merger discussed in Note 1 was to simplify the corporate accounting of the group in a one holding company, that is 2GO. The transaction has been accounted for as a merger of entities under common control, using the pooling of interest method. The Company elected to measure the acquired assets and liabilities based on their carrying amounts on NN stand-alone financial statements as of December 31, 2018. 2GO recognized the excess of the net assets of NN over the carrying value of additional shares issued by 2GO to NN stockholders as additional paid-in capital amounting to ₱1.6 billion.

b. Other operational expenses

During 2020, 2GO also completed a series of restructuring activities which primarily included consolidating its operations in certain container yards, warehouses and offices, exiting related leases and costs as a result of such consolidation. In addition, the Company incurred various other operating expenditures related to COVID-19 pandemic disclosed in Note 31.

Restructuring costs and other operating expenses amounted to ₱205.6 million in 2020 (nil in 2021) are presented as "Other operational expenses" in the parent company statements of profit or loss.

31. **Events Connected to the COVID-19 Pandemic**

On March 8, 2020, the Office of the President, under Proclamation 922, declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, placed the entire Philippines under a state of calamity due to the spread of the Novel Corona Virus Disease (COVID-19 pandemic). As part of these declarations and to manage the spread of the disease, certain areas in the Philippines were placed under various categories of community quarantine since March 17, 2020 and such community quarantines are still in effect at the date of filing of 2GO's audited financial statements as of and for the year ended December 31, 2021 with the SEC.

The Government-mandated quarantine measures continue to evolve and involve various attendant measures including, but not limited to, travel restrictions, home quarantine and temporary suspension or regulation of business operations thereby limiting commercial and similar activities related to the provision of essential goods and services.

2GO across its various business units, has been significantly affected by the aforesaid quarantine measures. This resulted in limited business operations in Luzon and in many other parts of the country for most of 2020. Given the restricted mobility in and out of the country and the curtailed economic activities affecting demand not only in the Philippines but in other countries, 2GO experienced a decline and gradual recovery in sales/revenue volumes as aforementioned quarantine measures were slowly relaxed.

Management continues to evaluate and respond to other potential adverse impacts of the COVID-19 outbreak in future reporting periods. 2GO has activated its Business Continuity Implementation Plan and has taken steps to manage the risk of disruption in operations. 2GO likewise continuously monitors developments in the domestic and international markets for any further slowdown in economic activities and the drastic shift in customer or market preferences that may eventually depress sales, place pressure on the deployment of certain assets, and impair the realizability of trade receivables and other similar working capital items.

As part of the 2GO's commitment to customer and employee health and safety and its regulatory compliance, 2GO has likewise implemented stringent safety and precautionary measures, including disinfecting and sanitizing facilities, implementation of work-from-home schemes for its employees, and imposing social-distancing in the work places, in order to mitigate the risk and ensure continuity of business operations during this time of pandemic.

The foregoing events are reflected in the financial position and performance of 2GO for the year ended December 31, 2021. Considering the evolving nature of the pandemic, 2GO cannot reasonably estimate at this time the length and severity of the pandemic, or the extent to which the disruption may materially impact 2GO's financial position, results of operations and cash flows in future reporting periods.

32. Supplementary Information Required Under Revenue Regulation No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the Bureau of Internal Revenue (BIR) to provide in the notes to the parent company financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the parent company financial statements which were prepared in accordance with PFRS.

The following are the tax information required for the taxable year ended December 31, 2021:

a. Value Added Tax (VAT)

	Amount
	(In Thousands)
1. Output VAT	₱734,047
Basis of Output VAT:	
Vatable sales	6,117,058
Exempt Sales	21,246
	₱6,138,304
2. Input VAT	
Beginning of the year	₱86,525
Current year's domestic purchases:	
Goods other than for resale or manufacture	263,678
Capital goods subject to amortization	4,303
Services lodged under other accounts	426,585
Claims for tax credit/refund and other adjustments	8,911
Utilized for the year	(734,047)
Balance at the end of the year	₱55,955

The Company's sales are subject to VAT while its importation and purchases from other VAT-registered individuals or corporations are subject to input VAT. The vat rate is 12%.

Zero-rated sales of services consist of sales which were rendered to BOI and PEZA registered enterprises which were paid for in foreign currency and were accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas [Sections 108 (B)(2) and (3) of the NIRC, as amended].

Exempt sales consist of sales made for the transport of senior citizens on actual transportation fare for domestic sea transport [Section 10, Revenue Regulations No. 7-2010].

Sales of services subject to VAT are based on actual collections received since for VAT purposes, the VAT on the sale of services accrues upon actual or constructive receipt of the consideration, whether or not services has been rendered. Hence, amounts may not be the same as the amounts accrued in the parent company statements of profit or loss.

b. Withholding Taxes

	Amount
	(In Thousands)
Tax on compensation and benefits	₱98,954
Expanded withholding taxes	116,207
	₱215,161

c. All Other Taxes (Local and National)

	Amount
	(In Thousands)
Other taxes paid during the year recognized under "Taxes and licenses" account under "Cost of Services", "General and Administrative Expenses" and "Others-net"	
License and permit fees	₱6,596
Documentary stamp taxes	–
Real estate taxes	6,696
Others	13,845
	₱27,137

Information on the excise taxes are not applicable since there are no Company transactions in the current year that are subject to these taxes.

d. Tax Cases

As at December 31, 2021, the Company has no pending tax court cases.

SUSTAINABILITY REPORT
FOR THE YEAR 2021

OF

2GO GROUP, INC.

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	2GO Group, Inc.
Location of Headquarters	8th Floor Tower 1 DoubleDragon Plaza Macapagal Boulevard corner EDSA Extension Pasay City 1302, Philippines
Location of Operations	2GO's scope of logistics and transport operations is nationwide in the Philippines.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	**Ownership and Legal Form:** 2GO Group, Inc. 2GO Express, Inc. 2GO Logistics, Inc. Special Container Value Added Services, Inc. Scanasia Overseas, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	2GO Group, Inc. (2GO) operates the country's largest integrated supply chain enterprise, providing logistics and transport services nationwide. With over 150 years of shipping and logistics experience, we create synergies through our three primary segments: sea solutions, logistics and distribution. 2GO Sea Solutions is the freight segment providing reliable, point-to-point containerized and rolling cargo solutions for business clients and travel-hotel accommodation for passengers through our ROPAX vessels. Special Containers and Value Added Services (SCVASI) handles containerized cargo and projects that require specialized solutions such as cold chain, isotainer, flexibags, break bulk and oversized equipment. 2GO Logistics provides storage and order fulfillment solutions to various verticals through our warehousing, inventory management, crossdock and transport capabilities. 2GO Express delivers first and last mile multimodal forwarding solutions to corporate and retail clients nationwide. Our network of outlets and hubs facilitate the flow of goods handled by our e-commerce, courier, and general cargo services. ScanAsia provides go-to-market solutions that enable our international and domestic clients to monitor, manage and replenish inventory from distribution centers to retailer shelves, ensuring stock availability in almost 2,000 doors nationwide.
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	Rachelle A. Batan

**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]

We seek consistency in our approach to materiality. In our maiden report, we conducted an in-depth materiality assessment among our key officers to understand critical areas that we need to focus on in order to deliver excellent service to our customers. In addition, we also looked into which areas are most critical for us to build our capacity on in order to better protect the environment and provide opportunities for our communities. In 2019, we expanded our process with online surveys to complement our formal and informal dialogues with our stakeholders. In 2020, we engaged our stakeholders through informal dialogues to understand which of the material topics have greatly impacted them through the pandemic.

Our Reporting Process

	1	**2**	**3**	**4**
Steps Taken	Build Capacity	Undergo Materiality Assessment	Identify and Gather Critical Data	Review and Validate Material Data

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

Description	Training on Sustainability	Review of processes, KPIs and risk assessment	Based on Material Issues, created templates for data gathering	Affirmation of reported disclosures
GRI Reporting Principle Applied	Stakeholder Inclusiveness and Sustainability Context	Materiality, Sustainability Context, Stakeholder Inclusiveness and Completeness	Stakeholder Inclusiveness and Completeness	Stakeholder Inclusiveness and Completeness

Our Material Topics

Material Topics	Definition and Relevance	Boundaries
Product		
Product/ Service Reach, Accessibility and Visibility	How we make our products and services accessible and affordable to our customers and enable them to reach their markets.	Within 2GO and its customers
Customer Welfare	How we protect the safety and well-being of our customers	Within 2GO and its customers
Customer Data Privacy	How we protect the data privacy of our customers and take steps to comply with their standards	Within 2GO and its customers
Performance		
Economic Performance	How we deliver value to our shareholders, facilitate the movement of goods and people, and contribute to the economic growth of the country as the backbone of Philippine commerce	Within 2GO
Business Process and Digitalization	How we use technology to provide a seamless and efficient service and how we pursue continuous improvement strategies	Within 2GO
Partnership		
ESG Compliance	How we take continuous steps to comply to all applicable government regulations and meet moral and ethical expectations in partnership with our regulators, suppliers and host communities	Within 2GO, regulators and host communities
People and Planet		
Economic Opportunities	How we create jobs wherever we operate	Within 2GO and with host communities
Employee Development, Welfare and Succession Planning	How we recruit, develop and retain talent, recognize the contribution of our employees, and provide long-term professional development	Within 2GO
Employee Well-being, Health and Safety	How we provide a safe working environment for our employees and promote their well-being	Within 2GO
Sustainable Supply Chain	How we efficiently utilize our resources to minimize our impact on the environment and maintain an inclusive supply chain with our partner suppliers	Within 2GO

Stakeholder Engagement

Our Stakeholders	Communication Channels	Relevant Matters	Our Progress
Customers and Clients	Various customer touchpoints Online Surveys	Product / Service Reach, Accessibility, Visibility	148 food service businesses served 1,521 pharmacies served 3.4 Million e-commerce transactions
Employees	In person discussions Annual Performance Review Online Surveys Townhall meetings Coaching and Training	Employee Development, Career Growth Occupational Health and Safety	9,047 Training Hours 2,028 Employees Appraised 36 Employees Promoted 5,219,348 Safe Man Hours without lost time injury
Investors	Annual Stockholders Meeting Investor Meetings	Financial performance Transparency on ESG risk and opportunities Corporate governance	Annual Report Sustainability Report Annual Stockholders Meeting

Suppliers and Service Providers	Vendor accreditation Regular correspondence Online survey	Employee Health and Safety Customer Welfare Product Reach, Accessibility and Visibility	PHP 15.31 bn Economic Value Distributed
Socio-civic partners	Program partnerships Online Survey	Sustainable Operations Community Involvement	Enabling mobilization of relief / aid programs
Regulators	Public-private sector dialogues Regular correspondence	Compliance and Governance Sustainable Operations	Timely and accurate reporting aligned to accredited frameworks Compliance with relevant laws and regulations

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount *in Millions*	Units
Direct economic value generated (revenue)	15,861	PhP
Direct economic value distributed:	15,305	PhP
a. Operating costs	13,271	PhP
b. Employee wages and benefits	1,354	PhP
c. Payments to Providers of Capital	402	PhP
d. Payments to Governments	277	PhP
e. Community Investments	2	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
As we move good and services, we help facilitate economic activity in the Philippines. We create direct impact by distributing value through payments to our suppliers, wages to our employees, contribution of taxes and fees to our regulators, and investments to communities	• Customers • Employees • Investors • Suppliers • Regulators • Communities	We exercise prudent and strategic allocation of our financial capital to constantly deliver growth and distribute value to our various stakeholders and returns to our capital providers Our board of directors work together with the management and business units to regularly update risk registers and business continuity plans. Our business models and processes are continuously enhanced through system improvements to cater to the needs of our stakeholders.
What are the Risks and Opportunities Identified?		
Risk of reduced economic value generated and distributed due to the negative business impacts of the COVID-19 pandemic and climate change Understanding where our risks lie can help us uncover hidden risks and address them head on to protect our business operations. We can also take advantage of process improvements and system efficiencies to help us better deal with uncertainties and improve our resiliency in the supply chain.		

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets

[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.

Our Board of Directors lead our direction and strategy in managing climate-related risks	We ensure the environmental sustainability of our business within the physical environments where we operate by assessing and addressing negative environmental impacts associated with the delivery of our products and services to avoid, or when unavoidable, mitigate them.	We integrate environmental and climate-related risk management within our business decisions through our enterprise risk management program.	Annually, we monitor, measure and report our water, power and fuel consumption and calculate our greenhouse gas emissions through our annual and sustainability reports

Recommended Disclosures			
Oversight	**Risks and opportunities**	**Processes**	**Metrics and Targets**
The Board oversees our position in climate change, strategic planning and risk management including those for climate-related risks and opportunities particularly: • Position statements • Sustainable supply chain processes • Enterprise risk management system • Corporate strategy on climate-related risk • GHG emissions monitoring and progress The board delegates certain elements of risk oversight functions to the Risk Oversight Committee **Management's Role** Our management maintains an active role in assessing and managing climate-related risks and opportunities The management and business units oversee regularly updating risk registers and business continuity plans	**Climate-related risks:** ● Regulatory and reputational risks ● Disaster risks ● Transition risk **Climate-related opportunities:** ● Incorporation of sustainability into operational and functional areas to improve the business ● Enhance speed and responsiveness of delivery ● Manage uncertainties of climate-related disruptors ● Business resilience Enhance resource efficiency and reduce overall costs	Climate-related issues are integrated into multi-disciplinary company-wide risk identification, assessment, and management. Our enterprise risk management program defines our impact on climate-related risks and is prioritized based on their likely financial impact in the short and long run. We employ a consultative approach and solicit input from senior leadership, environmental consultants and stakeholders. Monitoring and measuring our metrics help us manage environmental impact. Annually, we collect data and report it through our sustainability report.	● Good corporate governance for accountability on climate-related risks ● Reduction of GHG emissions intensity through systems efficiency ● Lower our exposure to regulatory risks through compliance ● Managing resources efficiently within our operations ● Engage externally to support sustainable supply chain solutions

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	96.3%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
We generate and distribute economic value as we deliver supply chain solutions nationwide. Our impact in procurement occurs with our dealings with partner suppliers, service vendors, and contractors.	Suppliers Contractors Creditors Other entities that engage in business with the company	We observe propriety and act with fairness and transparency in dealing with business partners. We adhere to healthy competition, equal opportunity, and fair treatment of business partners. Our procurement team adheres to a bidding process that screens and

What are the Risks Identified?		
Procurement risks include fraud, cost, quality, and delivery risks. We take these risks seriously as they can result in business losses and disruptions in our operations. Quality in purchasing is very crucial in maintaining the consistent flow of goods and services. The COVID-19 pandemic disrupted and challenged supply chain operations everywhere which have caused delays in travel and delivery of goods and services		reviews major contracts with contractors and suppliers to ensure that negotiations are conducted fairly and on an arm's length basis and that management teams are given the best choice possible for a given requirement.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	**100**	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	**100**	%
Percentage of directors and management that have received anti-corruption training	**100**	%
Percentage of employees that have received anti-corruption training	**100**	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
We take corruption seriously as it can harm our company and our relationships with our stakeholders. We facilitate mandatory training on Anti-Corruption Policies and Procedures as we deal with various suppliers, vendors, contractors, local government transactions	• Employees • Suppliers • Creditors • Investors • Regulators	Our anti-corruption efforts include third-party due diligence, anti-bribery training and code of conduct training. We also promote a culture of compliance with ethical business practices
What are the Risks and Opportunities Identified?		
Our Code of Conduct and our anti-corruption policies guide our employees in identifying scenarios that risk the integrity of our company.		

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
We prohibit corruption in all our business dealings as we work with many suppliers, local government units and communities. We do not allow corruption to influence business decisions or gain undue business advantage.	• Employees • Suppliers • Creditors • Investors • Regulators	Our policies on anti-corruption apply to every director, manager, employee, partner suppliers, creditors, investors, regulators, and other stakeholders. Within our network of operations, we recognize corruption risks and opportunities and address these by maintaining the following corporate governance policies: 1. Manual on Corporate Governance 2. Code of Business Conduct 3. Conflict of Interest Policy 4. Insider Trading Policy 5. Related Party Transactions Policy
What are the Risks and Opportunities Identified?		
Risks: Supply chains are inherently vulnerable to corruption risks due to the size and complexity of their operating environment. Exposure to corruption may bring serious legal sanctions and reputation risk.		

Opportunities: Positive financial returns, improve product and service quality, solve business inefficiencies, and reinforce goodwill among stakeholders give us ample reason to fight corruption.		6. Policy on Accountability, Integrity and Vigilance (Whistleblowing Policy) 7. Supplier/ Vendor Selection

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure[1]	Quantity	Units
Energy consumption (renewable sources)	##	GJ
Energy consumption (gasoline)	1.03	GJ
Energy consumption (bunker fuel IFO 180)	1,802,703.14	GJ
Energy consumption (diesel)	324,236.61	GJ
Energy consumption (electricity)[2]	1,111,444.00	kWh

Notes:

[1] 1 Liter = 0.0342 GJ

[2] For 2021, Data is limited to 26 locations vs. the 43 reported last year

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	2.05	GJ
Energy reduction (LPG)	Not available.	GJ
Energy reduction (diesel)	164,721.25	GJ
Energy reduction (electricity)	2,741,816.58	kWh
Energy reduction (gasoline)	Not available.	GJ

Note: For 2021, Data is limited to 26 locations vs. the 43 reported last year

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As a logistics company, our role is to expand our ability to connect more goods and services efficiently as we minimize our impact on the environment. We use fuel and power to conduct our business operations nationwide.	Communities Regulators Investors	Through footprint reduction and transport management digitalization we are working towards the elimination of inefficient transportation of goods. We consider this as a cost-saving strategy and as a step to mitigate our environmental impacts
What are the Risk/s and Opportunity/ies Identified?		
Potential risk includes an increase in the price of the fuel and other energy we purchase, an increase in capital requirements associated with updating our ships and land vehicles, regulatory risk and reputational risk from shifting public opinions. Opportunities for energy efficiency, use of non-renewable energy are recognized		

Water consumption within the organization

Disclosure	Quantity	Units
Water consumption	Not available	Cubic meters
Water withdrawal	96,914	Cubic meters
Water recycled and reused	Not available	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
Water is used primarily for sanitation at our warehouse facilities, hubs and offices. Our supply is obtained from third-party utility providers and discharged into public sewage systems.	Communities Regulators Investors	We monitor water usage in our sites and implement measures to conserve water in our operations. We also adhere to local and international regulations on keeping our ocean free from pollution.
What are the Risk/s and Opportunity/ies Identified?		
Potential risks include water shortages, flooding in our facilities and water pollution.		

Proper discharge of water is also important to avoid penalties in our operations.		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	Not material to the company	
● Renewable		kg/liters
● non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not material to the company	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material	Not material	Not material
What are the Risks and Opportunities Identified?		
Not material		

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	0	
Habitats protected or restored	0	ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	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
Not material. We do not operate in or adjacent to protected areas and areas of high biodiversity value	Not material	Not material
What are the Risks and Opportunities Identified?		
Not material		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	190,783.22	MT CO_2e
Energy indirect (Scope 2) GHG Emissions	809.46	Mt CO_2e
Emissions of ozone-depleting substances (ODS)	Not Available	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
Delivery of goods and services contributes to greenhouse gas emissions. As we operate in the nationwide in the Philippines, we recognize the vulnerability of our country to climate change.	Communities Regulators Investors	We strive for environmental friendliness in our operations. Through regular assessment and internal audits, we assess and address environmental management gaps and opportunities associated with the delivery of our products and services. We seek to improve corporate environmental performance through supply chain technologies, improving business processes and other related programs that encourage an environmentally friendly value-chain.
What are the Risk/s and Opportunity/ies Identified?		
Absence of environmental impact management can pose transition risk, regulatory risk, reputational risk and disaster risk.		

[3] International Union for Conservation of Nature

We recognize that environmental impact management can bring us opportunities such as: • Incorporation of sustainability into operational and functional areas to improve the business • Enhance speed and responsiveness of delivery • Manage uncertainties of climate-related disruptors • Business resilience • Enhance resource efficiency and reduce overall costs		

Air pollutants

Disclosure	Quantity	Units
NO_x	Not available	kg
SO_x	Not available	kg
Persistent organic pollutants (POPs)	The company does not produce POPs	kg
Volatile organic compounds (VOCs)	Not available	kg
Hazardous air pollutants (HAPs)	Not available	kg
Particulate matter (PM)	Not available	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
Air emissions are produced by vehicles throughout our land-based operations. These include reefer vans, trucks and motorcycles owned by the company and our respective contractors.	Communities Regulators Investors	We are working towards the reduction of transport intensity by leveraging synergies within our business. Through adoption of system improvements and technologies, we seek to optimize our routes and consequently improve our environmental performance.
What are the Risk/s and Opportunity/ies Identified?		
Urban air pollution subject our stakeholders to long-term exposure to polluted air which can leave permanent health damage. Climate-related risks due to transport pollution include reputational risk, regulatory risk, and transition risk.		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	228,299	kg
Reusable	Not available	kg
Recyclable	140,836	kg
Composted	76,848	kg
Incinerated	Not available	kg
Residuals/Landfilled	10,615	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
Given our size and reach, we generate waste in our business operations nationwide. Containers and packaging are used in the shipping, storage, and protection of products.	Employees Communities Regulators	We abide by the Ecological Solid Waste Management Act by ensuring proper segregation, collection, transport, storage treatment and disposal of solid waste in our ships and facilities. Each of our vessels is equipped with a food grinder which we use to dispose of our food waste within 12 nautical miles underway,
What are the Risk/s and Opportunity/ies Identified?		

Poor solid waste management can pose risk to the health and safety of our workers and our host communities. Opportunities of recycling can reduce disposal costs and improve efficiency where we can make use of excess material. Proper waste disposal also improves cleanliness of the workplace environment and ensures workers are safe and healthy.		adhering to the regulations of the Internal Maritime Organization.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		
Bilge, Sludge, Used Oil	481,128	liters
Others (Pathological & Oily Waste)	1,276	kg
Total weight of hazardous waste transported	Not available	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
Whether in sea or land, preventing pollution is material to us. We maintain procedures to properly store, handle and dispose of our waste	Regulators Communities	We abide to the Toxic Substances and Hazardous and Nuclear Wastes Control Act by following the guidelines on handling, storage, and transportation of hazardous waste to prevent contamination and accidents within our operations. Our wastes are managed by the Facilities Management Department and collected by DENR-accredited haulers & treaters.
What are the Risk/s and Opportunity/ies Identified?		
Operational risks such as spills, fires, explosions, reactions, and exposure to toxic chemicals can be caused by mishandling of hazardous waste. Through careful hazardous waste management, we reduce the risk of serious damage to the health and safety of our stakeholders and the business.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Not available	Cubic meters
Percent of wastewater recycled	Not available	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
How we handle and discharge wastewater can impact the quality of the water next to our facilities for our land operations and the sea for our marine operations.	Regulators Communities	All sites discharge wastewater into public sewage treatment plants. For marine operations, all vessels operate Safety Management Systems (SMS) and have certificated Sewage/Garbage Plans, Oil Water Separator systems and Logbooks. Effluents such as Used Oil, Sludge and Bilge Water are recorded and collected by third-party haulers and treaters of the Department of Environment and Natural Resources.
What are the Risk/s and Opportunity/ies Identified?		
Effluent must be monitored closely as it can cause damage and pollution to discharge locations. Improper discharge may cause water contamination and kill ecosystems.		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

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

Compliance to environmental laws and international regulations are important to keep our business operational. **What are the Risk/s and Opportunity/ies Identified?** Non-compliance to environmental laws can result to financial penalties and fines, loss of productivity and revenue due to operation suspensions or incidents, risk of injury and potential lawsuits due to unsafe working environment, and reputational risk from negative public perception	Regulators Communities Employees Investors	As part of our commitment to the UN SDGs, we are taking concrete steps in refining our environmental management framework. We have begun by taking inventory of our commitments, what we need to do to uphold them, and what controls we have in place to ensure that we proactively manage our environmental impacts and risks.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]	2,122	
a. Number of female employees	831	#
b. Number of male employees	1,291	#
Attrition rate[5]	20%	rate
Ratio of lowest paid employee against minimum wage	Not available	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 (Sickness/loans)	Y	25%	17%
PhilHealth(sickness)	Y	3%	4%
Pag-ibig (loans)	Y	21%	18%
Parental leaves	Y	26.4%	7.1%
Vacation leaves	Y	*99%	*99%
Sick leaves	Y	*99%	*99%
Medical benefits (aside from PhilHealth))	Y	*99%	*99%
Housing assistance (aside from Pag-ibig)	N	n/a	n/a
Retirement fund (aside from SSS)	Y	n/a	n/a
Further education support	N	n/a	n/a
Company stock options	N	n/a	n/a
Telecommuting	Y	n/a	n/a
Flexible-working Hours	N	n/a	n/a
(Others)		99%	99%

Notes: Percentages pertain to availment/transactions
*excluding probationary employees

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We employ an experienced workforce nationwide. Compensation includes the wages, salaries, bonuses, and commission structures we give our employees. **What are the Risk/s and Opportunity/ies Identified?** Without competitive packages, we face the risk of employee loss, talent retention, reduced job satisfaction, and reduced productivity. Creating and offering the right compensation plan addresses these risks and ensures that the backbone of our company and operations are happy and productive.	Our people are the backbone of our business. It is important for us that our employees are inspired, skilled, and equipped to provide outstanding service. We developed a Strategic WorkForce Approach to help build a resilient organization and ready to adapt to the future of work. This approach ensures that we have the right number of people with the right skills, in the right place at the right time to deliver our short- and long-term objectives.

Employee Training and Development

Disclosure	**Quantity**	**Units**
Total training hours provided to 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)

a. Female employees	3,346	hours
b. Male employees	5,701	hours
Average training hours provided to employees		
a. Female employees	4.03	hours/employee
b. Male employees	4.42	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
How we recruit, develop through coaching and training, and retain talent; recognize the contribution of our employees; promote their well-being and provide long-term professional development	We advocate continuous learning to help our employees meet their full potential. Our training initiatives aim to develop employees into specialists in their respective areas of work. From our leaders to our staff, our employees undergo customized development programs for skills enhancement and improved wellbeing.
What are the Risk/s and Opportunity/ies Identified?	
Learning strategies are important for us for competitive advantage. Employee development is important to reduce chances of turnover, improve customer service, avoid damages to brand reputation and improve productivity. Constant change necessitates continuous learning. We recognize e-learning opportunities for their accessibility and flexibility.	

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	1,200/year	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
A cooperative partnership between 2GO Management and workers sustains the economic growth of the company. 2GO supports such cooperative partnership through its Labor Management Council (LMC) where workers and Management both participate in joint problem-solving in matters affecting employee welfare.	2GO Management believes that a mutually-beneficial atmosphere fosters a proactive partnership and cooperation between Management and workers and therefore creates a climate of industrial peace as a key to growth. Management continues to support LMC programs that are geared towards increasing productivity and improving employee welfare.
What are the Risk/s and Opportunity/ies Identified?	
Opportunity: The continued development of processes that focuses on joint participation of Management and workers in improving the quality of working life. Risk: Continuity of programs / projects initiated by LMC is at risk when workers are separated from the company.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	39	%
% of male workers in the workforce	61	%
Number of employees from indigenous communities and/or vulnerable sector*	Not available	#

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?	Management Approach
We are an equal opportunity provider for employees and suppliers.	At the board level, the Company adheres to a board diversity policy that ensures that there is always a diverse composition of directors to assist in advancing 2GO's strategic objectives. To achieve board diversity objectives, a Board Matrix is used to determine the mix of attributes, skills, competencies, experience, and affiliations that the board currently has and what it needs to complement the existing composition. We also foster diversity among our choice of people by practicing non-discrimination in the hiring, promotion, and leadership development of our employees. We maintain a balance between male and female employees throughout different levels of the management. Decisions as to hiring, promotions, and other aspects of employment relationship are based solely on job-related qualifications.
What are the Risk/s and Opportunity/ies Identified?	
Diversity in our workforce gives us opportunities to foster mutual mentoring among our talents, enhance trust-based cooperation, and improve teamwork and collaboration for productivity, creativity, and efficiency.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	5,219,348	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We provide a safe working environment for our employees and third-party service providers More so during the COVID-19 pandemic, we created a 2GO New Normal Well-Being Committee focused on ensuring the safety of our people, establishing accessible communication channels, and developing new work protocols to carry on our service to our customers.	We aim to be a preferred employer that considers the health, safety, and welfare of our employees as the top priority. Our safety protocols and policies are designed to ensure the protection of our people whether they are at sea or on land. We measure and manage operational safety by putting a high value on training and development. On-board safety gears and equipment are checked frequently. We monitor mileage of our shipping vessels and trucks and make sure they undergo regular maintenance.
What are the Risk/s and Opportunity/ies Identified?	
Work-related health and safety risks in the transport sector include road accidents, accidents in sea, fatigue, occupational diseases, and exposure to dangerous substances. To ensure Occupational Health and Safety, we can provide trainings on tailored safety education, emergency response, and healthy lifestyle.	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly 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	N	-
Child labor	Y	No Child Labor Policy
Human Rights	Y	In reference to due process in the Code of Conduct

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
It is our responsibility to protect the dignity of every person, uphold human rights, eliminate forced and compulsory labor, and abolish child labor. We consider these key principles in hiring decisions within our business and the suppliers we work with	We are aligned to our parent company's commitment as signatory of the UN Global Compact following group-wide commitment and support to human rights and labor rights. We integrate human rights risk into risk management across our businesses. We also ensure that our vendors, suppliers, and other third-party
What are the Risk/s and Opportunity/ies Identified?	

Perpetrators of human rights violations face legal sanctions and consequences and reputational risk. We recognize that every business, partnership, and sourcing decision present potential human rights concerns. There is an opportunity to explore ways to identify, manage and report better by mapping our value chain and assessing the potential for each human rights risk scenario.	contractors adhere to a supplier code of ethics which include prohibitions against child labor, forced labor, and slavery.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
All governance related policies may be viewed via the Company's website at https://www.2go.com.ph/policies/
Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Manual on Corporate Governance
Forced labor	N	Code of Business Conduct
Child labor	Y	No Child Labor Policy
Human rights	Y	Conflict of Interest Policy
Bribery and corruption	Y	Insider Trading Policy Related Party Transactions Policy Policy on Accountability, Integrity and Vigilance Accreditation Policy and Procedure Environmentally Friendly Value Chain

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We directly contribute to the movement of goods and services nationwide for our customers, the communities where we operate, and investors. We integrate logistics activities such as procurement, distribution, warehousing, maintenance and inventory management plus marketing, finance and customer service to our clients.	We manage our risks by deploying appropriate physical and cyber security measures and by working with our regulators, suppliers and customers to protect the integrity of our supply chain.
What are the Risk/s and Opportunity/ies Identified?	
Risks in the supply chain are any interruption to the flow of goods and services. External risks can include shifts/ shocks in demand and supply, environmental risk from climate-related factors, threat of terrorism, cargo theft, accidents, disasters, economic uncertainties, and structural changes place our suppliers under threat. Experience and knowledge in supply chain risk management can reduce our exposure to risks and allow us to proactively plan for disruptions.	

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)
Not available	-	-	-	-	-
Not available	-	-	-	-	-
Not available	-	-	-	-	-

**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		#
CP secured		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not available	Not available
What are the Risk/s and Opportunity/ies Identified?	
Not available	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	Passenger Satisfaction Rating – 91% Net Promoter Score – 67% or very good	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We provide the delivery of goods and services to a wide range of customers. We recognize the need to widen and improve our communication channels and feedback mechanisms with customers to enhance satisfaction.	We have policies to ensure that we adhere to our quality commitments to our customers. All customers are given fair and proper treatment and are provided with complete, correct and actual information.
What are the Risk/s and Opportunity/ies Identified?	
Customer dissatisfaction can cause reputation damage, decrease in conversions, productivity loss, loss of current and future customers.	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	We are working on a system to consolidate these indicators	#
No. of complaints addressed		#

**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?	Management Approach
2GO Travel is one of the largest premier sea travel providers in the Philippines present in almost 3,000 outlets nationwide and operating in 14 ports of call to bring accessible and affordable travel for its passengers.	We constantly strive to push boundaries in providing travelers a wide selection of reasonably priced hotel accommodations, tours, and event packages to make for unforgettable trips. We strictly comply with all government mandated protocols on health and safety in our vessels, ports of call, and retail stores. 2GO conducts round-the-clock general cleaning, disinfection, and sanitation of hand contact surfaces, common areas, and ventilation and air conditioning systems. Preventive hygiene measures are enforced at all sites.
What are the Risk/s and Opportunity/ies Identified?	
Due to the COVID-19 pandemic, non-essential travel decreased significantly.	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	In 2021, we received a total of 952 complaints via our voice, email and fb channels versus total volume of 318,381 customer transactions (0.30% of total transactions were escalated).	#
No. of complaints addressed	All complaints were addressed.	#

**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?	Management Approach
Not Material	Not material
What are the Risk/s and Opportunity/ies Identified?	
Not material	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	2	#

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?	Management Approach
We collect and manage data of our clients and customers. It is our primary concern to protect fundamentally sensitive information such as identities, finances, and health records and prevent them from falling into the wrong hands for improper use.	We are committed to protecting the personal data of our customers. Our Privacy Policy outlines how we collect, handle, protect and use data responsibly in accordance with the Republic Act No. 10173, or the Data Privacy Act of 2012, and its Implementing Rules and Regulations. Read our Privacy Policy here: https://www.2go.com.ph/privacy-policy/
What are the Risk/s and Opportunity/ies Identified?	
Customer privacy is heavily regulated by the National Privacy Commission and through the Data Privacy Act. Risks on data privacy violations include civil and criminal penalties and reputational risk.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None for personally identifiable information (PII)	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Protecting data from malicious threats is important to us to ensure business continuity and data privacy	To combat cybersecurity threats, we invest in the latest IT tools and technologies We adopt the latest IT tools, and practice data security through data encryption, data backup, management of user privileges on corporate devices, securing our on-premise and cloud servers.
What are the Risk/s and Opportunity/ies Identified?	
Risk of data breaches can disrupt our operations and compromise the data privacy of our employees and customers	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

SDGs	Key Products and Services	Societal Value / Contribution to UN SDGs	Management Approach to Potential Negative Impact
SDG 8 Decent Work and Economic Growth	We help drive economic growth in urban and rural communities by facilitating the movement of people, goods and services. At the same time, we provide economic opportunities in the localities where we are present, generating jobs across our supply chain.	• 15.9 Billion Php Economic Value Generated • 15.3 Billion Php Economic Value Distributed • 2,122 Jobs Created • 871 Shipping roundtrips • 19,047 SKUs handled • 1,521 Pharmacies served • 148 Food services served • 3.4 Million E-commerce transactions • 229,904 cbm of Goods transported from warehouse to end-users • 7.9 Million Express delivery transactions	To address our potential negative impacts, we make targeted investments on Technology, Process and People to maximize the value generated by our investments, improve our operational efficiencies, and increase the productivity of our workforce. This enables us to seize market opportunities and optimize the value we create for our stakeholders while mitigating our environmental impacts. Our Potential Negative Impacts include but are not limited to: • Degradation of air quality • Degradation of water resources • Greenhouse gas emissions • Solid Waste
SDG 9 Industry, Innovation and Infrastructure	We provide industry innovation and transport infrastructure for key industry verticals such as consumer goods, food, pharmaceuticals, lifestyle products, automotive and consumer electronics.	• Sustainable Supply Chain • Php 50.8 Million earmarked investment to Digitalization and Industry Technology	
SDG 12 Responsible	We are environmentally responsible as we pursue efficiency in our day-to-day operations,	• Monitoring of Power, Fuel, Water and Waste consumption	

Consumption and Production	enabling us to minimize our material footprint while we maintain the highest standards in serving our customers.	● 180,285 MT CO2e Scope 1 GHG ● 809 MT CO2e Scope 2 GHG ● Governance Policy on Environmentally-Friendly Value Chain	
SDG 13 Climate Change	We recognize the impact that climate change has on our business and our stakeholders. We incorporate climate change in assessing our risks and opportunities and formulate policies and implement programs that develop our resilience and adaptation to the effects of climate change.	● Monitoring of Power, Fuel, Water and Waste consumption ● Governance Policy on Environmentally-Friendly Value Chain	