RL COMMERCIAL REIT INC.
ANNUAL REPORT
2022

RCREIT
A ROBINSONS LAND COMPANY


CONTENTS

ABOUT THE COMPANY

RCREIT

A ROBINSONS LAND COMPANY

Corporate Information:

- Date of incorporation: **May 16, 1988**
- Amendment to RCR: **August 2, 2021**
- PSE Listing: **September 14, 2021**

RL Commercial REIT, Inc. ("**RCR**") is a company designated by Robinsons Land Corporation ("**RLC**" or the "**Sponsor**") to operate as a REIT, leases to a diversified tenant base a high-quality portfolio with an aggregate Portfolio GLA of **480,479 sq. m.** as of December 31, 2022. Our Portfolio consists of commercial spaces primarily leased for office purposes, with minimal retail spaces on some of the Properties to support the needs of our office tenants.

The principal investment mandate of RCR is to focus on investing on a long-term basis in a diversified portfolio of income-producing commercial real estate assets, leased primarily for office purposes, and strategically located in major central business districts ("**CBDs**") and key cities and urban areas across the Philippines. We intend to maintain a high occupancy rate by targeting a diversified tenant base, with an emphasis on tenants primarily engaged in providing essential services, such as information technology and business process management ("**IT-BPM**") services, including business process outsourcing ("**BPO**") services, to secure stable occupancy and income from operations. Our properties are all Philippine Economic Zone Authority (PEZA)-accredited and have consistently high occupancy rates, earning stable rental revenues as a result. Our Portfolio has a weighted average lease expiry (WALE) of **3.08 years** (weighted vis-à-vis leasable area) as of December 31, 2022. Moreover, each of the Properties is fully insured equivalent to their respective replacement value.

Our Sponsor, RLC, is one of the Philippines' leading real estate developers in terms of revenues, number of projects, and total project size. RLC is engaged in the construction and operation of lifestyle commercial centers, offices, hotels, and industrial facilities, as well as the development of mixed-use properties and residential housing located in key cities and other urban areas nationwide. RLC adopts a diversified business model, with both an "investment" component, in which it develops, owns, and operates commercial real estate projects (principally lifestyle commercial centers, office buildings, hotels, and industrial facilities); and a "development" component, in which RLC develops real estate projects for sale (principally residential condominiums, serviced lots, house and lot packages, and commercial lots).

DIVIDENDS

RCR						
Date of BOD Approval	Feb 6, 2023	Nov 8, 2022	Aug 9, 2022	May 10, 2022	Feb 4, 2022	Nov 5, 2021
Type (Regular or Special)	Regular	Regular	Regular	Regular	Regular	Regular
Cash Dividend Per Share	**PHP 0.0976**	**PHP 0.0974**	**PHP 0.0972**	**PHP 0.0965**	**PHP 0.0920**	**PHP 0.0620**
Record Date	Feb 20, 2023	Nov 22, 2022	Aug 23, 2022	May 26, 2022	Feb 18, 2022	Nov 19, 2021
Payment Date	Feb 28, 2023	Nov 29, 2022	Aug 31, 2022	May 31, 2022	Feb 28, 2022	Nov 25, 2021
Ex-Date	Feb 15, 2023	Nov 17, 2022	Aug 18, 2022	May 23, 2022	Feb 15, 2022	Nov 16, 2021

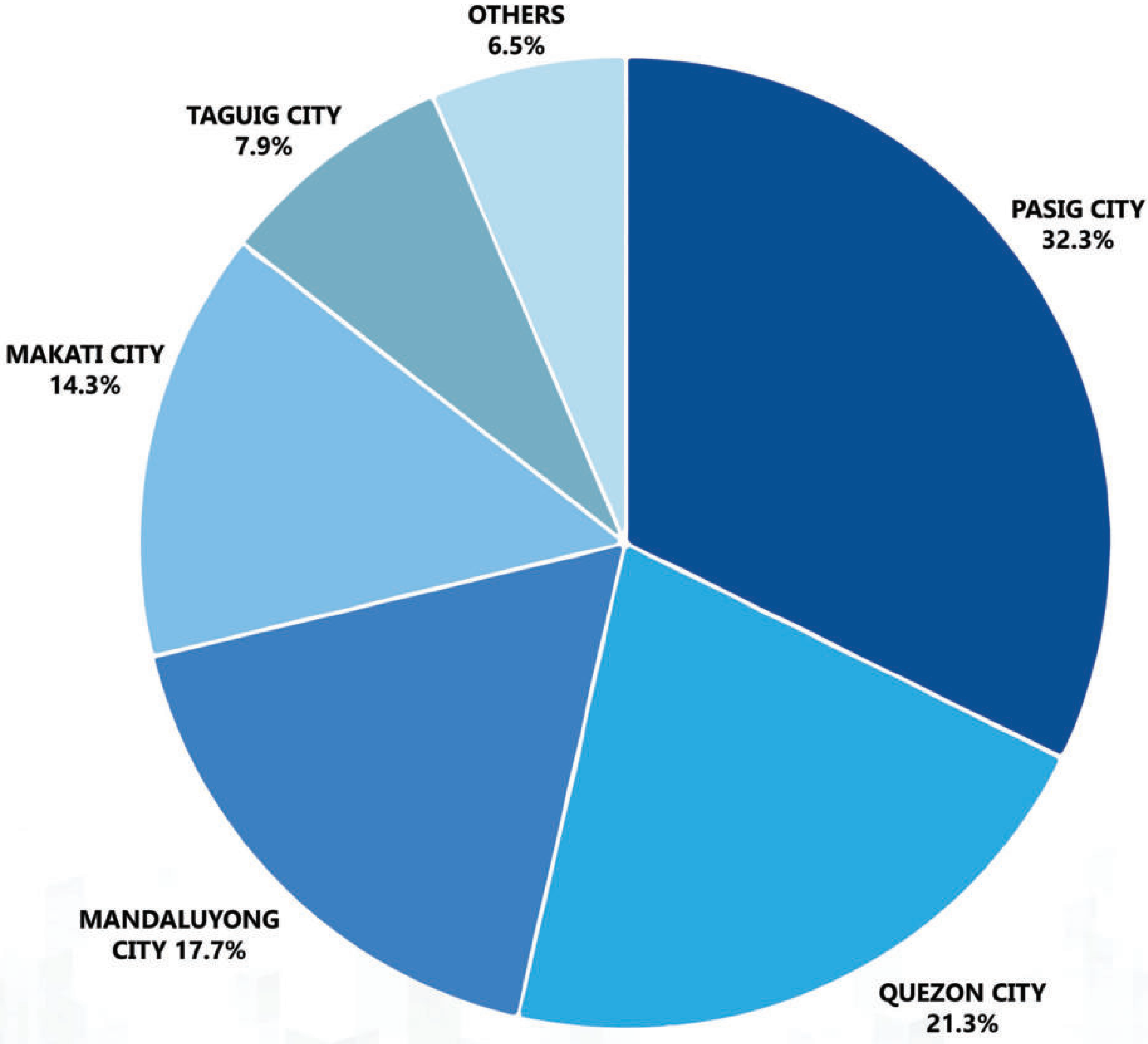
BOARD COMMITTEES

Director	Position	Executive Committee	Audit Committee	Corporate Governance Committee	Board Risk Oversight Committee	Related Party Transaction Committee
Frederick D. Go	Director and Chairman	Chairman	Member	Member	Member	
Jericho P. Go	Director, President, and CEO	Member				
Lance Y. Gokongwei	Director	Member				
Kerwin Max S. Tan	Director and Treasurer	Member	Member	Member	Member	
Artemio V. Panganiban	Independent Director		Chairman	Member	Member	Member
Wilfredo A. Paras	Independent Director		Member	Member	Chairman	Member
Cesar Luis F. Bate	Independent Director		Member	Chairman	Member	Chairman

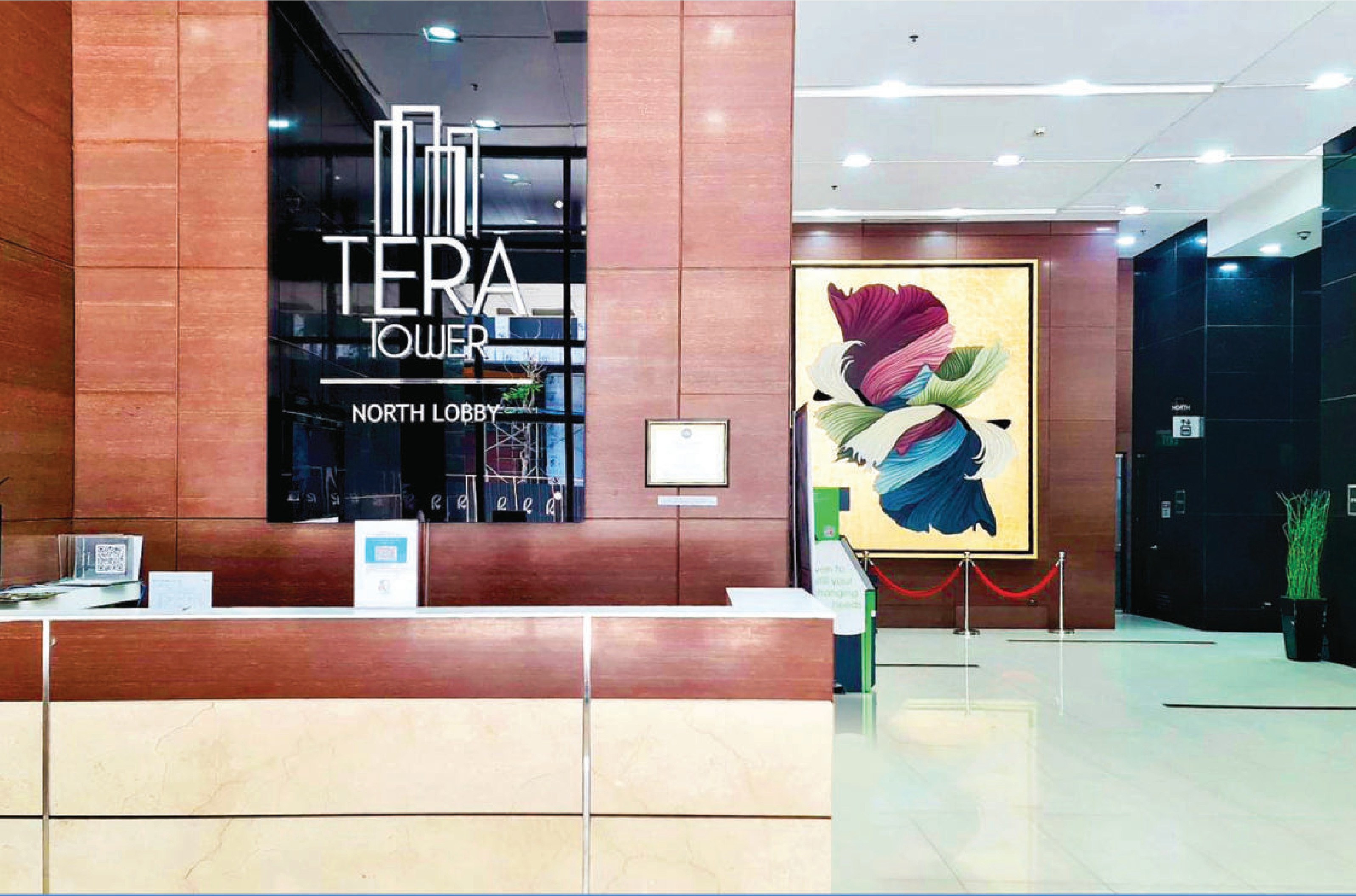
Note: Committee members were approved during the Organizational Meeting of the Board of Directors of RL Commercial REIT, Inc. held on May 12, 2022

PORTFOLIO VALUATION BY LOCATION

AS OF SEPTEMBER 2022



Note: Valuation of IPO assets as of September 30, 2022, and the valuation of Gamma and Bacolod 1 as of December 31, 2021.



Vision

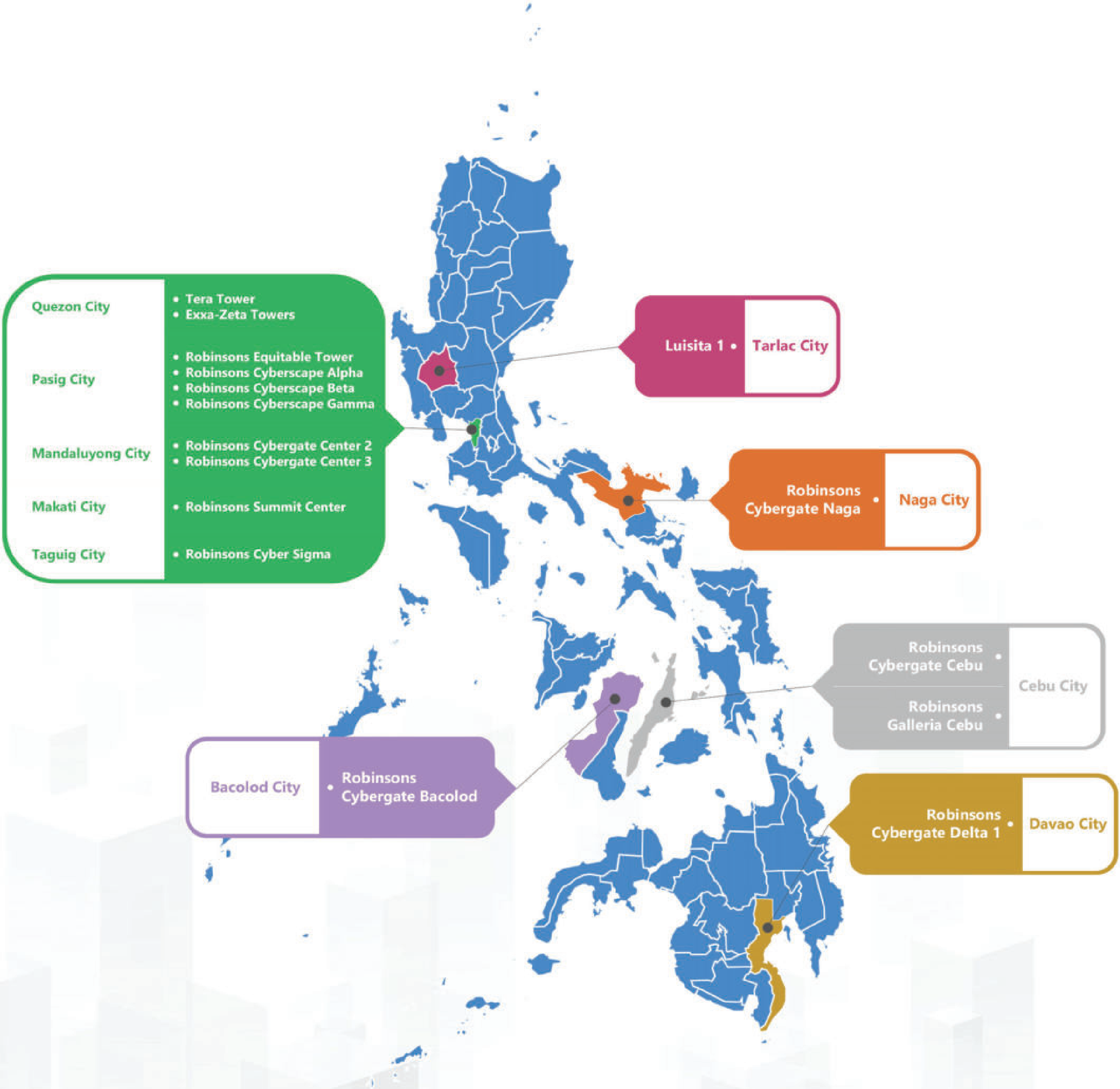
To be the top-of-mind real estate investment trust in the Philippines with premium and top-notch office assets, providing solid returns to investors and enriching the lives of our stakeholders.

Mission

To create value for shareholders by providing high-quality real estate spaces that enable our stakeholders to prosper in a sustainable way.

Core Values

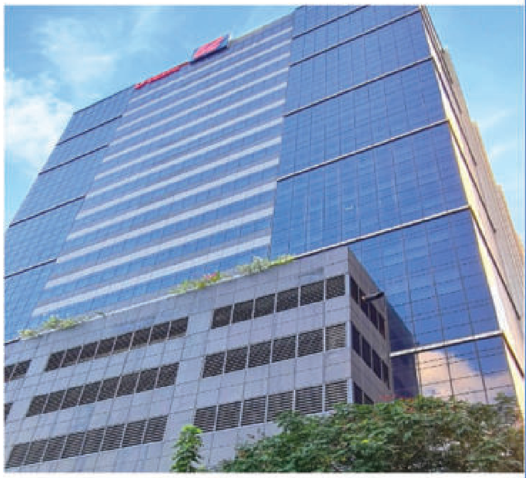
- We aim to promote sustainability in our projects
- We commit to consistently deliver quality products and services
- We are leaders in the real estate industry


Quezon City
• Tera Tower
• Exxa-Zeta Towers
Pasig City
• Robinsons Equitable Tower
• Robinsons Cyberscape Alpha
• Robinsons Cyberscape Beta
• Robinsons Cyberscape Gamma
Mandaluyong City
• Robinsons Cybergate Center 2
• Robinsons Cybergate Center 3
Makati City
• Robinsons Summit Center
Taguig City
• Robinsons Cyber Sigma
Luisita 1 •
Tarlac City
Robinsons Cybergate Naga •
Naga City
Robinsons Cybergate Cebu •
Robinsons Galleria Cebu •
Cebu City
Bacolod City
• Robinsons Cybergate Bacolod
Robinsons Cybergate Delta 1 •
Davao City

THE ASSETS

Luisita BTS 1

This is a PEZA-registered, 3-storey build to suit office development dedicated to one IT-BPM tenant located in the Robinsons Luisita Complex, McArthur Highway, Barangay San Miguel, Tarlac City, in the province of Tarlac. The building was custom-built to suit the requirements of the tenant and has a GLA of 5,786 sq. m.



Tera Tower

This is a PEZA-registered, LEED Gold certified, Prime Grade, 20-storey building located within the Bridgetowne Complex in C-5 Road, Ugong Norte in Quezon City, Metro Manila, and in proximity to the Ortigas Center CBD. with an aggregate GLA of 35,087 sq. m.

Exxa-Zeta Tower

This is a PEZA-registered, LEED Silver certified, Prime Grade, twin tower office building located within the Bridgetowne Complex in C-5 Road, Ugong Norte in Quezon City, Metro Manila, and in proximity to the Ortigas Center CBD. The Exxa Tower and the Zeta Tower each have 20 storeys and has a GLA of 39,280 sq. m, while Zeta Tower has a GLA of 35,303 sq. m, for a combined aggregate GLA of 74,584 sq. m.

Robinsons Equitable Tower

This is a Grade A, PEZA-registered, 45-storey office tower located in the Ortigas Center CBD, Pasig City, Metro Manila. The Company owns 27.2% of the units/ 96 office condominium units and 38 parking slots in the Robinsons Equitable Tower with an aggregate GLA of 14,365 sq. m.

Cyberscape Alpha

This is a Grade A, PEZA-registered, 25-storey building located along Sapphire and Garnet Roads within the Ortigas Center CBD, Pasig City, Metro Manila, with an aggregate GLA of 49,902 sq. m. The building has three hotel floors with an approximate area of 6,320 sq. m. occupied by GO Hotels and retail spaces on the ground floor.

Cyberscape Beta

This is a Grade A, PEZA-registered, 37-storey building located along Topaz and Ruby Roads within the Ortigas Center CBD, Pasig City, Metro Manila. The building has an aggregate GLA of 42,245 sq. m., comprising retail spaces located on the ground and mezzanine floors and office spaces located from the 9th to the 37th levels.

Robinsons Cyberscape Gamma

This is a 37-storey building located along Topaz and Ruby Roads within the Ortigas CBD. This is interconnected with Cyberscape Beta via its ground, mezzanine and parking floors. The building has a gross leasable area of 44,797 sq. m.

Robinsons Cybergate Center 2

This is a Grade A, PEZA-registered, 27-storey office building located in Robinsons Cybergate Complex, a mixed-use development located along the major thoroughfare of EDSA corner Pioneer Street in Mandaluyong City, Metro Manila. The office building has a GLA of 43,672 sq. m. The Company entered into an agreement with the Sponsor to lease the Robinsons Cybergate Center 2 building for 98 years. Subject to such lease, the Sponsor will continue to own the building and the land where the building is located.

Robinsons Cybergate Center 3

This is a Grade A, PEZA-registered, 27-storey office building located in Robinsons Cybergate Complex, a mixed-use development located along the major thoroughfare of EDSA corner Pioneer Street in Mandaluyong City, Metro Manila. The office building has a GLA of 44,614 sq. m. The Company entered into an agreement with the Sponsor to lease the Robinsons Cybergate Center 3 building for 99 years. Subject to such lease, the Sponsor will continue to own the building and the land where the building is located.

Robinsons Summit Center

This is a Grade A, PEZA-registered, 37-storey office tower located along Ayala Avenue in the Makati City CBD, Metro Manila. The Company owns 31 office condominium units and 301 parking slots, with an aggregate GLA of 31,394 sq. m.

Cyber Sigma

This is a Grade A, PEZA-registered, 20-storey office development, located on Lawton Avenue, McKinley West, Fort Bonifacio, Taguig City, Metro Manila, and in proximity to the Bonifacio Global City and Makati City CBDs. The office project has an aggregate GLA of 49,970 sq. m.

Cybergate Naga

This is a PEZA-registered, 5-storey office development located in the Robinsons Place Naga complex on Roxas Avenue, Naga City, in the province of Camarines Sur. The three floors of office space (i.e., the 3rd to the 5th floors) with an aggregate GLA of 6,069 sq. m. and related machinery and improvements to the Cybergate Naga building are owned by the Company. The rest of the building will continue to be owned by the Sponsor.

Robinsons Cybergate Bacolod

This is a PEZA-registered development located in Barangay Singcang, Bacolod City, in the province of Negros Occidental. The two floors of office space with an aggregate GLA of 10,637 sq. m. and related machinery and improvements to the Cybergate Bacolod building are owned by the Company.

Robinsons Cybergate Cebu

This is a PEZA-registered, 7-storey mixed-use building located in Fuente Osmena Circle, Cebu City in the province of Cebu. The building has a retail mall on the ground floor and three floors of office space. The three floors of office space (i.e., the 5th to 7th floors) with an aggregate GLA of 6,866 sq. m.

Galleria Cebu

This is a Grade A, PEZA-registered, office development integrated with the Robinsons Galleria Cebu mall located on General Maxilom Avenue corner Sergio Osmena Boulevard, Cebu City, in the province of Cebu. The 4-storey building has a retail mall and office space with the two floors of office space with an aggregate GLA of 8,851 sq. m.

Cybergate Delta 1

This is a Grade A, PEZA-registered, 5-storey office development located in Robinsons Cyberpark Davao along J.P. Laurel Avenue, Davao City in the province of Davao. The building has an aggregate GLA of 11,910 sq. m.

PERFORMANCE HIGHLIGHTS

Balance Sheet (in PHP Millions)	2022	2021
Current Assets	1,881.17	1,907.61
Total Assets	58,715.49	61,723.09
Current Liabilities	1,174.93	516.20
Total Liabilities	2,257.56	1,688.88
Retained Earnings/(Deficit)	**(8,394.06)**	**1,062.45**
RE before the change in FV of IP	*1,576.19*	*1,056.89*
Change in FV of IP	*(9,970.25)*	*5.56*
Stockholder's Equity	56,457.92	60,034.21
Stockholder's Equity-parent	56,457.92	60,034.21

**Under the Implementing Rules and Regulations of the Real Estate Investment Trust (REIT) Act of 2009 (R.A. 9856), the Company is required to recognize its investment properties fair market values in accordance with Philippine Accounting Standard (PAS) 40, Investment Property.*

Income Statement (in PHP Millions)	2022	2021
Gross Revenues*	5,464.56	2,082.37
EBIT*	4,395.27	1,673.40
EBITDA*	4,462.18	1,701.36
Net Income*	4,406.52	1,673.40
Earnings (loss) per share*	0.4301	0.4042
Net book value per share	5.26	6.03

**without the change in fair market values of investment properties*

Cash Flows (in PHP Millions)	2022	2021
Net Cash flows provided by operating activities	4,498.54	2,494.88
Net Cash flows used in investing activities	(962.09)	(424.30)
Net Cash flows provided by financing activities	(3,895.00)	(697.33)

Financial Ratios	2022	2021
Current Ratio	1.60:1	3.70:1
Debt-to-Equity Ratio	-	-
Interest Coverage Ratio	-	-
Asset to Equity Ratio	1.04:1	1.03:1
Operating Margin Ratio	0.80:1	0.80:1

98%
OCCUPANCY
(FROM 99% IN 2021)

3.08
YEARS WALE
(FROM 4.3YRS IN 2021)

BPO
77.10%

16
ASSETS
(FROM 14 IN 2021)

10
LOCATIONS
(FROM 9 IN 2021)

₱56.70Bn
PORTFOLIO AUM

480,479m²
NET LEASABLE AREA
(FROM 425,315m² IN 2021)

5 LEED GOLD 2022 Edge CERTIFIED PROPERTIES
(FROM 2 IN 2021)

41% OF GLA WITH GREEN CERTIFICATION

***6.64%**
DIVIDEND YIELD
* BASED ON SHARE PRICE OF ₱5.85 AS OF DECEMBER 29, 2022

MESSAGE TO SHAREHOLDERS

MESSAGE TO SHAREHOLDERS

"

2022 marks RL Commercial REIT, Inc.'s (RCR's) first full year of operations, with its portfolio of high-quality office assets that cater to a diverse tenant roster in major central business districts ("CBDs") and key locations across the country. RCR capped the year with productive operations amidst a backdrop of economic volatility and an industry-wide pursuit for post-pandemic business recovery.

RCR registered revenues of Php5.44 billion, up 161% compared to the previous year, driven by stable occupancy and the accretive acquisition of two assets. Distributable income for the year ended at Php4.41 billion. With this remarkable performance, RCR outpaced projections disclosed in its REIT Plan. This serves as a testament to the robust business capabilities and fiduciary discipline of the Company.

The Company maintains a healthy balance sheet with Total Assets of Php58.72 billion, which includes cash of about Php1.01 billion, and Total Equity of Php56.46 billion. Earnings per Share increased to Php0.4301[1], 6.4% higher than the previous year. We endeavored to deliver strong results for our shareholders, evidenced by the declaration of dividends that amounted to approximately Php4.02 billion for the full year of 2022. Our quarter-on-quarter dividend per share grew consistently, demonstrating RCR's strong position in the market.

[1]*Earnings per share without the change in fair market values of investment properties.*

Asset Infusion

We are constantly on the lookout to expand RCR's post-listing portfolio. This may be done through the acquisition of properties that are dividend yield accretive while satisfying our investment requirements. **Our planned asset infusions came to fruition much earlier than expected.** Based on our Memorandum of Understanding with our Sponsor, we expected an infusion of 40,000 to 100,000 sq. m. of Gross Leasable Area (GLA) within 18 months from the time of listing.

Executing the Memorandum of Agreement as early as the first quarter of the year, the Company entered into a Deed of Sale with its Sponsor, Robinsons Land Corporation (RLC), for the acquisition of Robinsons Cybergate Bacolod. Situated at the core of the commercial district of Bacolod City, Negros Occidental, Robinsons Cybergate Bacolod added and has a gross leasable area (GLA) of 10,367 sqm, and expanded RCR's geographical presence to 10 key cities.

Soon after, a Deed of Assignment was executed for the assignment, transfer, and conveyance of Robinsons Cyberscape Gamma by RLC to RCR. The infusion happened in exchange for the issuance of Seven Hundred Seventy-Seven Million Eight Hundred Seven Thousand One Hundred Thirty-Three (777,807,133) shares in RCR. Robinsons Cyberscape Gamma, the 16th asset acquired by the Company, is located in the central business district of Ortigas, Pasig City, and has a GLA of 44,797 sqm.

These two asset infusions enabled RCR to increase its GLA, to a total of 480,479 sq. m. We continue to be on the lookout for value-accretive properties to infuse, either from our Sponsor or external parties.

Our Strengths

Our ultimate goal is to provide our tenants access to productive, reliable, and high-quality working environments with top-of-the-line physical and digital infrastructures. In 2022, we witnessed high and stable occupancy levels despite some challenges on prevailing trends in office space take-up. Likewise, we recorded stable organic growth from contracted rental escalations and inorganic growth from high-quality acquisitions from our Sponsor, Robinsons Land.

Our portfolio's average age (weighted vis-à-vis leasable area) is approximately eight years as of December 31, 2022, which signifies that our properties are relatively new. In addition, RCR engages with professionals and experts in the field of maintenance and property management to ensure our buildings are consistently kept in prime condition.

Our offices are PEZA-accredited commercial assets geographically diversified across major Philippine CBDs and commercial hubs. The majority of our tenants belong to various IT Business Process Management (IT-BPM) industries, an important economic driver contributing approximately 9% to the country's Gross Domestic Product and providing about 1.3 million jobs. With this, **our offices are well-positioned to capitalize on the expected growth of the sector in a fully reopened economy.**

For projected vacancies from soon-to-expire leases, RCR constantly markets available spaces to new and prospective customers, as well as to existing tenants in need of additional space at scale, at optimal cost levels and with extensive tax incentives. We achieve all these while attracting global businesses to open in the Philippines. The Portfolio receives robust and stable cash flows from its medium and long-term leases predominantly from the resilient BPO sector. **Amidst local headwinds and a thrust for a purely remote or hybrid work set-up, we continue to attract strong demand from the IT-Business Process Management (IT-BPM) tenants in need of quality workspaces.**

Furthermore, our properties are geographically diversified in key cities across the main islands of Luzon, Visayas, and Mindanao, primarily situated in prime CBDs such as Makati, Ortigas, and BGC. RCR properties are also situated in key cities namely, Mandaluyong, Quezon City, Tarlac, Iloilo, Cebu, Bacolod, and Davao. This geographical diversification enables us to benefit from the strength of the general Metro Manila office market while minimizing concentration risk. **With a geographical footprint of 10 cities and with all properties situated in central urban areas, RCR exhibits the least concentration risk among its peers.**

In addition, our strong and resilient Management Team, composed of individuals that have extensive experience in the industry due to their current and previous roles, has ensured the smooth running of RCR's business operations. This enabled the Company to execute strategies efficiently and way ahead of its committed timetable.

Environmental, Social, and Governance (ESG)

We are committed to further transition towards self-sustaining renewable energy sources that reduce our carbon footprint; thus, minimizing our environmental impact. To constantly provide optimal working spaces for our tenants, RCR is future proofing its buildings by redefining the elements of a modern workspace — one that exhibits flexibility, provisions for health-related features such as high airflow rate, and showcasing collaborative and fun features as it did with its Head Office, which now serves as a template on how tenants can modernize their own offices.

Moreover, the Company is committed to integrating structural components and amenities that comply with international green building standards. As a testament to this, Tera Tower, and Exxa and Zeta Towers have secured Gold and Silver Leadership in Energy and Environment Design (LEED) certifications, respectively. In addition, Robinsons Cyberscape Gamma is now the Philippines' first Excellence in Design for Greater Efficiencies (EDGE)-certified REIT building. Cyberscape Beta is expected to receive the same certification in early 2023.

Steering Ahead

The office leasing business has weathered several challenges through the years, and with every challenge, it has only emerged stronger.

On this note, we would like to express our sincerest gratitude to our Board for their ongoing guidance and support. We are likewise grateful to our shareholders, customers, and external partners for their continued trust. Finally, we would like to thank our sponsor, Robinsons Land, for the unrelenting support, and our employees for providing the solid ground that allowed us to concretize our vision of becoming the leading REIT in the Philippines.

Maraming salamat po.

Frederick Go

Frederick D. Go
Chairman

Jericho P. Go

Jericho P. Go
President and CEO

BUSINESS REVIEW

Financial Performance

RCR is the fourth REIT company that was publicly listed on the Philippine Stock Exchange on September 14, 2021, and is committed to delivering constant and high yielding returns to shareholders.

Despite the headwinds in the office business in 2022, RCR outperformed target adjusted funds from operations per REIT Plan on the back of a stable revenue stream and operational efficiency.

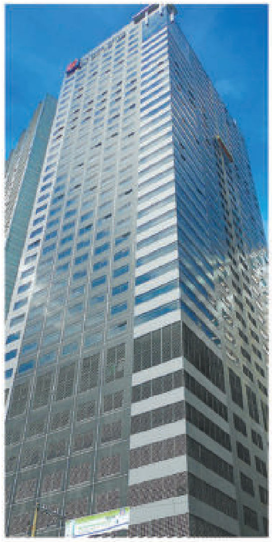
RCR generated PHP5,464.6.0 million in revenues, PHP613.2 million, or 13% higher vs. REIT Plan, attributable to the stable high occupancy of RCR's sixteen (16) assets and the yield-accretive acquisitions of Cybergate Bacolod and Cyberscape Gamma for the year.

The negative Net Income is attributable to the change in Fair Value of Investment Properties. Per REIT Law, a full valuation of a REIT's assets shall be conducted by an independent Property Valuer, duly accredited by SEC, at least once a year.

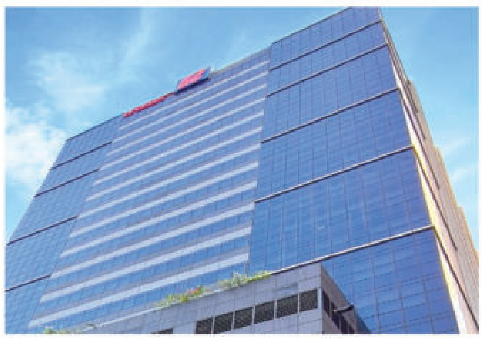
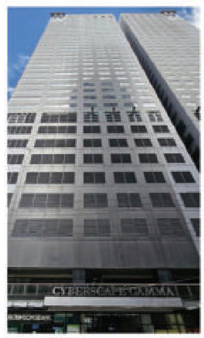
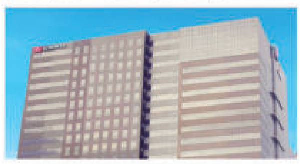
Portfolio

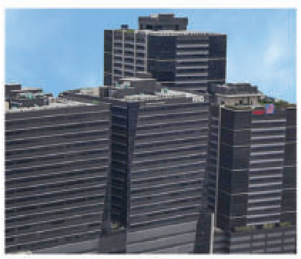
At the time of listing, RCR was the largest in initial public offering (IPO) size, market cap, and property valuation, and was the biggest in asset size with 425,315 sq. m of high-quality commercial spaces, made up of 14 assets. The portfolio consists of commercial spaces primarily leased for office purposes, with minimal retail spaces on some of the Properties to support the needs of the office tenants. RCR also boasts of having the longest land lease tenure, with an average of 89 years across all properties. RCR offers tenures of up to 99 years for most properties, which provides long-term sustainability and predictability to RCR. Its wide geographical coverage initially gave RCR presence in 9 key cities and central business districts (CBDs) such as Makati, Taguig, Ortigas, Mandaluyong, Quezon City, Metro Cebu, Metro Davao, Naga, and Tarlac.

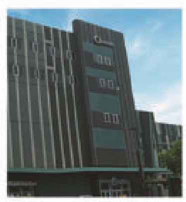






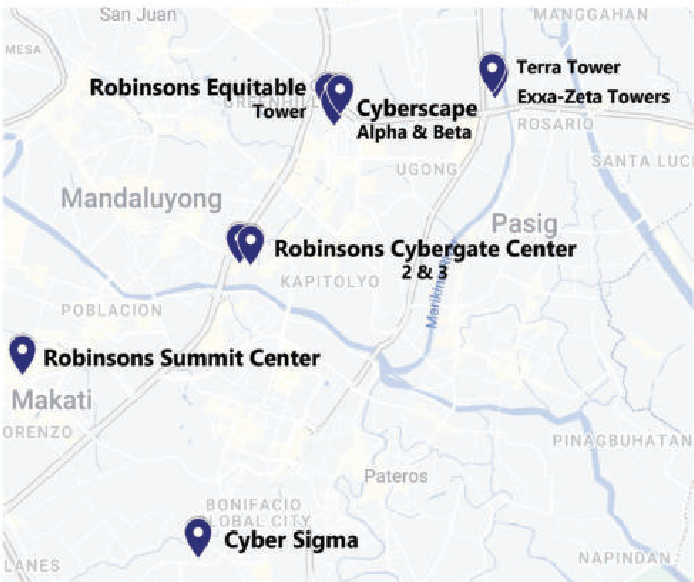





Post-listing, firm to its investment objectives, RCR actively pursued and evaluated several growth opportunities that were complementary to the overall growth strategy of the company. In the first quarter of 2022, one year ahead of RCR's commitment per REIT Plan, RCR's portfolio successfully expanded with the addition of two dividend yield accretive investments that boosted earnings-generation capacity. The total number of commercial assets of RCR is now 16, due to the acquisition and infusion of 2 assets from the Sponsor company, Robinsons Land Corporation. On March 8, 2022, RCR successfully acquired Cybergate Bacolod via cash at a purchase price of PHP734 million. Furthermore, immediately upon the lapse of the regulatory six-month lock-up period for the issuance of additional shares by a newly-listed entity, on April 20, 2022, RCR finalized the definitive agreements for the infusion of Cyberscape Gamma via a tax-free property-for-share swap for PHP5,888 million in exchange for RCR's 777,807,133 shares. The instantaneous infusions are a strong testament to the Sponsor's support for RCR.

With the addition of the 2 assets, the geographical coverage of RCR expanded to 10 strategic locations with the addition of Bacolod City. Gross leasable area (GLA), on the other hand, grew to 480,479 sq. m from 425,315 sq. m, or an addition of 55,164 sq. m, equivalent to a growth of 13%.

Asset Locations in Key Metro Manila CBDs

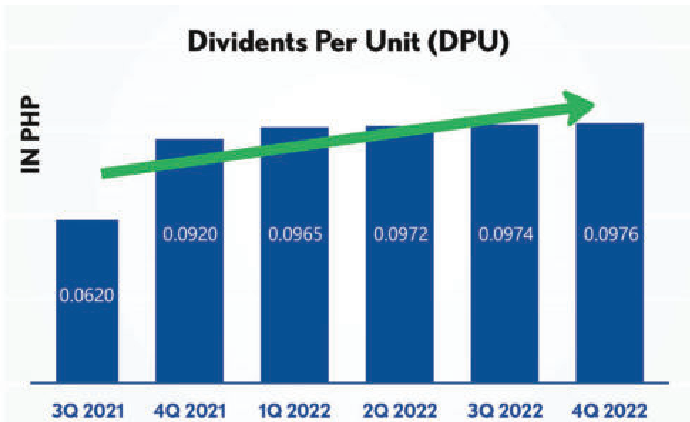


As of December 31, 2022, RCR maintained a high blended occupancy of 98% for its 16 assets, made up of a diversified tenant base, with 77% of occupiers being from the IT-BPM industry. This industry has shown resilience even during the height of the pandemic and continues to grow. The portfolio has a healthy weighted lease expiry of 3.08 years and a well- spread lease expiry profile.

Dividends

Following the listing of RCR's common stock in the Philippine Stock Exchange on September 14, 2021, RCR has adopted a dividend policy to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law and the Revised REIT IRR. RCR likewise intends to declare and pay out dividends on a quarterly basis each year as allowed under Rule 4 Section 4 of the Revised REIT IRR.

Cash Dividend Performance



Note: 3Q 2021 dividents only represented 2 months only (Aug and Sept 2021)

4Q 2022 cash dividend declared at P0.976/share

Dividends declared at 91% of Distributale Income, **HIGHER** than Company Policy at 90%

For the calendar year 2022, RCR declared dividends per share total of 0.3887, representing 91% of the Distributable Income for the year.

Awards

RCR has won several accolades in 2022 such as Best Sustainable REIT, Philippines, by the International Investor Awards 2022 and Best Philippine REIT by The Asset Country Awards 2022.

Green Certifications

In its continuous effort to practice and promote sustainability, RCR has green-certified office buildings. Currently, 3 assets are Leadership in Energy and Environmental Design (LEED) certified. The U.S. Green Building Council registered LEED buildings are: Tera Tower (LEED Gold), Exxa Tower (LEED Silver), and Zeta Tower (LEED Silver), all of which are constantly striving to minimize their environmental impact.

Moving forward, Robinsons Offices plans to apply and register upcoming buildings with LEED and existing buildings with Excellence in Design for Greater Efficiencies (EDGE), which is a certification based on a program that enables building developers and owners to quickly identify the most cost-effective strategies to reduce energy use, water use, and embodied energy in materials. In October 2022, Cyberscape Gamma was certified as an EDGE building. RCR is the first REIT company with EDGE-certified properties in the Philippines and in the following year, RCR targets certifying more existing buildings.

THIS CERTIFIES THAT
Robinsons Cyberscape Beta (RCB)
HAS ACHIEVED AN
EDGE CERTIFICATE
CERTIFICATE NUMBER
LP6-PHL-22092810146737

Exemplifying achievement in the following areas:

34%
Energy Savings

36%
Water Savings

83%
Less Embodied Energy in Materials

211.04 tCO_2/year
Operational CO_2 Emissions
1,467.80 tCO_2/year
Operational CO_2 Savings

Edge — Excellence In Design For Greater Efficiencies

DEVELOPED BY
RL COMMERCIAL REIT INC.
CERTIFIED BY
Philippine GreenBuilding Initiative

Engr. Ramon D. Aguilos, PGBI EDGE Program Director
DATE OF ISSUE: 04-JAN-2023

WORLD BANK GROUP — THE WORLD BANK | IFC
PHILIPPINE GREEN BUILDING INITIATIVE — green

Edge — Excellence In Design For Greater Efficiencies

THIS CERTIFIES THAT
Robinsons Cyberscape Beta (RCB)
Ruby and Topaz Roads, Ortigas Center
Ruby and Topaz Roads, Ortigas Center
Pasig, NCR 1605
Philippines

DEVELOPED BY
RL COMMERCIAL REIT INC.

HAS ACHIEVED AN
EDGE CERTIFICATE

CERTIFICATE NUMBER
LP6-PHL-22092810146737

WAS AUDITED BY
Desiree Sivam
EDGE Software Version: v3.0.0

CERTIFIED BY
Philippine GreenBuilding Initiative

Engr. Ramon D. Aguilos, PGBI EDGE Program Director

PHILIPPINE GREEN BUILDING INITIATIVE — green

DATE OF ISSUE
04-JAN-2023

ENERGY MEASURES
High-performance Glass
Fresh Air Pre-conditioning System
Efficient Interior Lighting
Efficient Exterior Lighting
Power Factor Correction

WATER MEASURES
Water-efficient Faucets in Bathrooms
Water-efficient Faucets in Bathrooms
Water-efficient Bidets
Water-efficient Urinals
Water-efficient Faucets in Kitchen

MATERIALS
Material-efficient Bottom Floor Slab - X - Re-use of Existing Floorslab
Material-efficient Floor Slabs - X - Re-use of Existing Floorslab
Material-efficient Floor Finish - X - Re-use of Existing Flooring
Material-efficient Roof Slab - X - Re-use of Existing roof
Material-efficient Interior Walls - X - Re-use of Existing Wall
Material-efficient Window Glazing - X - Re-use of Existing Glazing

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THIS CERTIFIES THAT
Robinsons Cyberscape Gamma (RCG)
HAS ACHIEVED AN
EDGE CERTIFICATE
CERTIFICATE NUMBER
LP6-PHL-22060710137499

Exemplifying achievement in the following areas:

34%
Energy Savings

31%
Water Savings

69%
Less Embodied Energy in Materials

255.41 tCO_2/year
Operational CO_2 Emissions
1,502.42 tCO_2/year
Operational CO_2 Savings

Edge — Excellence In Design For Greater Efficiencies

DEVELOPED BY
Robinsons Land Corporation
CERTIFIED BY
Philippine GreenBuilding Initiative

Engr. Ramon D. Aguilos, PGBI EDGE Program Director
DATE OF ISSUE: 26-OCT-2022

WORLD BANK GROUP — THE WORLD BANK | IFC
PHILIPPINE GREEN BUILDING INITIATIVE — green

Edge — Excellence In Design For Greater Efficiencies

THIS CERTIFIES THAT
Robinsons Cyberscape Gamma (RCG)
Topaz & Ruby Roads, Ortigas Center Brgy. San Antonio
Topaz & Ruby Roads, Ortigas Center Brgy. San Antonio
Pasig, NCR 1605
Philippines

DEVELOPED BY
Robinsons Land Corporation

HAS ACHIEVED AN
EDGE CERTIFICATE

CERTIFICATE NUMBER
LP6-PHL-22060710137499

WAS AUDITED BY
Desiree Sivam
EDGE Software Version: v3.0.0

CERTIFIED BY
Philippine GreenBuilding Initiative

Engr. Ramon D. Aguilos, PGBI EDGE Program Director

PHILIPPINE GREEN BUILDING INITIATIVE — green

DATE OF ISSUE
26-OCT-2022

ENERGY MEASURES
Reduced Window-to-Wall Ratio
High-performance Glass
Fresh Air Pre-conditioning System
Efficient Interior Lighting
Efficient Exterior Lighting
Demand-controlled Ventilation for Parking
Power Factor Correction

WATER MEASURES
Water-efficient Faucets in Bathrooms
Water-efficient Faucets in Bathrooms
Water-efficient Urinals
Water-efficient Faucets in Kitchen
Rainwater Harvesting System

MATERIALS
Material-efficient Floor Slabs - Concrete Slab | In-situ Reinforced Conventional Slab
Material-efficient Floor Finish - X - Re-use of Existing Flooring
Material-efficient Roof Slab - Concrete Slab | In-situ Reinforced Conventional Slab
Material-efficient Exterior Walls - Concrete Panels | Precast Panels (single layer)
Material-efficient Interior Walls - Concrete Blocks | Hollow Blocks of Medium-weight
Material-efficient Window Glazing - Single Glazing

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OUR LEADERS

The following discussion presents a brief description of the business experience of each of the Company's directors and executive officers over the past five (5) years:

Frederick D. Go

Chairman

Frederick D. Go, 53, is the Chairman, as well as a Director of the Company. In addition to his post as Director, Mr. Go is also the President and Chief Executive Officer of Robinsons Land Corporation. He concurrently serves as the President and Chief Executive Officer of Altus Property Ventures, Inc., and the President of Universal Hotels and Resorts, Inc. He is also the Vice Chairman of Luzon International Premier Airport Development Corporation. He is a trustee and the President of Robinsons Land Foundation, Inc. and Universal Cultural Foundation, Inc. He is the Group General Manager of Shanghai Ding Feng Real Estate Development Company Limited, Xiamen Pacific Estate Investment Company Limited, Chengdu Ding Feng Real Estate Development Company Limited, Taicang Ding Feng Real Estate Development Company Limited, Taicang Ding Sheng Real Estate Development Company Limited, Chongqing Robinsons Land Real Estate Company Limited, and Chongqing Ding Hong Real Estate Development Company Limited. He is a Director of Cebu Air, Inc., Manila Electric Company, JG Summit Olefins Corporation, and Cebu Light Industrial Park. He is the Vice Chairman of the Board of Directors of Robinsons Bank Corporation and of the Executive Committee of the said bank. He also serves as the Vice Chairman of the Philippine Retailers Association. He received a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

Jericho P. Go
President and CEO

Jericho P. Go, 51, is a Director and Chief Executive Officer of the Company. He also serves as the Senior Vice President and Business Unit General Manager of Robinsons Offices in Robinsons Land Corporation. He is concurrently the President and Chief Executive Officer of Robinsons DoubleDragon Corp. and a member of the Board of Directors of Robinsons Equitable Tower Condominium Corporation, Robinsons Summit Center Condominium Corporation, and Galleria Corporate Center Condominium Corporation. He has over 29 years of experience in the field of real estate and was responsible for filing and registering the Philippines' very first IT park with the Philippine Economic Zone Authority (PEZA) in 1997. Prior to joining RLC in 2019, he was Senior Vice President of Megaworld Corporation for business development & office leasing, investor relations, and public relations from 1997 to 2019. He also held various positions in Greenfield Development Corporation and Ayala Land, Inc. He received a Bachelor of Arts degree in Development Studies from the University of the Philippines and graduated Magna Cum Laude and Class Salutatorian in 1993.

Kerwin Max S. Tan

Director and Treasurer

Kerwin Max S. Tan, 53, is a Director as well as the Treasurer of the Company. He is also the Chief Financial Officer, Chief Risk Officer, and Chief Compliance Officer of Robinsons Land Corporation. He also holds the position of Chief Financial Officer, Treasurer, Chief Information Officer, and Compliance Officer of Altus Property Ventures, Inc. He is the Treasurer and Chief Financial Officer of Robinsons DoubleDragon Corp. and Vice President and Treasurer of Robinsons Inn, Incorporated. Mr. Tan concurrently holds the position of Treasurer in several subsidiaries of Robinsons Land Corporation such as Bacoor R and F Land Corporation and Robinsons Land Foundation Inc, to name a few. He also holds the position of Chief Financial Officer in some of Robinsons Land Corporation's residential properties such as Acacia Escalades, Chimes Greenhills, and Galleria Regency, to name a few. He is the Chief Financial Officer of Galleria Corporate Center Condominium Corporation and Robinsons Equitable Tower Condominium Corporation. He is also the Director and Chief Financial Officer of Robinsons Summit Center Condominium Corporation. He received a degree in Bachelor of Science in Industrial Engineering from the University of the Philippines, Diliman.

Matias G. Raymundo Jr.

Chief Financial, Chief Risk Officer and Compliance

Matias G. Raymundo Jr., 38, is the Chief Financial, Chief Risk, and Compliance Officer of RCR. Presently, he is the Asst. Vice President for Financial Planning and Analysis of Robinsons Land Corporation. He was part of the Robinsons Hotels and Resorts Group of Robinsons Land Corporation as Manager-Revenue Management from 2010-2016, Manager Revenue and Risk Management from 2017 to 2018, and Officer-in-Charge for Corporate Affairs from 2018 to 2019. He obtained his Bachelor of Science in Commerce, major in Management Accounting, Cum Laude, from the Central Philippine University in 2005.

Lance Y. Gokongwei
Director

Artemio V. Panganiban Jr.
Independent Director

Lance Y. Gokongwei, 56, is a Director of the Company. He is the President and Chief Executive Officer of JG Summit Holdings, Inc., and Cebu Pacific. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, Altus Property Ventures, Inc., JG Summit Olefins Corporation, Robinsons Bank Corporation, and Robinsons Supermarket Corporation. He is the Vice Chairman and a Director of Manila Electric Company and a Director of RL Commercial REIT, Inc., Oriental Petroleum and Minerals Corporation, Singapore Land Group Limited, Shakey's Asia Pizza Ventures, Inc., AB Capital, and Investment Corporation, and Endeavor Acquisition Corporation. He is a trustee and the Chairman of the Gokongwei Brothers Foundation, Inc. Mr. Lance Y. Gokongwei received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

Artemio V. Panganiban, Jr., 86, was appointed as an Independent Director of RCR. He is concurrently an adviser, consultant, and an independent director of several businesses, civic, non-government, and religious groups. He also writes a regular column in the Philippine Daily Inquirer. He was elected as an Independent Director of Robinsons Land Corporation from 2008 to 2021. He is a retired Chief Justice of the Philippines and was concurrently Chairperson of the Presidential Electoral Tribunal, the Judicial and Bar Council, and the Philippine Judicial Academy. Prior to becoming Chief Justice, he was Justice of the Supreme Court of the Philippines (1995-2005), Chairperson of the Third Division of the Supreme Court (2004-2005), Chairperson of the House of Representatives Electoral Tribunal (2004-2005), Consultant of the Judicial and Bar Council (2004- 2005) and Chairperson of eight Supreme Court Committees (1998-2005). He authored thirteen (13) books. Retired Chief Justice Panganiban obtained his Bachelor of Laws degree, cum laude, from the Far Eastern University and placed 6th in the 1960 bar examination. He was conferred the title Doctor of Laws (Honoris Causa) by the University of Iloilo in 1997, the Far Eastern University in 2002, the University of Cebu in 2006, the Angeles University in 2006, and the Bulacan State University in 2006.

Wilfredo A. Paras
Independent Director

Cesar Luis F. Bate
Independent Director

Wilfredo A. Paras, 76, was appointed as a Director of RCR. He also serves as an Independent Director in Philex Mining Corporation from 2011 - present and in GT Capital Holdings, Inc. from 2015 - present. He is also a trustee and the Treasurer of Dualtech Technical Training Foundation Inc. from 2012 - present. From 2011 to 2016, he was also a Director of Coconut Oil Mills Group. He has a degree of Bachelor of Science major in Industrial Pharmacy from the University of the Philippines Diliman in 1969 and obtained a Master's Degree in Business Administration from De la Salle University in 2001.

Cesar Luis F. Bate, 61, was appointed as an Independent Director of RCR on September 14, 2021. He is currently the Managing Director of LMN Advisors/Partners, Inc. and was the President of Celisons Property, Inc. from 2007 to 2016. From November 2021 - present, he served as Independent Director of ten (10) Sun Life Prosperity Funds namely: Sun Life of Canada Prosperity Bond Fund, Inc., Sun Life Prosperity Dollar Abundance Fund, Inc., Sun Life Prosperity Dollar Advantage Fund, Inc., Sun Life Prosperity Dynamic Fund, Inc., Sun Life of Canada Prosperity Philippine Equity Fund, Inc., Sun Life Prosperity Philippine Stock Index Fund, Inc., Sun Life Prosperity Peso Starter Fund, Inc., Sun Life Prosperity World Voyager Fund, Inc., Sun Life Prosperity Dollar Wellspring Fund, Inc., and Sun Life Prosperity World Equity Index Feeder Fund, Inc. He also served as a member of the Board of Trustees at Jose Rizal College. He obtained his Bachelor of Science with a major in Management Engineering from the Ateneo de Manila University in 1983.

Atty. Juan Antonio M. Evangelista
Corporate Secretary

Atty. Juan Antonio M. Evangelista, 51, is the Corporate Secretary of the Company. He is also the Corporate Secretary of Robinsons Land Corporation. He also handles various corporate secretarial functions of a number of companies within the Group. He obtained his Bachelor of Laws degree from Xavier University - Ateneo de Cagayan in 1998. He was admitted to the Philippine Bar in 1999.

Atty. Iris Fatima V. Cero
Assistant Corporate Secretary

Atty. Iris Fatima V. Cero, 36, is the Assistant Corporate Secretary of the Company. Atty. Cero is concurrently Legal Counsel and Assistant Corporate Secretary of Robinsons Land Corporation and Altus Property Ventures, Inc. In 2007, She obtained her degree in Bachelor of Arts in Broadcast Communication from the Polytechnic University of the Philippines and earned her Bachelor of Laws from San Beda University - College of Law in 2014. She was admitted to the Philippine Bar in 2016.

Selene Erica S. Lim
Investor Relations Officer

Dennis R. Llarena
Data Privacy Officer

Selene Erica S. Lim, 34, is the Investor Relations Officer of RCR. She is the Business Development & Asset Management Director for Robinsons Hotels & Resorts under RLC. She is also an active member of RLC's Investor Relations Team since 2019. Prior to RLC, she served as the Director for Finance and Investor Relations at Xurpas Inc. where she stayed for four years. She also had a two-year stint in BDO Unibank Inc. under the Institutional Banking Group for Commercial Banking. A consistent Dean's Lister, she received a Bachelor of Science degree in Management Engineering (Minor in Marketing) from Ateneo de Manila University in 2010.

Dennis R. Llarena, 47, is the Data Privacy Officer of RCR. He is also the DPO of RLC and the Management Services Director of its Residential Division. Currently, he is the Real Estate Sector Lead Representative to the Data Privacy Council of the National Privacy Commission. Prior to joining RLC in 2015, he was the Vice President - Finance of Amalgamated Specialties Corporation. He joined SGV & Co. Business Assurance practice after placing 19th in the 1997 Certified Public Accountant Licensure Exam.

BUSINESS MODEL

RCREIT

A ROBINSONS LAND COMPANY

RL Commercial REIT, Inc. (RCR), upon listing, is the country's largest Real Estate Investment Trust (REIT) with a market capitalization of P64.2 billion and is backed by a reputable Sponsor, Robinsons Land Corporation (RLC). RCR will continue to add offices to its portfolio but will remain sentient to the possible opportunities of including malls. Assets may be acquired from the Sponsor or any other developer, provided that the asset meets the investment criteria under favorable market conditions.

Investment Highlights

- Strong Sponsorship from a leading real estate developer with an established commercial development track record
- Resilient Philippines BPO industry with robust growth profile supported by strong demand fundamentals
- PEZA-accredited Grade A commercial assets, geographically diversified across major Philippine Central Business Districts (CBDs)
- Stable income from long leases and high-quality tenants, predominantly from the Business Processing Outsource (BPO) sector
- Strong organic growth from fixed rental escalations and inorganic growth from Sponsor acquisition pipeline
- Management team and Board of Directors with strong track records and extensive experience
- Environmental, Social, Governance (ESG) policies with responsible growth reaching underserved markets, reshaping communities, and creating value

Investment Criteria

RCR's principal investment strategy is to invest on a long-term basis in a diversified portfolio of income-producing real estate assets, leased primarily for office purposes, and located in major CBDs and key cities and urban areas across the country.

In determining future investments to expand RCR's REIT Portfolio, key criteria in making an investment decision include:

- **Yield Accretive**: Asset infusion should provide attractive dividend growth through property acquisitions that are yield accretive and through contracted rental escalation;
- **3-year Profitability History**: Have an operating profitability history of more than 3 years (a legal hurdle that the Company has to comply with);
- **Stable Occupancy**: Have consistently high occupancy rates based on prevailing market terms;
- **Location and Accessibility**: The potential property should be (i) located in a CBD, emerging business districts, or key cities across the Philippines, typically with high-growth potential; and (ii) in proximity to various modes of public transport and major roads for enhanced accessibility to tenants;

• **Tenant Profile**: The potential property should target clients that will contribute to the portfolio's diversified tenant base, predominantly targeting all sub-sectors of the Information Technology and Business Process Management (IT-BPM) and BPO industries, traditional office tenants, as well as other tenant categories that will contribute to the stable occupancy of the buildings.

• **PEZA Registration**: To the extent available, the potential property is preferably PEZA-registered or otherwise located in a PEZA-registered IT park. Tenants generally enjoy preferential tax rates and/or exemptions as a result of the government's thrust to spur the growth of the IT-BPM and BPO industies through PEZA registration incentives.

Three-Year Investment Strategy of RCR

• The principal strategy of RCR is to invest on a long-term basis in a diversified portfolio of income-producing commercial real estate assets, leased primarily for office purposes and strategically located in major CBDs and key cities and urban areas across the Philippines. The Fund Manager (RL Fund Management, Inc.) and the Property Manager (RL Property Management, Inc.), in collaboration with the Company's Management Team will ensure the smooth operation of the Portfolio and pursue opportunities for both organic and inorganic growth to improve shareholder return.

• The Fund Manager shall, pursuant to the provisions of the REIT Law and the Fund Management Agreement, implement the investment strategies of RCR by determining the allocation of the Company's assets to the allowable investment outlets in accordance with the REIT Plan and RCR's investment strategies and selecting income-generating real estate in accordance with the investment strategies of RCR.

• Governance policies and procedures are put in place at the RCR level and, independently, at the Fund Management and Property Management levels as well, to ensure that the best interests of RCR's shareholders are always at the forefront. Major decisions go through a due diligence process, a thorough discussion, obtaining the necessary corporate approvals, and approval by its independent directors. All related property transactions are subject to the unanimous approval of RCR's independent directors.

• The Fund Manager plans to achieve its key objectives for RCR by implementing the following strategies:

• **Pro-active asset management to achieve organic growth.** The Fund Manager intends to take a pro-active approach to the management of the Portfolio and will actively monitor opportunities for asset enhancement initiatives in the Portfolio with the objective of improving the quality of the Properties, in order to achieve higher rental rates and deliver improved returns to shareholders. The Fund Manager actively engages with Property Manager to ensure a pro-active asset management strategy by:

• Establishing a capital expenditure schedule and policy that pro-actively pre-empts and addresses any issues regarding asset quality and considers asset enhancement initiatives based on tenant needs or demand so as to command optimal rental rates for the assets.

• Monitoring costs and expenses relating to the management of the assets in the Portfolio or other expenses relating to the operation of RCR, to ensure cost efficiency is achieved wherever possible.

- Pro-actively managing lease renewals in advance of expiries, reconfiguring or expanding tenant spaces in response to tenants' needs, and negotiating higher rental rates for new leases.

- Maintaining good relationships with tenants via regular close dialogue so as to be able to nimbly respond to tenants' needs and requirements. The Property Manager has also been engaged to provide lease and property management, among other services, to ensure smooth operations of the assets in the Portfolio, support the Company's and the Fund Manager's strategies and deliver optimal returns to Shareholders.

- **Inorganic growth strategy via improvement of existing assets and new asset acquisitions.** The Fund Manager intends to pursue inorganic growth opportunities either through the improvement of existing assets to command higher rental rates or through dividend-yield accretive acquisitions of high-quality commercial properties that complement the Portfolio to the extent allowable by the REIT rules and in accordance with the Company's overall strategy.

- The Fund Manager will also actively monitor the market for opportunities to acquire high-quality commercial properties that meet the investment criteria of RCR, including being dividend-yield accretive and complementary to the strategy of the Company. In particular, the Fund Manager will consider potential assets for acquisition from the Sponsor's extensive pipeline of income-producing commercial assets, as well as commercial assets owned by external parties.

- RCR will consider asset acquisitions via different financing methods as the case may be, including equity and debt capital raising transactions, bank loans, tax-free exchange, etc., depending on what is in the Company's best interests.

- **Predominant focus on key Metro Manila CBDs and major regional commercial hubs.** The Fund Manager intends to predominantly focus on Grade A commercial assets situated in prime CBD locations in Metro Manila as well as major regional commercial hubs. The Fund Manager intends to leverage the experience and market dominance of the Sponsor in these markets so as to achieve the best returns for our Shareholders.

- **Active capital and risk management**. The Fund Manager will closely monitor and manage the Company's liquidity, balance sheet, and overall financial resources so as to ensure RCR's long-term financial health while also pursuing optimal returns for Shareholders. As part of its capital management strategy, the Fund Manager may optimize the funding and capital structure of the Company by tapping the capital markets for debt and/or equity capital, as well as hybrid or other forms of capital as appropriate. In addition, the Fund Manager will consider liquidity, interest rate, and other relevant financial risks and adopt appropriate hedging policies to manage its risk exposure.

Investment Objectives

- **RCR continues to be a landmark offering and aims to be the leader in the Philippines' REIT industry in terms of market capitalization and with the longest land lease tenure as well as a diversified geographical reach.** RCR intends to grow its Portfolio by infusing assets per year from its Sponsor and/or from unrelated third parties.

- **Grow asset size that is dividend-yield accretive via the acquisition of assets from the Sponsor or third parties through equity and/or leverage.** RCR will continue to infuse more assets that meet the set investment criteria. The company will continue to create value for shareholders by pursuing growth that complements the growth and advancement of society.

- **Endeavors to target a low annual double-digit total shareholder return.** This can be attained through continuous property acquisitions, which are dividend-yield accretive, along with contracted escalation rates and a stable dividend yield.

Financing Strategy

RCR will consider asset acquisitions via different financing methods as the case may be, including but not limited to tax-free exchange via asset-for-share swap or cash with the Sponsor, equity and debt capital raising transactions, bank loans, and tax-free exchange among others, depending on what is in RCR's best interests. As of current, RCR has zero debt, and RCR's leverage is up to 35% of the total value of its deposited property.

EXTERNAL ENVIRONMENT

Interest Rate and Input Costs

High-Interest Rate. With the US inflation climbing to a 40-year high, the Philippines followed a similar path in 2022. The average inflation in 2022 reached 5.8%, above the BSP's initial target range of 2-4%, which caused them to raise their bench mark policy interest rate by 350 bps to 5.5% due to surging inflation (Colliers, 2023). An increase in the interest rate increases the cost of doing business for developers and operators. There would be a downward pressure on margins.

Input Costs. The country still faced an increased cost across the supply chains, compounded through the two years of the pandemic. "This is a particular pain point in the Philippines: we are heavily affected by high global shipping costs, and our logistics costs to sales are higher compared to our ASEAN neighbors, at roughly 27%." (Pierre Carlo Curay, Supply Chain Management Association of the Philippines President, Business Mirror). A continued hike in interest rates and input costs significantly affects the real estate industry, as the increase in the price of raw materials may decrease a development's profitability.

Work-from-Home vs. Return to Work

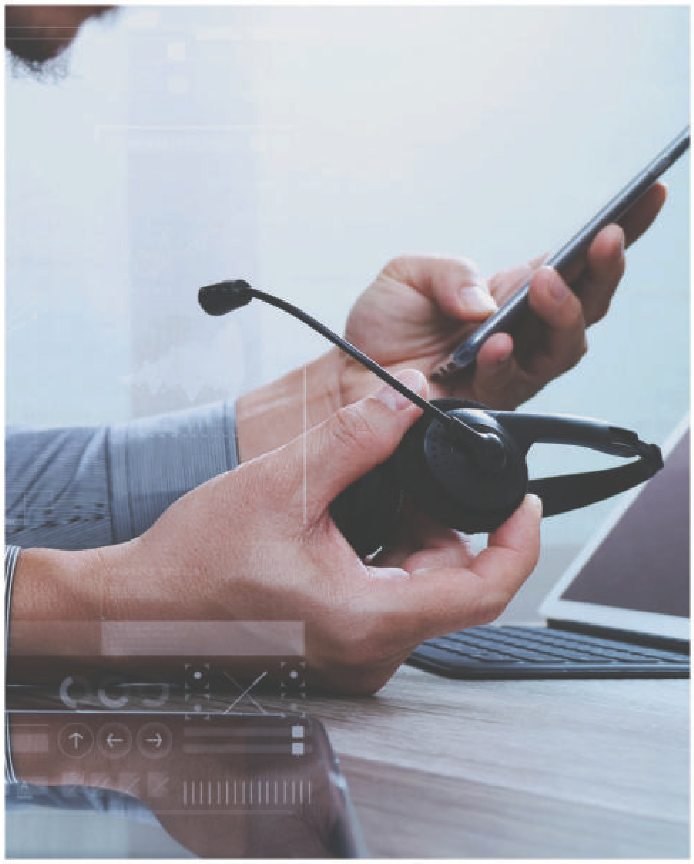
Work-from-Home vs. Return to Work. Affected registered business entities (RBEs) under the IT-BPM sector had the option to transfer their registration from the Philippine Economic Zone Authority (PEZA) to the Board of Investments (BOI) and adopt 100% work-from-home (WFH) arrangement without losing their tax incentives (Colliers, 2022). Working from home became an alternative for businesses to save on utilities and rent. With a 31% shift from PEZA to BOI (CBRE,2022), companies have adopted a wait-and-see approach that impacted office landlords as some expansion plans were deferred. The reduction of spaces taken up increased to 18.8%, higher than the 15.7% vacancy recorded in 2021 (Colliers, 2023).

Based on CBRE's 2022 Retrospective, the office market vacancy peaked at 960,000 sq. m.

In contrast, return to work is seen to drive demand for office spaces. As businesses reopen, companies recognize the importance of having a physical office space. CBRE has also reported that most occupiers have emerged from the pandemic with a streamlined need for office space and that developers are looking at 70-90% return to office statistics. According to Leechiu Property Consultants' Market Insights, office demand in all segments continues to pick up regardless of the option of remote working. In a major upturn, the demand for office spaces increased by 80% compared to 2021 as the return to work commences.

POGO

POGO. With an increased POGO departure from the country since the first quarter of 2020, the POGO sector has vacated a total of 630,000 sq. m of office space (JLL, 2023). The POGO exodus has affected the real estate industry with an estimated loss of P18.9 billion for office rentals, P28.6 billion for residential spaces rented by workers, P9.5 billion in utilities, P54.3 billion in income taxes, and P52.5 billion in fit-out costs (David Leechiu, 2022). However, based on Cushman & Wakefield's Philippine Property Market News, the short-term void due to the POGO exit is seen as temporary as outsourcing and IT-BPM demand is expected to step up further. Notwithstanding the anticipated exit of the remaining POGO operators, the demand for office spaces remains stable with strong prospects for the IT-BPM industry. In recent market data, IT-BPM take-up from 2021 to 2022 increased by 68%, according to Leechiu Property Consultants.



Geohazards and Calamities

Geohazards and Calamities. 18 tropical cyclones entered the Philippine Area of Responsibility (PAR) in 2022, and 12 major earthquakes were experienced during the same year. There is a need to exercise proper evaluation of site conditions before developing a workplace. Multinational corporations and Fortune 500 Companies will prioritize and shortlist properties that are not prone to natural calamities or disasters. Developers with several properties in multiple locations are preferred over those with limited product offerings due to the business continuity plan and disaster recovery plan requirements of multinational corporations.

Supply Chain Concerns

Geopolitics. The Russia-Ukraine war, which broke out in February 2022, has had an apparent impact on the nation's finances and economy, making it more challenging for the nation to recover from the pandemic, and has also affected business due to the rising prices of fuel and raw materials. The completion of any project is expected to encounter varying levels of delay. Replacement of parts for critical equipment may require a longer lead time to procure, deliver, and install. Office occupiers are now putting a premium on well-managed office properties. New and well-maintained buildings lead the way in retaining and attracting existing, expanding, and new tenants.

Infrastructure

Infrastructure. The introduction of the "Golden Age of Infrastructure" in the Philippines and the government investing more in infrastructure spending has helped decongest roads, increased the demand for properties in the provinces, and enhanced the quality of life. Infrastructure contributes to higher productivity and growth, facilitates trade and connectivity, and promotes economic inclusion. Work-from-home brought executives and labor back to the provinces. BPOs are now keen to tap this labor market and bring their workplaces to where the labor is present. We saw this opportunity and decided to expand our office portfolio in the provinces. RCR has the widest geographical reach and is best positioned to take advantage of this opportunity. Developing projects in less developed areas contribute to the advancement and enhancement of provinces. The improvement of the local economy can be instrumental in helping decongest Metro Manila.

OUR OUTLOOK

Demographic Sweet Spot

Philippine Statistics Authority data in 2020 showed that the working-age population, covering those 15 to 64 years old, makes up 63.9% of Filipinos, up from 63.3% in 2015 and 59.1% in 2000. This puts us in a demographic sweet spot with an average working age of 25.3 years old—one of the youngest in Asia. Further, our strong English proficiency, with the Philippines ranking 2nd in Asia and 18th globally, gives us a competitive advantage over our Asian peers, India included, making the Philippines the top choice for BPO companies. The IT & Business Process Association of the Philippines (IBPAP) has provided a roadmap for the next 6 years, such that if we were to maintain a competitive labor pool, among other things, we could create another 1.1 million jobs (full-time equivalents or FTEs) that will generate an additional USD 59 billion in industry earnings.

There are also various opportunities for Filipinos aside from BPOs; they are known to be competent in the healthcare industry with their innate hospitality and neutral accent, which all the more makes them highly qualified employees for global healthcare companies. Also, because our accounting practices are aligned with the generally acceptable standards in the US, Knowledge Process Outsourcing (KPO) in particular, can also be seen as a key driver of office demand. The Philippines also has an abundance of highly-skilled architects, engineers, animators, and software developers that round out the Creative Process Outsourcing (CPO) demand situation.

The challenge would be on the education sector's priority in ensuring that there is continuous upskilling, and that the general education system is progressively retooled to keep up with the growing and ever-evolving demands of the IT and BPM industries. In a July 2022 report released by the World Bank, nine out of ten Filipino children aged 10 struggled to read simple texts. This makes the Philippines one of the countries with the highest rate of "learning poverty" in the East Asia and Pacific region and among the lower-middle-income economies. This is particularly concerning from the point of view of foreign employers, which should call for a collective effort from the government and private institutions to counteract this apparent learning delinquency among the youth through concerted initiatives and programs.

Care for the Environment

RCR is also making strong strides in ESG (Environmental, Social, and Governance) in its bid to holistically future-proof the business.

As of 2022, four (4) of RCR's prime buildings are green-certified. Its Bridgetowne Destination Estate portfolio has passed all of the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) standards—the most widely used green building rating system in the world. Exxa

Tower and Zeta Tower are both LEED Silver, whereas Tera Tower has the highly-coveted LEED Gold. Last year, the Philippines also saw its first REIT building become EDGE-certified, with no less than RCR's Cyberscape Gamma. Copped in November 2022, EDGE or Excellence in Design for Greater Efficiencies, is an international green building certification system bannered by the International Finance Corporation of the World Bank Group, that

focuses purely on energy, water, and embodied energy in materials for a quantitative approach to sustainability. Cyberscape Gamma's EDGE certificate shows that it successfully reduced energy consumption because of its lower window-to-wall ratio, use of high-performance glass, fresh air pre-conditioning system, efficient lighting, and power factor correction.

It also has water-saving measures such as the installation of water-efficient faucets and urinals and a rainwater harvesting system. The building also uses material-efficient floor and roof slabs, window-glazing, and interior and exterior walls.

RCR intends to continue on this path of sustainability, with more initiatives to secure green certifications already underway. These certifications give us a platform that echoes our strong position on the environment and sustainability; they help us measure ourselves against well-established standards and measurable sets of parameters. Further, these green certifications are expected to help RCR close landmark deals with Fortune 500 companies that are equally cognizant of their sustainability efforts and the places they operate in.

Responsible Corporate Citizenry

RCR buildings such as Cyberscape Alpha, Cyberscape Gamma, and Cyberscape Beta have hosted Universal Robina Corporation's (URC) Juan Goal for Plastic program where plastic collection centers have been established within premises in the Gokongwei Group's bid for plastic neutrality. The program allows consumers to exchange their plastic waste for cash at the said sites, matching weight for "environmental points" that can be used to redeem URC products or school supplies. RCR's tenants and their employees shared in the program's efforts, actively showing up and participating in the campaign.

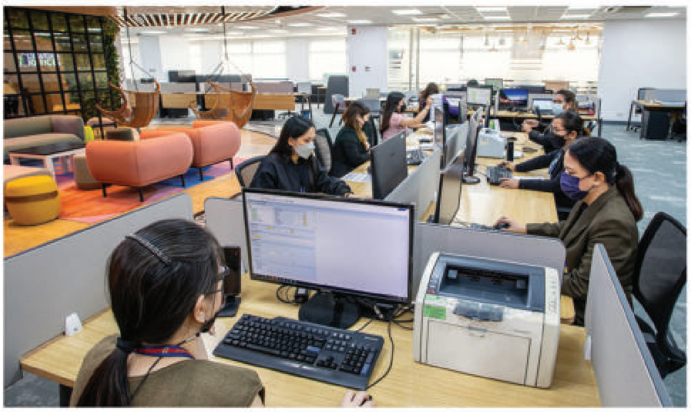
Last year, RCR joined the launch of Brigada Pagbasa at Barangka Ilaya Integrated School, Mandaluyong City. RCR donated over two hundred learning materials for Math and English to 120 non-reading and slow-reading students from Kinder to Grade 3. Meanwhile, RCR volunteers conducted fun reading sessions to select grade schoolers.

The Brigada Pagbasa is part of DepEd's Brigada Eskwela program, which aims to support the school's reading program and address the literacy and numeracy gaps of the learners—

the workforce of the future that will eventually bring life to RCR's developments

In November 2022, RCR, in partnership with the Giving Hope Foundation, launched the Food for Thought Feeding program, which provided healthy meals to over 100 undernourished students of Ilugin Elementary School in Pasig City. This program will run until the end of 2023 as part of RCR's sincere campaign to invest in the youth and help uplift the lives of their families.

Reclaiming the Workplace



As the economy continues to reopen, with service level guarantees and data privacy becoming more of a norm than they were pre-pandemic, there is an optimistic expectation of more and more people reclaiming the workplace as we know it. RCR has observed that a higher number of its tenants have required their employees to return to work. In 2021, we recorded 50% of our tenants returning to their workspaces. Last year, we saw this number soar to almost 80%, whereas data from CBRE Philippines shows the country's top 5 developers registering 70-90% return-to-office statistics, which altogether reinforces our positive outlook that this trend shall continue on an upward trajectory in the long run. Companies observe their production speeds and team collaboration enhanced, and company culture further enriched with more onsite interaction; there's an accelerated feedback mechanism, while verbal and non-verbal cues are better captured. Overall, there's consensus among tenants that heightened face-to-face interactions facilitated a better exchange of ideas and allowed for improved processing of thoughts and concepts, altogether translating to enhanced productivity.

Among last year's major highlights would be the Best Interior Design Award for RCR's Head Office in Robinsons Cyberscape Alpha, as recognized by PropertyGuru in the Asia Property Awards. This substantiated the heightened interest from existing and prospective tenants, whereby numerous company tours have been conducted over the past year with every visitor taking inspiration on how they would remodel their respective workspaces, i.e., the introduction of home-away-from-home elements with interesting features that allow employees to recharge, loosen up, and have fun within the safe, conducive, and comfortable confines of the office. We see this getting replicated in every new office inauguration, and we're expecting such a trend to spread across offices, with each one trying to outdo the one before.

Evolution of Provincial Developments

Lastly, there has been unprecedented interest in provincial locations. Per Colliers' report in 2022, 30% of new office transactions were from the provinces, with new transactions almost doubling in volume compared to the previous year. This sets RCR in a highly favorable position, having the widest coverage in terms of cities and areas among REIT companies. The majority of last year's transactions were inked in provincial CBDs, Davao and Cebu, where RCR already has robust presence and expansion opportunities. This is on top of cities that are similarly poised for growth, such as Bacolod, Naga, and Central Luzon, where RCR has existing developments as well.


Luisita BTS 1, Tarlac


Cybergate Delta, Davao

Creating Growth Opportunities

Despite the various headwinds that the office building industry had to course through, RCR maintains a forward-looking, positive outlook as the economy gears up and we observe more demand for newer spaces, particularly green-certified ones. Further, enhancements in workplace design and technologically driven developments and innovations that are hallmarks of RCR properties should help propel the company to fulfill its mandate of creating growth opportunities for all its stakeholders.

HOW WILL RCR GROW?

How will RCR grow?

The principal investment mandate of RCR is to focus on investing on a long-term basis in a diversified portfolio of income-producing commercial real estate assets, leased primarily for office purposes and strategically located in major central business districts (CBDs), key cities, and urban areas across the Philippines. RCR intends to maintain a high occupancy rate by targeting a diversified tenant base, with an emphasis on tenants primarily engaged in providing essential services, such as information technology and business process management (IT-BPM) services, including business process outsourcing (BPO) services, to secure stable occupancy and income from operations.

RCR has an excellent expansion pipeline as it enjoys the full support and backing of RLC which gives it access to over 400,000 sq. m of gross leasable area for acquisition. RLC remains steadfast in its commitment to support RCR. By injecting more office spaces, RCR aims to maximize the earning potential of its properties, provide investors with stable returns by boosting dividend yield, and create value for shareholders by pursuing investments that complement the development and advancement of society.

In determining future investments to expand RCR's REIT Portfolio, key criteria in making an investment decision include:

- **Yield Accretive**: Asset infusion should provide attractive dividend growth through property acquisitions that are yield accretive and through contracted rental escalation;

- **3-year Profitability History**: Have an operating profitability history of more than 3 years;

- **Stable Occupancy**: Have consistently high occupancy rates based on prevailing market terms;

- **Location and Accessibility**: The potential property should be (i) located in a CBD, emerging business districts, or key cities across the Philippines, typically with high-growth potential; and (ii) in proximity to various modes of public transport and major roads for enhanced accessibility to tenants;

- **Tenant Profile**: The potential property should target clients that will contribute to the portfolio's diversified tenant base, predominantly targeting all sub-sectors of the IT-BPM and BPO industries, traditional office tenants, as well as other tenant categories that will contribute to the stable occupancy of the buildings.

Three-year Investment Strategy: In compliance with the reportorial requirements of the REIT Implementing Rules and Regulations under Republic Act No. 9856, the Real Estate Investment Trust Act of 2009, RL Fund Management, Inc. (RLFMI or The Fund Manager), is mandated to manage and grow the RCR portfolio of assets consistent with its investment criteria. To achieve this, RLFMI employs the following strategies:

- **Pro-active asset management to achieve organic growth**

RLFMI intends to take a pro-active approach to the management of the Portfolio, and will actively monitor opportunities for asset enhancement initiatives in the Portfolio with the objective of improving the quality of the Properties, in order to achieve higher rental rates and deliver improved returns to shareholders. The Fund Manager actively engages with RL Property Management, Inc. (RLPMI or The Property Manager) to ensure a pro-active asset management strategy by establishing a capital expenditure schedule and policy, monitoring costs and expenses to ensure cost efficiency, managing lease renewals in advance of expiries, and maintaining good relationships with tenants.

- **Inorganic growth strategy via improvement of existing assets and new asset acquisitions**

RLFMI intends to pursue inorganic growth opportunities either through the improvement of existing assets to command higher rental rates or through dividend-yield accretive acquisitions of high-quality commercial properties. In particular, the Fund Manager will consider potential assets for acquisition from RLC's or the Sponsor's extensive pipeline of income-producing commercial assets, as well as commercial assets owned by external parties.

- **Predominant focus on key Metro Manila CBDs and major regional commercial hubs**

RLFMI intends to predominantly focus on Grade A commercial assets situated in prime CBD locations in Metro Manila as well as major regional commercial hubs. The Fund Manager intends to leverage the experience and market dominance of the Sponsor in these markets so as to achieve the best returns for RCR Shareholders.

- **Active capital and risk management**

The Fund Manager will closely monitor and manage the Company's liquidity, balance sheet, and overall financial resources so as to ensure RCR's long-term financial health, while also pursuing optimal returns for Shareholders. In addition, the Fund Manager will consider liquidity, interest rate, and other relevant financial risks and adopt appropriate hedging policies to manage its risk exposure.

Investment Objectives

1. **RCR continues to be a landmark offering and aims to be the leader in the Philippines' REIT industry in terms of market capitalization and with the longest land lease tenure as well as a diversified geographical reach.**

2. **Grow asset size that is dividend-yield accretive via the acquisition of assets from the Sponsor or third parties through equity and/or leverage.** RCR will continue to infuse more assets that meet the set investment criteria. RCR will continue to create value for shareholders by pursuing growth that complements the development and advancement of society. The debt-free status of RCR provides for even greater financial flexibility moving forward.

3. **Endeavors to target a low annual double-digit total shareholder return.** This can be attained through continuous property acquisitions, which are dividend-yield accretive, along with contracted escalation rates, and stable dividend yield.

SUSTAINABILITY

PERFORMANCE HIGHLIGHTS: SDG TARGETS AND CONTRIBUTIONS

RL Commercial REIT's commitment towards becoming a sustainable property development company drives contribution to the UN Sustainable Development Goals.

GOOD HEALTH AND WELL-BEING

270,611 safe man hours
0 disabling
0 fatalities

DECENT WORK AND ECONOMIC GROWTH

825 total training hours
160+ total tenants
33,867 total jobs supported

SUSTAINABLE CITIES AND COMMUNITIES

480,479 sq. m
of gross leasable area

where businesses can operate and grow, contributing to job creation and increased economic activity

RESPONSIBLE CONSUMPTION AND PRODUCTION

407 M^3
of recycled and reused water

from collection systems of rainwater and greywater harvesting to help not deprive communities and agriculture of the water they need.

CLIMATE ACTION

4 CERTIFIED BUILDINGS
• Tera (LEED Gold) • Exxa & Zeta (LEED Silver) • Gamma (EDGE)

314.25 METRIC TONS
of CO2 equivalent were avoided due to efficient use of energy in LEED-certified buildings

34% AND 31%
of energy and water savings due to the efficient use of energy in LEED-certified buildings

PEACE, JUSTICE, AND STRONG INSTITUTIONS

All Employees
were trained on anti-corruption

All New Directors
were trained on the code of conduct and corporate governance framework

RCR has always been committed towards becoming a sustainable Real Estate Investment Trust (REIT) company. RCR ensures that its ESG contributions align with the UN's Global Sustainable Development Goals. For Climate Action, RCR has LEED-certified 3 buildings: Tera Tower which is Gold and Exxa & Zeta Towers which are silver — all located in Bridgetowne. It also has one EDGE-certified building in Gamma. These buildings have avoided a total of 3,804.39 metric tons of CO2 equivalent due to efficient use of energy, and they have recycled a total of 140.48 cubic meters.

In terms of Sustainable Cities and Communities, RCR has a total of 480,479 sq m. of gross leasable area where businesses can operate and contribute to job creation in the community through economic activity. RCR has also recycled a total of 407 cubic meters of water through facilities and collection systems for rainwater and greywater harvesting.

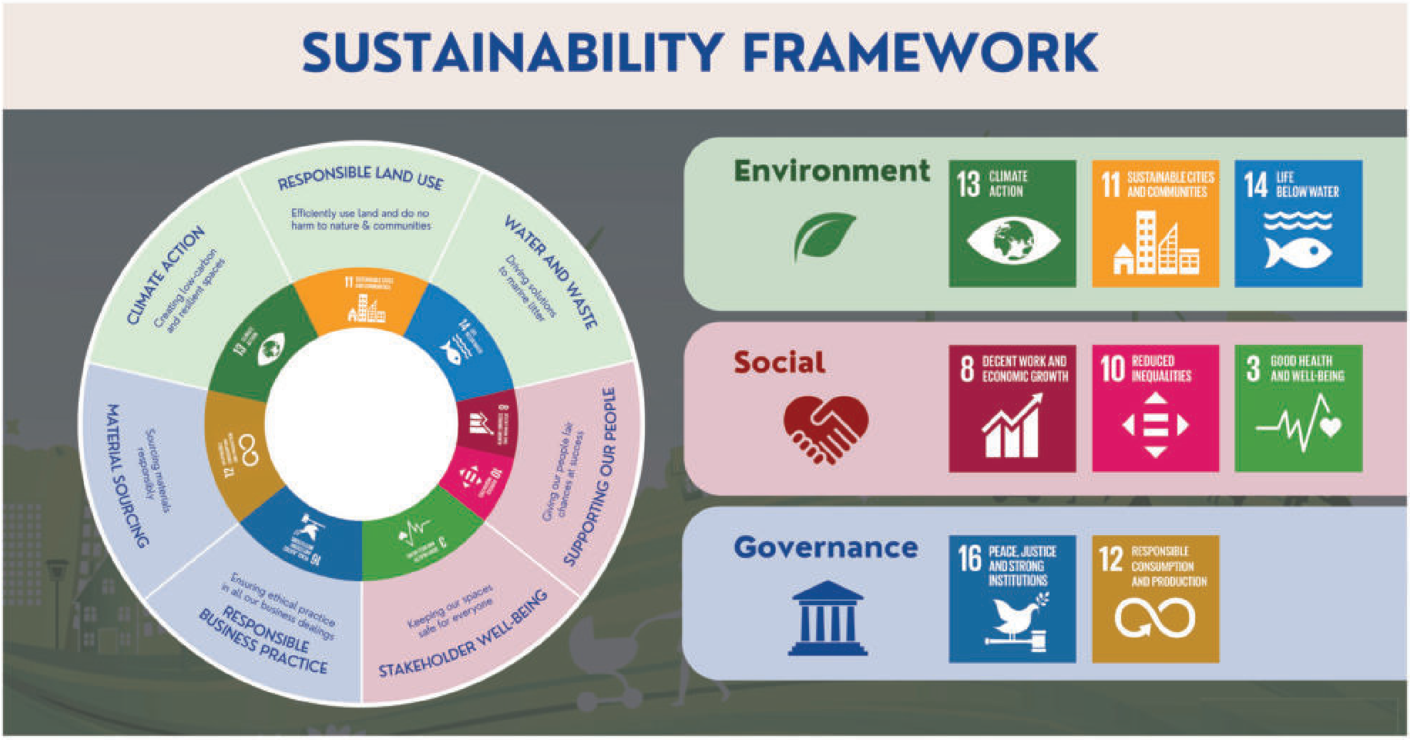
On the Social aspect, RCR has supported a total of 33,687 jobs in the places where it operates. For its own employees, it has conducted a total of 825 training hours. In terms of safety, RCR recorded a total of 270,611 safe man hours with no recordable incidents of injury and fatality.

Lastly, for Governance, RCR has conducted anti-corruption training to all new employees that join the company. All Directors of the board are also trained in the code of conduct and corporate governance framework.

RL Commercial REIT
Sustainability Framework

A macro-scanning of our key ESG impacts was conducted across our value chain, factoring in risks that can compromise our business objectives and value creation as well. To help us identify where we make the biggest impact as a company, we conducted a series of workshops with our key management personnel and identified which global sustainability issues we can best address and contribute to.

Through our sustainability framework, we were able to identify seven sustainability focus areas, which guide the way we create value for our stakeholders and society at large.



Our seven focus areas of action will be central to RCR's sustainability agenda and are ultimately aligned with the United Nations' Sustainable Goals. It is our intention to craft roadmaps for each focus area that will be accompanied by realistic and achievable short-, medium-, and long-term targets that measure our contribution.

Through partnerships, the use of new technologies, the strength of its people, and its open-mindedness to explore the uncharted, we hope to be able to meet RCR's sustainability ambitions and be recognized for being a pacesetter in its industry.

ENVIRONMENTAL STEWARDSHIP

Energy Management

It continues that the Philippines' main source of energy is still fossil fuels. Amidst the efforts to use renewable energy, it is still not nearly enough for buildings to fully function with green energy alone. The over-reliance on fossil fuels causes huge environmental impacts, such as high amounts of green house (GHG) emissions and air pollutants, as well as a high volume of water consumption, among others. Communities surrounding these plants run the risk of several health problems due to exposure to these air pollutants, while GHG emissions contribute to climate change, which has a global impact.

RCR is committed to upholding the rigorous environmental standards established by green-certification programs. Our primary objective is to attain net-zero emissions by the year 2050, and as such, we are continuously operating and growing our business in a sustainable manner. Moving forward, we intend to obtain certification from distinguished programs like LEED and EDGE for more of our buildings, with the ultimate aim of ensuring that all our RCR properties are green-certified.

Focusing on reducing carbon emissions and increasing the percentage of energy consumption from renewable sources, we are looking into solar-powered buildings as an opportunity to source our own renewable energy while also purchasing part of it. Apart from this, we intend to green-certify more buildings through LEED and EDGE certifications.

Disclosure	2021	2022	Unit
Energy consumption (renewable sources)	None	1,588.49	GJ
Energy consumption (gasoline)	None	None	GJ
Energy consumption (LPG)	None	None	GJ
Energy consumption (diesel)	24,966.87	103,888.04	L
Energy consumption (electricity)	85,016.56	327,781.92	GJ

Featured Stories for Energy Management

Green Building Certifications

In addition to the two (2) buildings of RCR that were green-certified in 2016 and 2019, two (2) new buildings were certified in 2022. Robinsons Cyberscape Gamma and Beta received EDGE certifications at the end of 2022. Having an efficient and well-designed building translates to a reduction in overall energy consumption of at least 20%. These buildings employ various energy conservation measures, such as the use of LED lighting and non-ozone-depleting refrigerants in their air conditioning units.

Solar Panel Installation in Bacolod

For RCR's Bacolod property, the installation of solar panels has saved a total of 502,370.90 kWh in 2022. Since solar panels emit 0 carbon emissions, this energy-saving project has reduced a total of 356.03 mt of CO_2, which is equivalent to 5,887 trees planted. RCR intends to install more solar panels across several properties moving forward.

LED Conversion of Lobbies

RCR has conducted several energy-efficiency projects for our office buildings, including switching light bulbs to LED in the office lobbies of its properties. We also retrofit or replace electronic equipment and take other measures to meet green building standards.

Bike Rack Installations in Parking Areas

In RCR's pursuit to promote active lifestyle and wellness as well as the reduction of carbon emissions, we've installed bicycle racks in Cybergate Towers 1, 2, and 3, Cybergate Plaza, and Cyber Omega.

Water Management

Being the most versatile resource, water is a key element in making sure that daily operations run smoothly. Office buildings need to ensure the availability of their water supply in order to cater to their customers, personnel, and tenants properly, as well as to maintain clean and workable spaces. Despite its seemingly limitless supply, water is still a scarce resource, and it's our duty to handle it responsibly and efficiently. We understand that every liter that's consumed is a liter potentially taken from communities or agriculture that need it as well.

iGreen certifications not only reflect the buildings' energy-saving features but also their approach to water consumption reduction. LEED and EDGE-certified buildings save as much as 11% of the water consumed compared to other traditional buildings. We also make sure that tenants, customers, and personnel know how to conserve water by educating them on its importance as well as the different ways to responsibly use the resource. We don't only aim to reduce water consumption but also to reuse rainwater. Our office buildings have rainwater collection systems that allow for wastewater treatment by repurposing the wastewater. The rainwater that was recovered is used for gardening, which reduces our overall wastewater discharge to public sewers. Aside from this, we also take advantage of surface water resources as much as we can. We make sure that our operations on water treatment and discharge are in accordance with the Philippine Clean Water Standards.

There are opportunities in water conservation and treatment. With new technology developing every day, the capacity in which rainwater can be harvested, treated, and repurposed will definitely be a huge opportunity to lower discharge and increase water saved. Water catchments and water-impounding areas continue to be good measures we are exploring to recharge the aquifer and reduce the impact of groundwater extraction.

Disclosure	2021	2022	Unit
Water withdrawal	100,754.66	318,834.69	Cubic meters
Water consumption	75,034.97	309,054.64	Cubic meters
Water recycled and reused	160	407.66	Cubic meters

Waste Management

Waste generated from our facilities is collected by our accredited waste haulers and disposed of properly in the landfills closest to our locations. We recognize gaps in this system because we are unable to fully monitor how much of the waste is being collected and recycled from our facilities versus how much ends up in landfills. Landfills may be ineffective in storing waste; hence, they could potentially contribute to marine litter. This could affect us and our stakeholders, including the government, communities, waste pickers, and the environment. Biodegradable waste in landfills is also a major source of GHG emissions.

We assess the capability of our waste haulers to manage our waste, including making sure that they dispose of our waste in a legally operated landfill that meets the standards of DENR. In our properties, we allocate space for our materials recovery facility (MRF). We designate key people to effectively manage and operate the MRFs according to DENR standards.

We provide training for our housekeeping staff who handle the waste to ensure it is properly managed and hauling is done regularly.

With increasing awareness of the issue of marine litter, we see an opportunity to be part of the solution and position our properties to have the best waste management system in the country. We are currently improving our waste management system by working with our merchants to replace non-recyclables with recyclables to reduce total residual waste that is more difficult to manage. We are also working with recyclers to link them with our waste collectors to ensure the recyclable waste we generate is recycled. We are also exploring ways to process our biodegradable waste into compost or energy to reduce the total waste sent to landfills. We are piloting a system in one of our office buildings, and if proven to be successful, it will be scaled up to all our properties. Moving forward, this will give us an opportunity to collaborate with our stakeholders. We will innovate on waste flows by providing training and learning opportunities to both our employees and customers.

SOLID WASTE

Disclosure	2021	2022	Unit
Total solid waste generated	127,498.36	596,219.17	kg
Reusable	None	None	kg
Recyclable	39,133.16	43,873.23	kg
Composted	11,361.24	11,929.68	kg
Incinerated	None	None	kg
Residuals/Landfilled	77,003.96	540,416.26	kg

HAZARDOUS WASTE

Disclosure	2021	2022	Unit
Hazardous waste generated	1,679.68	692.98	kg
Hazardous waste transported	None	None	kg

Featured Story for Waste Management

Juan Goal for Plastic (URC Plastic Recovery Tie-Up)

The main goal of the "Juan Goal for Plastic" project is to efficiently and effectively recover huge amounts of plastic waste. In the pursuit of achieving carbon neutrality, RCR Offices joined Universal Robina Corporation's (URC) "Juan Goal for Plastic" campaign by setting up plastic collection booths in various Office Buildings such as Robinsons Cyberscape Alpha, Beta (Oct. 21 and 27, 2022), Cyberscape Beta and Gamma (Nov. 4, 2022), and Cyberscape Omega (Nov. 10, 2022). The booths allowed tenants and occupants to participate in the plastic waste drive in exchange for URC products.

SOCIAL INITIATIVES

As part of RCR's social sustainability efforts for the community, it took part in projects and Corporate Social Responsibility (CSR) activities focusing on community development, child welfare and education, as well as health and nutrition under the RLove Program.

The RLove Program spearheads various social welfare and advocacy projects through philanthropy, volunteerism, and partnerships. It supports meaningful causes in pursuit of enriching lives and shaping a better future for the communities in which RCR operates.

Employee volunteerism and engagement are at the core of the RCR's CSR model. Time, skills, and material resources are shared as a concrete expression of the commitment to uplift communities and initiate transformative social change.

Community Development

RCR drives positive change in communities where it is present by improving quality of life. It empowers local communities through skill development and training to open a wide range of opportunities.

Moreover, RCR's "Adopt-a-Community" project provided a 4-month livelihood program to chosen "ultra-poor" families in Purok 8 Riverview Village, Bacaca, Davao City. The sponsored community received lessons on various livelihood, health, and values subjects. Through this project, 36 families are given opportunities for sustainable sources of income.

RCR volunteers attended the graduation rites of 36 beneficiaries of their adopted community in Purok 8 Riverview Village, Bacaca, Davao City, for the 4-month livelihood program they sponsored.

Child Welfare and Education

RCR believes that children are the future of our nation, and education is a powerful driver of our children's development. In 2022, RCR took part in initiatives to provide learning opportunities and support the welfare of chosen children and youth.

RCR donated learning and reading materials to over 100 kindergarten to Grade 3 students of Ilaya Barangka Integrated School in Mandaluyong City as part of the Department of Education "Brigada Pagbasa." Book-reading sessions were also facilitated for the students.

RCR donated over two hundred learning materials for Math and English to 120 non-reading students and conducted fun reading sessions for select grade schoolers.

Health and Nutrition

As communities slowly recover from the effects of the pandemic, RCR provided much-needed nutrition support and assistance to its beneficiaries.

In 2022, RCR launched school-year-long feeding programs for over 100 malnourished students of Ilugin Elementary School, Pasig, in partnership with Giving Hope Foundation. This program aims to fill the nutrition gap and provide "brain power" to students to encourage better attendance and participation in school.

RCR launched "Food for Thought," a one-school-year feeding program in Ilugin Elementary School, Pasig, and imparted food keepers to their student beneficiaries.

CORPORATE GOVERNANCE

100% of Employees
to whom the Anti-Corruption Policies and Procedures have been communicated to

100% of Directors
trained on the code of conduct and corporate governance framework

0 Cases
or incidents reported of anti-corruption or misconduct

3 Directors
are Independent and head the Audit, BROC, and RPT Committees

100% Attendance
of directors at board meetings

RL Commercial REIT, Inc. ("The Company") acknowledges that good corporate governance is essential to building an environment of trust, transparency, and accountability. This is essential for fostering long-term performance, financial stability, business integrity, and the sustainability of the company. It protects the interests of shareholders and other stakeholders. Corporate governance is the framework of rules, systems, and processes of the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stakeholders. The Revised Corporate Governance Manual was adopted to institutionalize corporate governance principles as a guide for the daily conduct of business.

The Company continuously strives to strengthen and improve corporate governance by adopting best practices that include building a competent board, aligning strategies with goals, managing risk effectively, adhering to high standards of ethics and integrity, and promoting accountability by defining roles and responsibilities.

Corporate Governance Highlights

Consistent with the Revised Corporate Governance Manual and pursuant to the recommendations provided in the Code of Corporate Governance for Publicly Listed Companies (PLCs), the Company strengthened its policies on Board Diversity, Board Nomination and Election, Succession Planning and Remuneration, Material Related Party Transactions, and Whistleblowing to reinforce the governance framework of the Company. These policies may be accessed through the Company's website in the Governance section.

The Company submitted the Integrated Annual Corporate Governance Report (I-ACGR to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) within the prescribed date. The I-ACGR is a reportorial requirement under SEC Memorandum Circular No. 15 Series of 2017, mandating all PLCs to disclose the Company's compliance/ non-compliance with the recommendations provided under the Corporate Governance Code for PLCs. With the "comply or explain" approach, voluntary compliance with recommended CG best practices is combined with mandatory disclosure.

The Company's I-ACGR may be accessed through the Company website.

Frederick D. Go
Chairman

Jericho P. Go
President and CEO

Kerwin Max S. Tan
Director and Treasurer

Lance Y. Gokongwei
Director

Artemio V. Panganiban Jr.
Independent Director

Wilfredo A. Paras
Independent Director

Cesar Luis F. Bate
Independent Director

About The Board Of Directors

The Board of Directors ("The Board") is primarily responsible for the governance of the Company and provides an independent check on management. It has the duty to foster the long-term success of the Company and to ensure that the Company's competitiveness and profitability will be sustained in a manner consistent with its corporate objectives for the best interest of the Company and its Stakeholders.

The Board formulates the Company's vision, mission, strategic objectives, policies, and procedures that guide its activities, including the means to effectively monitor the Management's performance. It provides direction and approval in relation to matters concerning the Company's business strategies, policies, and plans, while the day-to-day business operations are delegated to the Executive Committee.

The Board exercises care, skill, and judgment and observes good faith and loyalty in the conduct and management of the business and affairs of the Company. It ensures that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules, and regulations. In order to uphold a high standard for the Company, its Shareholders, and other Stakeholders, the Board conducts itself with honesty and integrity in the performance of its duties and responsibilities.

Balanced Board Composition

The Company recognizes the benefits of having a diverse Board and its value in maintaining sound corporate governance while achieving strategic objectives and sustainable growth. The Board Member's biographical details are set out in the succeeding section and may also be found in the Information Statement. The Board is diverse in terms of expertise and professional experience. The Board of Directors is composed of 7 members, 5 of these directors are non-executive and 3 of them are independent directors. Furthermore, the posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in the Revised Corporate Governance Manual.

Board Duties and Responsibilities

The Company's Corporate Governance Manual specifies the roles, duties, and responsibilities of the Board of Directors in compliance with relevant laws, rules, and regulations. In adherence to the principles of corporate governance, the Board is tasked to perform the following:

General Responsibilities

It is the Board's responsibility to foster the long- term success of the Corporation and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and in the best interest of the Corporation, its Shareholders, and Stakeholders, as a whole.

Duties and Functions

To ensure a high standard for the Corporation, its Shareholders, and other Stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- **Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Stakeholders;**

- **Oversee the development and approval of the Company's business objectives and strategy and monitor their implementation** in order to sustain the Company's long-term viability and strength. The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets, and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions, and divestitures; **Oversee the adoption of an effective succession planning program and remuneration policies;**

- **Adopt policies on board nomination and election that will ensure diversity in board composition** in terms of knowledge, expertise, experience, and gender;

- **Oversee the implementation of a policy and system on related party transactions (RPTs)**, which shall include the review and approval of material or significant RPTs and ensure fairness and transparency of the transactions;

- **Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;**

- **Oversee the establishment of an internal control system to monitor and manage potential conflicts of interest and an Enterprise Risk Management (ERM) framework** to identify, monitor, assess, and manage key business risks;

- **Ensure the Corporation's compliance with the Anti-Money Laundering Act (AMLA)**, its rules and regulations, directives, and guidance from the Anti-Money Laundering Council (AMLC).

- **Annually review, together with Management, the Company's vision and mission;**

- **Ensure the Corporation's faithful compliance with all applicable laws, regulations, and best business practices;**

- **Establish and maintain an Investor Relations Program** that will keep the Shareholders informed of important developments in the Corporation. The Corporation's CEO shall exercise oversight responsibility over this program;

- **Identify the Corporation's Stakeholders in the community** in which it operates or who are directly affected by its operations, and formulate a clear policy of accurate, timely, and effective communication with them; **Adopt a system of check and balance within the Board**. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times;

- **Ensure that the Corporation has an independent audit mechanism** for the proper audit and review of the Corporation's financial statements by independent auditors;

- **Ensure that the Corporation establishes appropriate Corporate Governance policies and procedures pursuant to the Manual and the Governance Code**, including but not limited to policies on conflict of interest, and oversee the effective implementation thereof; and

- **Consider the implementation of an alternative dispute resolution system for the amicable settlement of conflicts or differences between the Corporation and its Shareholders, if applicable.**

Board Independence

The Board has three Independent Directors (IDs) who possess all the necessary qualifications and none of the disqualifications to hold the position. The Company complies with the Corporate Governance's best practice of having 3 IDs or 30% of the Board of Directors (BOD), whichever is higher, to ensure that proper mechanisms for disclosure, protection of the rights of shareholders, equitable treatment of shareholders, and the accountability of the Board and Management are in place. In cases of conflicts of interest, Directors with a material interest in any transaction with the Company shall abstain from participating in the deliberation of the same.

Board Training and Orientation

The Company ensures that Directors are able to perform their functions effectively in this rapidly changing environment to cope with heightened regulatory policies, foreign and local demands, and the growing complexity of the business. Orientation programs are conducted for first-time directors to ensure that new members are appropriately apprised of their duties and responsibilities These include an overview of the Company's operations, Code of Conduct, Corporate Governance framework, and other relevant topics essential to the performance of their functions. As a matter of continuous professional education, the Company facilitates the training opportunities provided for the Directors and Key Officers.

In-house Corporate Governance Training for directors and executives was held via webinar on June 16, 2022, entitled 2022 Gokongwei Group Innovation Festival.

Board Committees

To enable better and more focused attention to the affairs of the Company and aid in the optimal performance of its roles and responsibilities, the Board delegates particular matters to the Board Committees, each set up for a specific purpose. The Board Committees are, namely, the Audit Committee, the Corporate Governance Committee, the Board Risk Oversight Committee (BROC), and the Related Party Transactions Committee.

Audit Committee

The Audit Committee provides oversight of the Company's financial reporting process, internal control system, and internal and external audit processes, and monitors their compliance with applicable laws and regulations. It ensures that systems and processes are in place for the consistent adherence to regulations and internal policies, the achievement of efficiency and effectiveness in business operations, and the proper safeguarding and use of the Company's resources and assets.

Position	Director
Chairman	Artemio V. Panganiban (ID)
Members	Wilfredo A. Paras (ID) Cesar Luis F. Bate (ID) Frederick D. Go Kerwin Max S. Tan

Corporate Governance Committee

The Corporate Governance Committee oversees the development and implementation of Corporate Governance principles and policies and recommends a formal framework on the nomination, remuneration, and evaluation of the performance of the Directors and Key Management Officers consistent with the Company's culture, strategies, and business environment.

Position	Director
Chairman	Cesar Luis F. Bate (ID)
Members	Artemio V. Panganiban (ID) Wilfredo A. Paras (ID) Frederick D. Go Kerwin Max S. Tan

Board Risk Oversight Committee

The Board Risk Oversight Committee oversees the establishment of an ERM framework that effectively identifies, monitors, assesses, and manages key business risks and assesses the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight of its risk management policies and procedures to anticipate, minimize, and control or manage risks as well as possible threats to its operational and financial viability.

They also oversee optimal performance, compliance, and cooperation with the AMLC and AMLA.

Position	Director
Chairman	Wilfredo A. Paras (ID)
Members	Artemio V. Panganiban (ID) Cesar Luis F. Bate (ID) Frederick D. Go Lance Y. Gokongwei

Related Party Transactions Committee

The Related Party Transactions Committee ensures that there is a group-wide policy and system governing Material Related Party Transactions (MRPTs), particularly those that breach the materiality threshold. The RPT Committee shall perform the appropriate review and approval of MRPTs, which guarantees fairness and transparency of the transactions.

Position	Director
Chairman	Cesar Luis F. Bate (ID)
Members	Artemio V. Panganiban (ID) Wilfredo A. Paras (ID)

Board Meetings and Quorum Requirement

The Board schedules meetings at the beginning of the year, holds regular meetings in accordance with its By-Laws, and convenes special meetings as required by business exigencies. The notice and agenda of the meeting and other relevant materials are furnished to the Directors at least five (5) business days prior to the meeting, which must be duly minuted. The members of the Board attend regular and special meetings in person or through video or teleconferences conducted in accordance with the rules and regulations of the SEC, except for justifiable reasons that prevent them from doing so. The Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all of its meetings.

To monitor the Directors' compliance with the attendance requirements, the Company submits to the Commission an advisement letter on the Directors' record of attendance in Board meetings.

ATTENDANCE OF DIRECTORS

January 1, 2022 to December 31, 2022

Board member	Name	Date of Election	No. of meetings attended/held	Percent of meetings attended (%)	Length of Services in the Committee
Director, Chairman	Frederick D. Go	May 12, 2022	7/7	100.00%	2
Director, President and CEO	Jericho P. Go	May 12, 2022	7/7	100.00%	2
Director	Lance Y. Gokongwei	May 12, 2022	7/7	100.00%	2
Director and Treasurer	Kerwin Max S. Tan	May 12, 2022	7/7	100.00%	2
Artemio V. Panganiban	Artemio V. Panganiban	May 12, 2022	7/7	100.00%	2
Independent Director	Wilfredo A. Paras	May 12, 2022	7/7	100.00%	2
Independent Director	Cesar Luis F. Bate	May 12, 2022	7/7	100.00%	2

The Corporate Secretary

The Corporate Secretary assists the Board and the Board Committees in the conduct of their meetings, which entails the preparation of the annual schedule of Board and Committee meetings and the annual Board calendar. He also assists the Board and Committee Chairmen in setting meeting agendas, safekeeping, and preserving the integrity of the minutes of the meetings of the Board and its Committees, as well as other official records of the Company.

The Corporate Secretary keeps abreast of relevant laws, regulations, all governance issuances, relevant industry developments and the operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise.

He works fairly and objectively with the Board, Management, and Shareholders, and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders.

Atty. Juan Antonio M. Evangelista is the Corporate Secretary of the Company. He is also the Corporate Secretary of Altus Property Ventures, Inc. He handles various corporate secretarial functions for a number of companies within the RLC Group. He obtained his Juris Doctor degree from Xavier University - Ateneo de Cagayan in 1998. He was admitted to the Philippine Bar in 1999.

The Compliance Officer

The Compliance Officer monitors, reviews, evaluates, and ensures the compliance of the Company, its Officers, and Directors with the provisions and requirements of the Corporate Governance Manual and the relevant laws, the Corporate Governance Code, rules and regulations, and all governance issuances of regulatory agencies. He also ensures the integrity and accuracy of all documentary submissions to the regulators, identifies possible areas of compliance issues and works towards the resolution of the same. He assists the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation, review, and implementation of the Corporate Governance structure and policies of the Company.

Matias G. Raymundo Jr. is the Chief Financial and Compliance Officer of the Company. Presently, Mr. Raymundo is also the Assistant Vice President-Financial Planning and Analysis of Robinsons Land Corporation. He was part of the Robinsons Hotels and Resorts Group of Robinsons Land Corporation as Manager-Revenue Management from 2010 to 2016, Manager-Revenue and Risk Management from 2017 to 2018, and Officer-in-Charge for Corporate Affairs from 2018 to 2019. He obtained his Bachelor of Science in Commerce with a major in Management Accounting from the Central Philippine University in 2005.

Fund Manager

Pursuant to Republic Act No. 9856: An Act Providing the Legal Framework for Real Estate Investment Trust and for Other Purposes, RCR engaged the services of RL Fund Management, Inc. (RLFMI) as its fund manager. RLFMI is a wholly-owned subsidiary of Robinsons Land Corporation.

RLFMI is in charge for the allocation of the deposited property to the allowable investment outlets and selection of income-generating real estate. It is tasked to set the strategic direction and risk management of RCR and make recommendations to the RCR's BOD on the acquisition, divestment, or enhancement of assets of RCR in accordance with its investment strategy pursuant to the Fund management Agreement (five-year renewable agreement entered into by RCR and RLFMI).

RLFMI's Board of Directors is responsible for the overall management of the Fund Manager. It is composed of competent individuals with track records in the relevant industries. Majority of the members of RLFMI are independent directors.

Board Member	Position/Designation	Date Appointed
Faraday D. Go	Chairman	June 3, 2021
James Reynard M. Arco	President and CEO	November 2, 2022
Paul Joseph M. Garcia	Independent Director	June 3, 2021
Dennis A. Villanueva	Independent Director	June 3, 2021
Esperanza S. Osmeña	Independent Director	June 3, 2021

Property Manager

In compliance with Republic Act No. 9856, RCR engaged the services of RL Property Management, Inc. (RLPMI) as its property manager. RLPMI is a wholly-owned subsidiary of Robinsons Land Corporation.

RLPMI is responsible in managing the real estate assets of RCR. As the professional administrator, RLPMI is engaged to provide property management services, lease management services, marketing services, project management services, including rent collection, tenant services, care of the physical assets, security, leasing, marketing of the property to outside prospects, and other similar services pertaining to the property under administration in accordance with the terms and conditions stated in the Property Management Agreement (five-year renewable agreement entered into by RCR and RLPMI).

RLPMI's Board of Directors is responsible for the overall management of the Property Manager. It is composed of competent individuals with track records in the relevant industries. Majority of the members of RLPMI are independent directors.

Board Member	Position/Designation	Date Appointed
Corazon L. Ang Ley	Chairman	May 3, 2021
Oliva A. Agustin	President and CEO	May 3, 2021
Angeles Z. Lorayes	Independent Director	May 3, 2021
Jose Nery D. Ong	Independent Director	May 3, 2021
Luzviminda V. Carpio	Independent Director	May 3, 2021

Stakeholders Welfare, Transparency, and Anti-Corruption

Duty to Other Stakeholders

The Company believes that sound and effective corporate practices are fundamental to the smooth, effective, and transparent operation of the company and its ability to attract investment and enhance shareholder value.
This includes the Company's commitment to ensure fair and equitable treatment of all shareholders, including the minority, and the protection of their rights, including:

1. Right to vote on all matters that require their consent or approval,
2. Right to inspect corporate books and records,
3. Right to information,
4. Right to dividends, and
5. Appraisal right

The Company is transparent and fair in the conduct of the annual and special Shareholders' meetings. To foster active shareholder participation, the Board sends the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting, in compliance with the Implementing Rules and Regulations of the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings. Shareholders who are unable to attend are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the law, rules and regulations, and the By-Laws, the exercise of that right shall not be unduly restricted, and any doubt about the validity of a proxy shall be resolved in favor of the shareholder.

Guided by the principles of fairness, accountability, and transparency to the shareholding public, the Company ensures that the result of the votes taken during the most recent Annual or Special Shareholders' Meeting is made available by the next working day.

Duty to Other Stakeholders

The Company recognizes and places importance on the interdependence between business and society and promotes a mutually beneficial relationship that encourages the Company's sustainable growth, while contributing to the advancement of the society where it operates. The Company employs value chain processes that take into consideration Economic, Environmental, and Social Governance (EESG) issues and concerns.

Customers' Welfare

The Company adopts customer relations policies and procedures to protect customers' welfare. This includes providing and making available the customer relations contact information empowered to address and attend to customer questions and concerns.

Supplier/Contractor Selection

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Apart from the accreditation process, suppliers and contractors also undergo orientation on Company policies and ethical practices.

Employees

The Board also establishes policies, programs, and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance, including but not limited to:

- Health, safety, and welfare;
- Training and development; and
- Reward and compensation

Performance-enhancing mechanisms for employee participation

The Company abides by the standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented, reviewed, and regularly updated to ensure the security, safety, health, and welfare of the employees in the workplace.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development (JG-ILED), the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high-performance organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized training and development programs.

Anti-Corruption Programs and Procedures

The Company is committed to promoting transparency and fairness for all its stakeholders. The Board sets the tone and takes a stand against corrupt practices by adopting anti-corruption policies and programs.

Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, and Offenses Subject to Disciplinary Action (OSDA), among others. The same is disseminated to all employees across the Company through training to embed them in the Company's culture.

New employees are oriented regarding policies and procedures related to Business Conduct and Ethics, and similar policies. All employees are given periodic reminders.

Further, all employees concerned with the Company are required to comply with the Self-Disclosure Activity on Conflict of Interest and Declaration of Gifts Received on an annual basis.

The Company also has an established suitable framework for whistleblowing and ensures its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

The anti-corruption programs and procedures of the Company cover the following:

- Anti-Bribery and Anti-Corruption Policy
- Conflict of Interest
- Conduct of Business and Fair Dealings
- Receipt of Gifts from Third Parties
- Compliance with Laws and Regulations
- Respect for Trade Secrets/Use of Nonpublic Information
- Use of Company Funds, Assets, and Information
- Employment and Labor Laws and Policies
- Disciplinary Action
- Whistleblowing
- Conflict Resolution

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROLS

Enterprise Risk Management (ERM)

The role of ERM is to oversee that a sound ERM framework is in place to effectively identify, monitor, assess, and manage key business risks. The risk management framework guides the Board in identifying units/ business lines, enterprise-level risk exposures, and the effectiveness of risk management strategies.

Internal Controls

With the leadership of the Company's Chief Financial Officer (CFO), internal control is embedded within the company's operations and in each business unit (BU), thus, increasing their accountability and ownership in the execution of the BU's internal control framework. To accomplish the established goals and objectives, BUs implement robust and efficient process controls to ensure:

1. Compliance with policies, procedures, laws, and regulations;
2. Economical and efficient use of resources;
3. Proper balance of segregation of duties;
4. Identification and remediation of control weaknesses;
5. Reliability and integrity of information; and
6. Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud.

ACCOUNTABILITY AND AUDIT

The Board ensures that its Shareholders are provided with a balanced and comprehensible assessment of the Company's performance, position, and prospects on a quarterly basis. Interim and other reports that could adversely affect its business are also available on the Company website, including its submissions and disclosures to the SEC and to the Philippine Stock Exchange (PSE). The Management formulates the rules and procedures on financial reporting and internal control for presentation to the Audit Committee in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly defined;

2. There is an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;

3. Based on the approved Internal Audit Plan, Internal Audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations;

4. The Company must consistently comply with the financial reporting requirements of the SEC;

5. The External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the External Auditing firm assigned to the Company should be changed with the same frequency. The Corporate Internal Audit Head should submit to the Audit Committee and Management an annual report on the Corporate Internal Audit Department's activities, responsibilities, and performance relative to the Internal Audit Plan as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues, and other matters as may be needed or requested by the Board and the Management. The Corporate Internal Audit Head should certify that they conduct their activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If they do not, the Corporate Internal Audit Head shall disclose to the Board and the Management the reasons why they have not fully complied with the said documents; and

6. The Board, after consultations with the Audit Committee, shall recommend to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company and shall provide an objective assurance on the matter by which the financial statements are to be prepared and presented to the Shareholders.

Internal Audit

The Corporate Internal Audit focuses on delivering its mandate of determining whether the governance, risk management, and control processes, as designed and represented by Management, are adequate and functioning in a manner that provides a reasonable level of confidence that:

1. Employees' actions are compliant with policies, standards, procedures, and applicable laws and regulations;
2. Quality and continuous improvement are fostered in the control processes;
3. Programs, plans, and objectives are achieved;
4. Resources are acquired economically, used efficiently, and protected adequately;
5. Significant financial, managerial, and operating information is accurate, reliable, and timely;
6. Significant key risks are appropriately identified and managed; and
7. Significant legislative or regulatory issues impacting the Company are recognized and properly addressed.

Opportunities for improving management control, profitability, and the Company's reputation may be identified during audits.

OTHER MATTERS

Audit and Audit-Related Fees

Name of Auditor	Audit Fee	All Other Fees
SyCip, Gorres, Velayo & Co.	Php1,392,857.00	Php–

Shareholder Structure

Holding 5% shareholding or more (as of December 31, 2022):

Shareholder	No. of shares	% of Shares	Beneficial owner
Robinsons Land Corporation	7,094,391,706	66.14%	Same as record owner
PCD Nominee Corporation (Filipino)	3,187,841,898	29.72%	PCD participants & their clients

Dealing in securities (changes in shareholdings of directors and key officers)

A. Elected Directors for CY 2022

Director	Number of Direct Shares	Number of Indirect Shares	% of Total Outstanding Shares
Frederick D. Go	4	0	0.00%
Jericho P. Go	2	0	0.00%
Lance Y. Gokongwei	2	0	0.00%
Kerwin Max S. Tan	4	0	0.00%

Director	Number of Direct Shares	Number of Indirect Shares	% of Total Outstanding Shares
Artemio V. Panganiban	2	470,000	0.00%
Wilfredo A. Paras	2	0	0.00%
Cesar Luis F. Bate	2	0	0.00%

A. Elected Officers for CY 2022

Officer	Position/ Designation	Number of Direct Shares	Number of Indirect Shares	% of Total Outstanding Shares
Matias G. Raymundo, Jr.	Chief Financial Officer and Compliance Officer	0	0	0.00%
Selene Erica S. Lim	Investor Relations Officer	0	4,000	0.00%
Dennis R. Llarena	Data Privacy Officer	0	0	0.00%
Juan Antonio M. Evangelista	Corporate Secretary	0	0	0.00%
Iris Fatima V. Cero	Assistant Corporate Secretary	0	0	0.00%

Dividends

RCR's dividend policy is to distribute at least 90% of its distributable income.
This is in compliance with the REIT Law and the Revised REIT Implementing Rules and Regulations.

Date of Approval by Board of Directors	Distributable Income as of	Cash Dividends per Outstanding Common Share	Record Date	Payment Date
May 10, 2022	March 31, 2022	Php 0.0965	May 26, 2022	May 31, 2022
August 9, 2022	June 30, 2022	Php 0.0972	August 23, 2022	August 31, 2022
November 8, 2022	September 30, 2022	Php 0.0974	November 22, 2022	November 29, 2022
February 6, 2023	December 31, 2022	Php 0.0976	February 20, 2023	February 28, 2023

Company Website

The Company updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These are available on the company's website.

FINANCIAL STATEMENTS

RCREIT

A ROBINSONS LAND COMPANY

25F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, San Antonio, Pasig City

March 28, 2023

Securities and Exchange Commission
Ground Flr - North Wing, PICC Secretariat Building,
Philippine International Convention Center (PICC) Complex,
Roxas Boulevard, Pasay City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **RL Commercial REIT, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein as of December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

FREDERICK D. GO
Chairman

JERICHO P. GO
President & CEO

KERWIN MAX S. TAN
Treasurer

QUEZON CITY

Signed this ______ day of MAR 3 1 2023

DOC# 321
PAGE# 66
BOOK# 65
SERIES OF 2023

ATTY. CONCEPCION P. VILLARENA
Notary Public for Quezon City
Until December 31, 2023
PTR No. 3716371 / January 3, 2023 Q.C
IBP No. 167803 / November 25, 2021 Q.C
Roll No. 30457 / 05-09-1980
MCLE VII-0006994 / 09-21-2021
ADM. MATTER No. NP-005 (2022-2023)
TIN NO. 131-942-754

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

SEC Registration Number

1	5	1	3	0	9					

C O M P A N Y   N A M E

RL COMMERCIAL REIT, INC. (FORMERLY ROBINSONS REALTY AND MANAGEMENT CORPORATION)

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

25F ROBINSONS CYBERSCAPE ALPHA, SAPPHIRE AND GARNET ROADS, BRGY. SAN ANTONIO, PASIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	**SEC**	**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
corsec@robinsonsland.com	**N/A**	**0998 840 0935**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
20,263	**04/15**	**12/31**

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
Kerwin Max S. Tan	**Kerwin.Tan@robinsonsland.ph**	**(02) 8397-0268**	**0998 840 0574**

CONTACT PERSON's ADDRESS

14th Floor Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Ortigas Center, Pasig 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 deficiencie*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
RL Commercial REIT, Inc.
25F Robinsons Cyberscape Alpha
Sapphire and Garnet Roads
Brgy. San Antonio, Pasig City

Opinion

We have audited the accompanying financial statements of RL Commercial REIT, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 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 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 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.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Investment Properties

The Company has investment properties consisting of office buildings that earn rental revenue. Under the implementing rules and regulations of the Real Estate Investment Trust (REIT) Act of 2009 (R.A. 9856), the Company is required to recognize its investment properties at fair market values in accordance with Philippine Accounting Standard 40, *Investment Property*. The total fair value of the Company's investment properties amounted to ₱56,701.82 million as of December 31, 2022. The Company determined the fair value of the investment properties based on the valuations carried out by an independent property valuer using the discounted cash flow model (DCF model). Under this valuation, the future cash flows are estimated and discounted using an appropriate discount rate. The valuation methodology accordingly involves significant judgment and estimation.

We identified the valuation of investment properties as a key audit matter because the carrying value of investment properties as of December 31, 2022 is significant to the financial statements representing 97% of total assets and the DCF model involves significant judgment, estimation and assumptions. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions. These assumptions primarily include discount and growth rate estimates that are critical inputs in the valuation of the investment properties. Changes in these assumptions would significantly impact the fair value of the investment properties reported in the financial statements.

The related disclosures on the fair value of investment properties are included in Note 9 to the financial statements.

Audit Response

We assessed the competence of the independent property valuer by gaining an understanding of their experience and qualifications.

We involved our internal specialists in evaluation of the methodology and assumptions used in the valuation of the investment properties. The critical assumptions primarily included the discount rates, growth rates and free cash flows. We compared the discount and the growth rates to available published reports in the real estate industry. On a sample basis, we also tested other key inputs in the valuation such as lease rate and lease term.

We also assessed the adequacy of the related disclosures on the investment properties in the financial statements.

Other Information

Management is responsible for the Other Information. Other Information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 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 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of RL Commercial REIT, Inc. in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to the financial statements. 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.

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

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
Tax Identification No. 160-302-865
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 89336-SEC (Group A)
Valid to cover audit of 2022 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. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564691, January 3, 2023, Makati City

March 28, 2023

RL COMMERCIAL REIT, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 13)	**₱1,014,710,209**	₱1,373,255,004
Receivables (Notes 7 and 13)	**726,561,465**	450,046,517
Other current assets (Note 8)	**139,897,264**	84,306,950
Total Current Assets	**1,881,168,938**	1,907,608,471
Noncurrent Assets		
Investment properties (Note 9)	**56,701,820,094**	59,804,160,247
Other noncurrent asset (Note 8)	**132,496,465**	11,317,680
Total Noncurrent Assets	**56,834,316,559**	59,815,477,927
	₱58,715,485,497	₱61,723,086,398
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 10 and 13)	**₱782,639,173**	₱337,364,338
Deposits and other current liabilities (Note 11)	**392,287,718**	178,834,639
Total Current Liabilities	**1,174,926,891**	516,198,977
Noncurrent Liabilities		
Lease liability (Note 18)	**257,365,719**	247,640,807
Deposits and other noncurrent liabilities (Note 11)	**825,271,173**	925,040,450
Total Noncurrent Liabilities	**1,082,636,892**	1,172,681,257
Total Liabilities	**2,257,563,783**	1,688,880,234
Equity (Note 12)		
Capital stock	**10,726,804,330**	9,948,997,197
Additional paid-in capital	**54,125,177,627**	49,022,762,831
Retained earnings (Deficit)	**(8,394,060,243)**	1,062,446,136
Total Equity	**56,457,921,714**	60,034,206,164
	₱58,715,485,497	₱61,723,086,398

See accompanying Notes to Financial Statements.

RL COMMERCIAL REIT, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Rental income (Notes 13, 14, 17 and 18)	**₱4,494,005,288**	₱1,731,008,218	₱–
Income from dues (Note 14)	**877,656,456**	328,937,576	–
Income from dues - net (Note 15)	**64,323,284**	22,139,614	–
	5,435,985,028	2,082,085,408	–
FAIR VALUE CHANGE IN INVESTMENT PROPERTIES			
Increase (Decrease) in fair value of investment properties (Note 9)	**(9,801,940,918)**	113,634,885	–
Straight-line adjustments (Note 14)	**(155,916,060)**	(103,965,874)	–
Lease commissions (Note 9)	**(17,948,231)**	(4,111,896)	–
	(9,975,805,209)	5,557,115	–
Other income (Note 16)	**42,633,147**	281,172	–
	(4,497,187,034)	2,087,923,695	–
COSTS AND EXPENSES			
Direct operating costs (Note 17)	**686,381,076**	277,486,208	–
General and administrative expenses (Note 17)	**373,182,257**	127,533,110	18,950
Interest expense on lease liability (Note 18)	**9,724,913**	3,952,208	–
	1,069,288,246	408,971,526	18,950
INCOME (LOSS) BEFORE INCOME TAX	**(5,566,475,280)**	1,678,952,169	(18,950)
PROVISION FOR INCOME TAX (Note 19)	**(2,811,858)**	–	–
NET INCOME (LOSS) / TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱5,569,287,139)**	₱1,678,952,169	(₱18,950)
Basic/Diluted Earnings (Loss) Per Share (Note 21)	**(₱0.544)**	₱0.404	(₱0.003)

See accompanying Notes to Financial Statements.

RL COMMERCIAL REIT, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital Stock (Notes 12 and 24)	**Additional Paid-in Capital** (Notes 12 and 24)	**Retained Earnings (Deficit)** (Note 12 and 25)	**Total**
		For the Year Ended December 31, 2022		
Balances at January 1, 2022	**₱9,948,997,197**	**₱49,022,762,831**	**₱1,062,446,136**	**₱60,034,206,164**
Net loss/ Total comprehensive loss	–	–	**(5,569,287,139)**	**(5,569,287,139)**
Collection of subscription receivable (Note 12)	–	–	–	–
Issuance of shares of stock (Notes 12 and 24)	**777,807,133**	**5,110,192,867**	–	**5,888,000,000**
Stock issuance costs (Note 12)	–	**(7,778,071)**	–	**(7,778,071)**
Cash dividends (Note 12)	–	–	**(3,887,219,240)**	**(3,887,219,240)**
Balances at December 31, 2022	**₱10,726,804,330**	**₱54,125,177,627**	**(₱8,394,060,243)**	**₱56,457,921,714**
		For the Year Ended December 31, 2021		
Balances at January 1, 2021	₱6,250,000	₱–	₱331,793	₱6,581,793
Net income/ Total comprehensive income	–	–	1,678,952,169	1,678,952,169
Collection of subscription receivable (Note 12)	18,750,000	–	–	18,750,000
Issuance of shares of stock (Notes 12 and 24)	9,923,997,197	49,122,002,803	–	59,046,000,000
Stock issuance costs (Note 12)	–	(99,239,972)	–	(99,239,972)
Cash dividends (Note 12)	–	–	(616,837,826)	(616,837,826)
Balances at December 31, 2021	₱9,948,997,197	₱49,022,762,831	₱1,062,446,136	₱60,034,206,164
		For the Year Ended December 31, 2020		
Balances at January 1, 2020	₱6,250,000	₱–	₱350,743	₱6,600,743
Net loss / Total comprehensive loss	–	–	(18,950)	(18,950)
Balances at December 31, 2020	₱6,250,000	₱–	₱331,793	₱6,581,793

See accompanying Notes to Financial Statements.

RL COMMERCIAL REIT, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021 (As restated, Note 24)	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱5,566,475,281)**	₱1,678,952,169	(₱18,950)
Adjustments for:			
Fair value change in investment properties (Note 9)	**9,975,805,209**	(5,557,115)	–
Depreciation (Notes 9 and 17)	**29,351,882**	12,142,834	–
Interest expense (Notes 17 and 18)	**9,724,913**	3,952,207	–
Interest income (Note 6)	**(14,059,314)**	–	–
Operating income before working capital changes	**4,434,347,409**	1,689,490,095	(18,950)
Changes in operating assets and liabilities:			
Increase in:			
Receivables	**(432,431,008)**	(547,430,598)	–
Other current assets	**(55,629,417)**	(84,306,950)	–
Increase (decrease) in:			
Accounts and other payables	**640,774,683**	260,594,832	(35,983)
Deposits and other liabilities	**(99,764,277)**	1,176,532,700	–
Cash generated from (used in) operations	**4,487,297,390**	2,494,880,079	(54,933)
Interest received	**14,059,314**	–	–
Income tax paid	**(2,811,858)**	–	–
Net cash flows provided by (used in) operating activities	**4,498,544,846**	2,494,880,079	(54,933)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment properties (Note 9)	**(840,913,545)**	(110,562,359)	–
Increase in other noncurrent assets	**(121,178,785)**	(313,734,918)	–
Net cash flows used in investing activities	**(962,092,330)**	(424,297,277)	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends (Note 12)	**(3,887,219,240)**	(616,837,826)	–
Payment of stock issuance costs (Note 12)	**(7,778,071)**	(99,239,972)	–
Collection of subscription receivable (Note 12)	**–**	18,750,000	54,933
Net cash flows provided by (used in) financing activities	**(3,894,997,311)**	(697,327,798)	54,933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(358,544,795)**	1,373,255,004	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,373,255,004**	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,014,710,209**	₱1,373,255,004	₱–

See accompanying Notes to Financial Statements.

1. **Corporate Information**

RL Commercial REIT, Inc. (formerly Robinsons Realty and Management Corporation) (RCR or the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 16, 1988 primarily to acquire by purchase, lease or otherwise, and to own, develop, sell, mortgage, lease, and hold for investment or otherwise, real estate of all kinds. It is a wholly owned subsidiary of Robinsons Land Corporation (RLC or Parent Company), while JG Summit Holdings, Inc. (JGSHI) is the Ultimate Parent Company.

On April 15, 2021, the Board of Directors (BOD) and stockholders of the Company approved the amendments to the Company's Articles of Incorporation (AOI) resulting to the: (a) change in corporate name to RL Commercial REIT, Inc.; (b) change in primary purpose to engage in the business of real estate investment trust, as provided under Republic Act no. 9586 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations ('the REIT Act'), and other applicable laws; (c) change in principal office address from Level 2, Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City to 25F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Brgy. San Antonio, Ortigas Center, Pasig City; and (d) increase in authorized capital stock from One Hundred Million Pesos (₱100,000,000), divided into One Hundred Million (100,000,000) common shares with par value of One Peso (₱1.00) per share, to Thirty-Nine Billion Seven Hundred Ninety-Five Million Nine Hundred Eighty-Eight Thousand Seven Hundred Thirty-Two (39,795,988,732) shares with par value of One Peso (₱1.00) per share.

Further, a Comprehensive Deed of Assignment was executed between the Company and RLC on April 15, 2021 for the assignment, transfer, and conveyance by RLC of several properties (RLC REIT Properties) (the Assigned Properties) to the Company in the form of buildings and condominium units, excluding the land wherein the buildings and the condominium units are situated, with an aggregate gross area of Three Hundred Sixty-Five Thousand Three Hundred Twenty-Nine and Eighty-One Hundredths (365,329.81) square meters and with a total value of Fifty-Nine Billion Forty-Six Million Pesos (₱59,046,000,000) (see Note 24) in exchange for the issuance of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three (9,923,997,183) shares of the Assigned Properties at One Peso (₱1.00) per share with an aggregate par value of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three Pesos (₱9,923,997,183), with the remaining amount of Forty-Nine Billion One Hundred Twenty-Two Million Two Thousand Eight Hundred Seventeen Pesos (₱49,122,002,817) being treated as additional paid-in capital without issuance of additional shares (the Property-for-Share Swap). Ownership of the land on which the Assigned Properties are situated shall remain with RLC.

The Assigned Properties consisted of: (i) the buildings and related immovable property in respect of Cyberscape Alpha, Cyberscape Beta, Tera Tower, Cyber Sigma, Exxa-Zeta Tower, Robinsons Cybergate Cebu, Robinsons Galleria Cebu, Robinsons Place Luisita 1, Cybergate Naga and Cybergate Delta 1 (the Buildings); and (ii) 96 condominium units in Robinsons Equitable Tower and 31 condominium units in Robinsons Summit Center (Condominium Units).

Robinsons Cybergate 2 and Robinsons Cybergate 3 properties were not included in the Assigned Properties since these will not be transferred to the Company. The lease agreements between the Company and RLC for these properties were executed on July 16, 2021.

On August 2, 2021, SEC approved the amendments to the Company's AOI and the Property-for-Share Swap. The Property-for-Share Swap was accounted for by the Company as an acquisition asset as it did not constitute a business combination.

Subsequent to the approval of the increase in authorized capital stock by the SEC, fourteen (14) shares were issued to the directors of the Company.

Starting from the SEC's approval of AOI and the Property-for-Share Swap, RL Fund Management, Inc. (RFMI) and RL Property Management, Inc. (RPMI) handled the fund management and property management functions of the Company (see Note 13). The accounting and administrative functions of the Company were being performed by the employees of RLC prior to SEC approval.

On September 14, 2021, the Company completed its initial public offering, and its common shares were listed and currently traded in the Philippine Stock Exchange (PSE) as a Real Estate Investment Trust (REIT) entity.

On March 8, 2022, the Company entered into a Deed of Sale with RLC for the acquisition of Robinsons Cybergate Bacolod for Seven Hundred Thirty-Four Million Pesos (₱734,000,000), exclusive of value-added tax. Robinsons Cybergate Bacolod is the 15th asset acquired by RCR. It is located in Bacolod City, Negros Occidental with gross leasable area of 10,367 sqm.

On April 20, 2022, RCR entered into a Deed of Assignment with RLC for the acquisition of Robinsons Cyberscape Gamma for Five Billion Eight Hundred Eighty-Eight Million Pesos (₱5,888,000,000), exclusive of value-added tax. Robinsons Cyberscape Gamma is the 16th asset acquired by RCR. It is located in Pasig City, Metro Manila with gross leasable area of 44,797 sqm.

On August 15, 2022, Securities and Exchange Commission (SEC) has issued its approval of the valuation of Gamma in the amount of Five Billion Eight Hundred Eighty-Eight Million Pesos (₱5,888,000,000) to be applied as payment for the additional issuance of 777,807,133 common shares at par value of ₱1.00 each from unissued portion of the present authorized capital stock with additional paid-in capital of Five Billion One Hundred Ten Million One Hundred Ninety Two Thousand Eight Hundred Sixty Seven Pesos (₱5,110,192,867).

As a REIT entity, the Company is entitled to the following: (a) not subject to 2% minimum corporate income tax (MCIT); (b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares; (c) deductibility of dividend distribution from its taxable income; and (d) fifty percent (50%) of the standard DST rate on the transfer of real property into the Company, including the sale or transfer of any and all security interest thereto, provided they have complied with the requirements under Republic Act (RA) No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

The Company's principal executive office is located at 25F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Brgy. San Antonio, Ortigas Center, Pasig City.

The financial statements of the Company as of December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 were authorized for issue by the BOD on March 28, 2023.

2. Basis of Preparation

Basis of Preparation
The financial statements of the Company have been prepared on a historical cost basis, except for investment properties that have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption the following new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *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, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of 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.

- Amendments to 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 amendments are not applicable to the Company since it has no property and equipment.

- Amendments to PAS 37, *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.

- *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 in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *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.

  - 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.

<u>Standards Issued but not yet Effective</u>
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 financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023
- Amendments to PAS 1 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.

- Amendments to PAS 8, *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.

- Amendments to PAS 12, *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.

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - 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, 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

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, *Insurance Contracts*. 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. The new standard is not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *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 and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the 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 amendments are not applicable to the Company since it has no subsidiaries, associates and joint ventures.

4. Summary of Significant Accounting Policies

Revenue Recognition
The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent. *Income from dues*

Income from dues are recognized when the CUSA and air-conditioning services are rendered. CUSA and air-conditioning charges are computed based on rates stated in the executed contract of lease multiplied by the gross leasable area occupied by the tenant.

Income from dues - net
Income from dues - net are recognized when the related services are rendered. CUSA and air-conditioning services in excess of actual charges and consumption are recorded as revenue. Income from dues is presented net of related costs and expenses.

Other income
Other income is recognized when the related services have been rendered and the right to receive payment is established.

Disaggregated revenue information
The non-lease component of the Company's revenue arises from income from CUSA, air-conditioning dues and utilities. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted air-conditioning and utility services such as water and electricity (see Note 14).

Allocation of transaction price to performance obligation
Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

Timing of revenue recognition
Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

Income outside the scope of PFRS 15

Rental income
The Company's investment properties are leased out to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Rental income is not recognized when the Company waives its right to collect rent and other charges under a lease concession. This is recognized as a rent concession and reported as a variable payment in the Company's statement of comprehensive income (see Note 14).

Costs and Expenses
Costs and expenses are recognized in the statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases
The Company assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of the asset and whether the Company has the right to direct the use of the asset.

The Company as lessor - operating lease
Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are capitalized as a leased asset and subsequently expensed through change in fair value of the leased asset. Contingent rents are recognized as revenue in the period in which they are earned.

The Company as lessee - operating lease
Except for short-term leases and leases of low-value assets, the Company recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee.

Right-of-use asset
The Company recognizes ROU asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of ROU asset includes the amount of lease liability recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the remaining lease term.

ROU asset is subject to impairment. Refer to the accounting policies on impairment of nonfinancial assets section.

Lease liability
At the commencement date of the lease, the Company recognizes lease liability 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.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the commencement date if the interest rate implicit to the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is 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 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.

Short-term leases
The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Current and Noncurrent Classification
The Company presents assets and liabilities in the statements of financial position based on a current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

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;
- Is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and cash equivalents
Cash includes cash in bank. Cash in bank is stated at face amount and earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at its transaction price.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that passes the 'solely payments of principal and interest' on the principal amount outstanding (SPPI criterion). This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

<u>Financial assets at amortized cost (debt instruments)</u>
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash in bank and receivables.

The Company has no financial assets under FVOCI with or without recycling and FVTPL categories.

Financial liabilities

<u>Initial recognition and measurement</u>
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables (excluding taxes payables), lease liability and security deposits.

<u>Subsequent measurement</u>
The measurement of financial liabilities depends on their classification, as described below:

<u>Loans and borrowings</u>
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to accounts and other payables, deposits and other liabilities.

The Company does not have any outstanding loans and borrowings as of December 31, 2022 and 2021.

Derecognition of Financial Instruments

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of group of similar financial assets) is primarily derecognized when (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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 an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit loss (ECL) 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 EIR. 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.

For cash in bank, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy is to measure ECLs on such instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from a reputable credit rating agency to determine whether the debt instrument has significantly increased credit risk and to estimate 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 for trade receivables 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 since security deposits are equivalent to 90 days which are paid at the start of the lease term which will cover any defaults. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value 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 to 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 market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair Value Hierarchy
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: - quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: - valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Customers' Deposits

Deposits from lessees
Deposits from lessees which includes security deposits that are initially at fair value. After initial recognition, customers' deposits are subsequently measured at amortized cost using EIR method.

The difference between the cash received and its fair value is deferred (included in the 'Deposits and other liabilities' in the statement of financial position), and amortized on a straight-line basis over the lease term. Amortization of deferred credits and accretion of discount are recorded in profit or loss under 'Rental income' and 'Interest expense' account, respectively.

Other Assets
Other assets include prepaid taxes, creditable withholding taxes and others.

Prepaid taxes
Prepaid taxes are carried at cost less the amortized portion.

Creditable withholding taxes
Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

Other assets
Other assets are carried at costs less impairment losses, if any.

Value-added Tax (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 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 statement of financial position to the extent of the recoverable amount.

The net amount of VAT payable to taxation authority is included as part of 'Accounts and other payables' in the statements of financial position.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Company. Investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property. The fair value of investment properties is determined using income approach by an external valuer. Gains or losses arising from changes in the

fair value of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. The fair value reported in the financial statements is reduced by the application of the straight-line method of recognizing rental income and lease commissions.

The Company's investment properties consist mainly of office properties.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

For transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the property and equipment policy up to the date of change in use.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that the Company's investment properties, ROU asset, other current assets and other noncurrent asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognized in the statement of comprehensive income 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 losses may no longer exist or may have decreased. If any such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the assets in prior periods, such reversal is recognized in the statement of comprehensive income.

Equity

Capital stock and additional paid-in capital (APIC)

Capital stock 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.

When the shares are sold at premium, the difference between the proceeds at the par value is credited to APIC. Direct costs incurred related to equity issuance are chargeable to APIC. If APIC is not sufficient, the excess is charged against retained earnings.

Stock issuance costs
Stock issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as deduction, net of tax, from the proceeds. Costs that relate to the new stock market listing, or otherwise are not incremental costs directly attributable to issuing new share, are recorded as expense in the statement of comprehensive income.

Retained earnings
Retained earnings represent accumulated earnings of the Company, net of dividend distributions, if any.

Income Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or 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
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- When 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
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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 income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all as part of the deferred tax and to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Incentive Under REIT Law
The Company is granted an exemption under the REIT Law provided that it meets certain conditions (e.g., distribution of minimum required earning equivalent to at least 90% of distributable income).

Under the tax incentive scheme, the Company can choose to operate within one or two tax regimes (a "full tax" regime or a "no tax" regime) depending on whether profits are retained or distributed.

The Company availed of the tax-free incentive and no deferred taxes have been recognized on temporary differences.

Earnings (Loss) Per Share (EPS)
Basic EPS is calculated by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is computed by dividing net income attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

Net Asset Value Per Share (NAV)
The NAV is calculated by dividing NAV by the total outstanding shares of the Company. The NAV is the total assets and investible funds held by the Company less total liabilities (see Note 12).

Segment Reporting
The Company's lease operation is its reportable segment. Financial information on business segment is presented in Note 22 to the financial statements.

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.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

5. Summary of Significant Accounting Estimates, Judgments and Assumptions

The preparation of the accompanying financial statements in compliance with PFRSs requires management to make judgment and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

The effects of any change in judgments and estimates are reflected in the financial statements, as they become reasonably determinable. Actual results could differ from such estimates.

Judgments and estimates are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Principal versus agent considerations
For the benefit of the lessee, contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent, for the benefit of the lessee, because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the Buildings, the Company acts as a principal, for the benefit of the lessee, because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion, for the benefit of the lessee, on how to price the CUSA and air-conditioning charges.

For the provision of CUSA and air conditioning of the Condominium Units, the Company, for the benefit of the lessee, acts as an agent because the promise of the Company to the tenants is to arrange for the CUSA and air-conditioning services to be provided by the condominium corporations. The condominium corporations, and not the Company, are primarily responsible for the provisioning of the CUSA and air-conditioning charges. The price is based on the actual rate charged by the condominium corporations plus a certain percentage mark-up as administration charges.

Operating lease commitments - Company as lessor
The Company has entered into office property leases on its investment property portfolio. Based on an evaluation of the terms and conditions of the arrangements, the Company has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. In determining significant risks and benefits of ownership, the Company considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset.

A number of the Company's operating lease contracts are accounted for as noncancelable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Company considers, among others, the significance of the penalty, including the economic consequence to the lessee (see Note 18).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liability. 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 ROU 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 an entity that does 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 entity'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 entity's stand-alone credit rating).

The Company's lease liability amounted to ₱257.37 million and ₱247.64 million as of December 31, 2022 and 2021 respectively.

Provision for expected credit losses of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, 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 amount of ECLs is sensitive to changes in circumstances including COVID-19 impact and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The carrying value of the Company's receivables amounted to ₱726.56 million and ₱450.05 million as of December 31, 2022 and 2021 respectively (see Note 7).

Impairment of nonfinancial assets
The Company assesses impairment on its nonfinancial assets (i.e., investment properties and other assets) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results; and,
- Significant negative industry or economic trends including the impact of COVID-19.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the nonfinancial assets. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect the carrying amount of the assets.

The carrying values of the Company's investment properties, ROU asset, other current assets and other noncurrent asset as of December 31, 2022 and 2021 are disclosed in Notes 8 and 9. No impairment was recognized for the Company's nonfinancial assets.

Fair value determination of investment properties
The Company measures its investment properties using the fair value method. The Company engages an external valuer to determine the fair value. The external valuer determines the fair value of the Company's investment properties through the Income Approach using the discounted cash flow model which is a method where the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value.

Investment properties amounted to ₱59,701.82 million and ₱59,804.16 million as of December 31, 2022 and 2021, respectively. Fair value change recognized in 2022 amounted to ₱9,801.94 million (₱113.63 million in 2021) (see Note 9).

6. Cash and cash equivalents

This account consists of:

	2022	2021
Cash in bank and on hand	**₱414,710,209**	₱1,373,255,004
Short-term investments	**600,000,000**	–
	₱1,014,710,209	₱1,373,255,004

Cash in bank earns interest at the prevailing bank deposit rates.

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the company, and earns interest at the prevailing short-term investment rates ranging from 0.57% to 5.50% for the year ended December 31, 2022.

Interest earned from cash in bank and short-term investments for the year ended December 31, 2022 amounted to ₱14.06 million (nil for the year ended December 31, 2021).

There is no restriction on the Company's cash as of December 31, 2022 and 2021.

7. Receivables

This account consists of:

	2022	2021
Trade receivables (Notes 13 and 14)	**₱420,641,226**	₱348,517,131
Receivable from a related party (Note 13)	**298,181,740**	101,459,386
Others	**7,738,499**	70,000
	₱726,561,465	₱450,046,517

Trade receivables represent billed monthly rentals and dues. These receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivable from a related party pertains to tenants' payments collected by RLC on behalf of the Company pursuant to the Comprehensive Deed of Assignment (see Note 1) and cash advances. These are due and demandable.

Others are composed of the receivables or claims of the Company from different utility providers, banks and insurance services.

Others pertain to noninterest bearing employee advances that are settled through payroll deduction or expense liquidation.

No provision for ECL was recognized in 2022, 2021 and 2020.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ('Bayanihan 1 Act') was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ('Bayanihan 2 Act'), was enacted. Under Bayanihan 2 Act, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2021, the Company, provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to retail tenants as a response to the effects of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables, including extension of payment terms.

Based on the Company's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore did not result in the derecognition of the affected financial assets.

8. Other Assets

Other Current Assets
This account consists of:

	2022	2021
Prepaid taxes	**₱88,441,545**	₱79,988,044
Creditable withholding taxes	**51,455,719**	4,318,906
	₱139,897,264	₱84,306,950

Prepaid taxes pertain to advance payments for real property taxes.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related receivable and are utilized as tax credits against income tax due.

Other Noncurrent Asset
Other noncurrent asset amounting to ₱132.50 million and ₱11.32 million as of December 31, 2022 and 2021, respectively, includes security deposits to Robinsons Land Corporation (RLC) in relation to lease agreements for the land on which the Company properties are situated, and to the amounts billed by Robinsons Equitable Tower Condominium Corporation (RETCC) to the Company which shall be used by RETCC for the defrayment of its capital expenditures.

9. **Investment Properties**

This account consists of:

	2022		
	Building and Building Improvements	**Right-of-Use Assets** (Note 18)	**Total**
Cost			
Balance at beginning of year	**₱59,270,197,244**	**₱546,105,837**	**₱59,816,303,081**
Additions	**6,728,952,646**	**–**	**6,728,952,646**
Fair value change	**(9,801,940,918)**	**–**	**(9,801,940,918)**
Balance at end of year	**56,197,208,972**	**546,105,837**	**56,743,314,809**
Accumulated Depreciation			
Balance at beginning of year	**–**	**12,142,833**	**12,142,833**
Depreciation (Note 17)	**–**	**29,351,882**	**29,351,882**
Balance at end of year	**–**	**41,494,715**	**41,494,715**
Net Book Value	**₱56,197,208,972**	**₱504,611,122**	**₱56,701,820,094**

	2021		
	Building and Building Improvements	Right-of-Use Assets (Note 18)	Total
Cost			
Balance at beginning of year	₱–	₱–	₱–
Additions	59,156,562,359	546,105,837	59,702,668,196
Fair value change	113,634,885	–	113,634,885
Balance at end of year	59,270,197,244	546,105,837	59,816,303,081
Accumulated Depreciation			
Balance at beginning of year	–	–	–
Depreciation (Note 17)	–	12,142,834	12,142,834
Balance at end of year	–	12,142,834	12,142,834
Net Book Value	₱59,270,197,244	₱533,963,003	₱59,804,160,247

On April 15, 2021, the Company and RLC executed a Comprehensive Deed of Assignment wherein RLC assigns, transfers, and conveys several properties to the Company in the form of buildings and condominium units, excluding the land wherein the buildings and the condominium units are situated, with a total value of ₱59,046.00 million in exchange for shares (see Note 24).

On March 8, 2022, the Company entered into a Deed of Sale with RLC for the acquisition of Robinsons Cybergate Bacolod for ₱734.00 million.

On April 20, 2022, RCR entered into a Deed of Assignment with RLC for the acquisition of Robinsons Cyberscape Gamma valued at ₱5,888.00 million in exchange for shares (see Note 24).

Additions include initial direct costs pertaining to transfer taxes and maintenance capital expenditures amounting to ₱106.95 million and ₱110.56 million in December 31, 2022 and 2021, respectively.

Investment properties consist mainly of office buildings that are held to earn rentals. The aggregate fair value of the Company's investment properties as of December 31, 2022 and 2021 amounted to ₱56,701.82 million and ₱59,804.16 million, respectively. The fair values of the investment properties were determined by independent professionally qualified appraisers and exceeded their carrying costs.

The following table provides the fair value hierarchy of the Company's investment properties as of December 31, 2022 and 2021:

			Fair value measurement using		
	Date of valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investment properties	**December 31, 2022**	**₱56,701,820,094**	**₱–**	**₱–**	**₱56,701,820,094**

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	December 31, 2021	₱59,804,160,247	₱–	₱–	₱59,804,160,247

The fair values of the investment properties were measured through income approach using the discounted cash flow analysis. This approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the subject properties.

The fair values of the investment properties are sensitive to unobservable inputs such as rental income growth rate and discount rate.

Rental income derived from investment properties amounted to ₱4,494.01 million for the year ended December 31, 2022 and ₱1,731.01 million for the year ended December 31, 2021 (see Note 14).

Property operations and maintenance costs arising from investment properties amounted to ₱686.38 million for the year ended December 31, 2022 and ₱277.49 million for the year ended December 31, 2021 (see Note 17).

There are no investment properties as of December 31, 2022 and 2021 that are pledged as security to liabilities. The Company has no restrictions on the realizability of its investment properties. Except for contracts awarded, there are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

10. Accounts and Other Payables

This account consists of:

	2022	2021
Accounts payable (Note 13)	**₱171,491,316**	₱179,507,108
Accrued expenses	**549,667,689**	82,608,096
Taxes payable	**61,480,169**	75,249,134
	₱782,639,173	₱337,364,338

Accounts payable mainly pertains to unpaid billings from RPMI and RFMI related to management fees (see Notes 13 and 17). These are noninterest bearing and are due and demandable.

Accrued expenses include accruals for utilities, repairs and maintenance and other expenses which are yet to be billed by the contractors and providers. These are noninterest bearing and are normally settled within one year.

Taxes payable consists of amounts payable to taxing authority pertaining to output taxes, expanded withholding taxes and documentary stamp taxes.

11. Deposits and Other Liabilities

This account consists of:

	2022	2021
Deposits from lessees	**₱922,006,287**	₱840,876,871
Unearned rental income	**198,054,668**	152,764,530
Deferred credits	**97,497,936**	110,233,688
	1,217,558,891	1,103,875,089
Less current portion	**392,287,718**	178,834,639
	₱825,271,173	₱925,040,450

The current portion of these accounts follows:

	2022	2021
Deposits from lessees	**₱240,819,974**	₱106,646,344
Unearned rental income	**101,501,030**	41,931,124
Deferred credits	**49,966,714**	30,257,171
	₱392,287,718	₱178,834,639

Deposits from lessees

Deposits from lessees represent deposits received from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and refunded to the lessee at the end of the lease term.

The rollforward analysis of deposits from lessees in 2022 and 2021 follows:

	2022	2021
Gross Amount		
Balance at beginning of year	**₱951,996,306**	₱–
Additions	**69,638,532**	951,996,306
Balance at end of year	**1,021,634,838**	951,996,306
Unamortized Discount		
Balance at beginning of year	**111,119,435**	–
Additions	**16,337,569**	122,993,449
Accretion (Note 17)	**(27,828,453)**	(11,874,014)
Balance at end of year	**99,628,551**	111,119,435
Net Amount	**922,006,287**	840,876,871
Less current portion	**240,819,974**	106,646,344
	₱681,186,313	₱734,230,527

Unearned rental income
Unearned rental income represent cash received in advance representing three (3) months' rent which will be applied to the last three (3) months' rentals on the related lease contracts.

Simultaneous with the SEC approval of the Property-for-Share Swap on August 2, 2021, RLC transferred to the Company the deposits from lessees and unearned rental income related to the leased properties amounting to ₱947.14 million and ₱167.35 million, respectively.

Deferred credits
Deferred credits pertain to the difference between the nominal value of the deposits from lessees and their fair values. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward analysis of deferred credits in 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	**₱110,233,688**	₱–
Additions	**16,337,570**	122,993,449
Amortization (Note 17)	**(29,073,322)**	(12,759,761)
Balance at end of year	**97,497,936**	110,233,688
Less current portion	**49,966,714**	30,257,171
	₱47,531,222	₱79,976,517

12. **Equity**

The details of the Company's common shares as of December 31, 2022 and 2021 follow:

	2022		2021	
	Shares	**Amount**	Shares	Amount
Authorized - at ₱1 par value				
Balances at beginning of year	**39,795,988,732**	**₱39,795,988,732**	100,000,000	₱100,000,000
Increase in authorized capital stock (a)	**-**	**-**	39,695,988,732	39,695,988,732
Balances at end of year	**39,795,988,732**	**39,795,988,732**	39,795,988,732	₱39,795,988,732
Issued and outstanding				
Balances at beginning of year	**9,948,997,197**	**₱9,948,997,197**	6,250,000	₱6,250,000
Collection of subscription receivable (b)	**-**	**-**	18,750,000	18,750,000
Issuance of new shares (a)	**777,807,133**	**777,807,133**	9,923,997,197	9,923,997,197
Balances at end of year	**10,726,804,330**	**₱10,726,804,330**	9,948,997,197	₱9,948,997,197
NAV per share		**₱5.26**		₱6.03

(a) On April 15, 2021, the BOD and stockholders of the Company approved the increase in its authorized capital stock from One Hundred Million Pesos (₱100,000,000), divided into One Hundred Million (100,000,000) common shares with par value of One Peso (₱1.00) per share, to Thirty-Nine Billion Seven Hundred Ninety-Five Million Nine-Hundred Eighty-Eight Thousand Seven Hundred Thirty-Two (39,795,988,732) shares with par value of One Peso (₱1.00) per share. On August 2, 2021, the SEC approved the increase in authorized capital stock.

On April 20, 2022, the second property-for-share swap transaction of the Company with Robinsons Land Corporation (RLC) has been consummated through the execution of a Deed of Assignment relating to the infusion of Robinsons Cyberscape Gamma. This asset is valued at ₱5,888.00 million in exchange for Seven Hundred Seventy-Seven Million Eight hundred Seven Thousand One Hundred Thirty-Three (777,807,133) primary common shares. On August 15, 2022, the SEC approved property-for-share swap transactions (Note 24).

(b) In 2021, the Company received a total of ₱18.75 million from RLC representing its payment for its unpaid subscription. Accordingly, a total of Eighteen Million Seven Hundred Fifty Thousand (18,750,000) shares were issued.

Initial Public Offering (IPO)
On August 3, 2021, the SEC rendered effective the Company's REIT Plan and the registration of its 9,948,997,197 common shares.

On August 9, 2021, the PSE approved the application of the Company for the initial listing of its 9,948,997,197 common shares under the Main Board of the PSE, to cover the Company's IPO.

The Company was listed on the Main Board of the PSE on September 14, 2021 at an initial listing price of ₱6.45 per share.

Additional Paid-In Capital (APIC)
The Company recorded APIC amounting to ₱49,022.76 million, net of stock issuance costs. The Company incurred transaction costs incidental to the IPO that are directly attributable to the issuance or subscription of new shares amounting to ₱99.24 million in 2021.

In 2022, the addition of APIC amounting to ₱5,110.19 million relates to the Robinsons Cyberscape Gamma infusion into the Company.

Dividend Declaration
After reconciling items, the Company has retained earnings available for dividend declaration amounting to ₱1,287.48 million as of December 31, 2022.

On February 4, 2022, the Company's BOD approved the declaration of cash dividends of ₱0.092 per outstanding common share to stockholders on record date as of February 18, 2022. The cash dividend was paid on February 28, 2022.

On May 10, 2022, the Company's BOD approved the declaration of cash dividends for calendar year 2022 covering the period January 1 to March 31, 2022 at ₱0.0965 per outstanding common share to stockholders on record date as of May 26, 2022. The cash dividend was paid on May 31, 2022.

On August 10, 2022, the Company's BOD approved the declaration of cash dividends for calendar year 2022 covering the period April 1 to June 30, 2022 at ₱0.0972 per outstanding common share to stockholders on record date as of August 23, 2022. The cash dividend was paid on August 31, 2022.

On November 8, 2022, the Company's BOD approved the declaration of cash dividends for calendar year 2022 covering the period July 1 to September 30, 2022 at ₱0.0974 per outstanding common share to stockholders on record date as of November 22, 2022. The cash dividend was paid on November 29, 2022.

Capital Management
The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Company's sources of capital include all the components of equity totaling ₱56,457.92 million and ₱60,034.21 million as of December 31, 2022 and 2021, respectively.

The Company is subject to external capital requirement as a REIT to have a minimum paid-up capital of ₱300.00 million in compliance with Republic Act No. 9856 and implementing rules and regulations of REIT Act of 2009.

13. Related Party Transactions

Related party transactions are made under the normal course of business. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Affiliates are entities that are owned and controlled by the Ultimate Parent Company and neither a subsidiary nor associate of the Company. These affiliates are effectively sister companies of the Company by virtue of ownership of the Ultimate Parent Company. Related parties may be individuals or corporate entities. Unless otherwise stated transactions are generally settled in cash.

The amounts and balances arising from significant related party transactions are as follows:

	2022			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Ultimate Parent Company				
Rental income/receivable (a)	**₱39,921,238**	**₱14,740,199**	**Three to five-year lease terms at prevailing market lease rates; renewable at the end of lease term**	**Unsecured; no impairment**
Under common control of Ultimate Parent Company				
Rental income/receivable (a)	**₱410,559,580**	**₱119,563,231**	**Three to five-year lease terms prevailing market lease rates; renewable at the end of lease term**	**Unsecured; no impairment**
Parent Company				
Rental income/receivable (a)	**₱288,223,662**	**₱17,143,605**	**Three to five-year lease terms prevailing market lease rates; renewable at the end of lease term**	**Unsecured; no impairment**
Parent Company				
Related party receivable (Note 7)	**₱196,722,354**	**₱298,181,740**	**Noninterest bearing; due and demandable**	**Unsecured; no impairment**

(Forward)

	2022			
	Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Parent Company				
Rent expense/payable (Note 18)	**₱211,722,256**	**(₱61,418,021)**	**Noninterest bearing; due and demandable**	**Unsecured**
Under common control of Parent Company				
Management fees/accounts payable (b)	**₱455,237,379**	**(₱126,932,924)**	**Noninterest bearing; due and demandable**	**Unsecured**
Under common control of Ultimate Parent Company				
Cash in bank (Note 6)	**₱414,409,684**	**₱–**	**Interest bearing**	**Unsecured; no impairment**
Short-term investments (Note 6)	**600,000,000**	–		
Interest Income	**14,059,314**			

	2021			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Under common control of Ultimate Parent Company				
Rental income/receivable (a)	₱171,465,677	₱99,463,184	Three to five-year lease terms at prevailing market lease rates; renewable at the end of lease term	Unsecured; no impairment
Parent Company				
Rental income/receivable (a)	₱42,010,017	₱13,935,823	Three to five-year lease terms at prevailing market lease rates; renewable at the end of lease term	Unsecured; no impairment
Parent Company				
Related party receivable (Note 7)	₱94,877,593	₱101,459,386	Noninterest bearing; due and demandable	Unsecured; no impairment
Parent Company				
Rent expense (Note 18)	₱76,424,470	₱–		
Under common control of Parent Company				
Management fees/accounts payable (b)	₱181,971,378	(₱127,386,814)	Noninterest bearing; due and demandable	Unsecured
Under common control of Ultimate Parent Company				
Cash in bank (Note 6)	₱1,373,240,004	₱–	Noninterest bearing	Unsecured; no impairment
Interest Income	4,020,713	-		

Significant transactions with related parties are as follows:

(a) Rental income

In 2022, the revenue generated from related party lessees amounted to ₱698.28 million (₱213.48 million in 2021).

The lease term generally ranges three (3) to five (5) years and the lease rates are based on prevailing market lease rates.

(b) Management fees

Management fees pertain to the amounts billed by RPMI and RFMI, entities both under common control of the Parent Company, pursuant to the Management Agreements entered into by the Company with RLC.

RPMI handles the property management functions of the Company starting September 14, 2021, in exchange for a fee equivalent to 3.00% of gross rental income for the year plus 2.00% of earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to Fund Manager and the Property Manager, provided that such fee shall not exceed 1.00% of the net asset value of the properties being managed. Fee is exclusive of VAT and is subjected for review every 5 years.

RFMI handles the fund management functions of the Company starting September 14, 2021, in exchange for a fee computed based on 0.10% of deposited property value and fair value of leasehold assets for the year plus 3.50% of EBITDA before deduction of fees payable to the Fund Manager and the Property Manager for the year plus 1.00% of acquisition price for every acquisition made plus 0.50% of the selling price for every property divested. Fee is exclusive of VAT and is subjected to review every 5 years.

The Company recognized management fees amounting to ₱455.24 million in 2022 (₱181.97 million in 2021).

Terms and Conditions of Transactions with Related Parties
Unless otherwise indicated, outstanding balances at yearend are unsecured and noninterest-bearing. There have been no guarantees provided or received for any related party receivables or payables. The Company has not recognized any impairment losses on amounts receivables from related parties for the year ended December 31, 2022 and 2021. This assessment is undertaken each financial period through a review of the financial position and operating cash flows of the related party and the market in which the related party operates.

There are no arrangements between the Company and any of its directors and key officers providing for benefits upon termination of employment.

14. Rental Income and Income from Dues

Rental income
This account consists of rental income in 2022 and 2021:

	2022	2021
Office, retail and parking spaces	**₱4,464,931,966**	₱1,718,248,457
Amortization of deferred credits (Note 11)	**29,073,322**	12,759,761
	₱4,494,005,288	₱1,731,008,218

Rental income from office, retail and parking includes income from the straight-line method of recognizing rental income amounting to ₱168.92 million for the year ended December 31, 2022 (₱109.21 million for the year ended December 31, 2021).

In 2022, the Company granted rent concessions to its tenants who were affected by the community quarantine imposed by the government amounting to ₱8.64 million and ₱50.02 million, respectively. These rent concessions did not qualify as lease modifications, thus, were accounted for as variable lease payments and reported as reduction of lease income in 2021.

Income from dues
Income from dues pertains to recoveries from tenants for the usage of common areas, air-conditioning services. This is presented gross of related costs and expenses.

Set out below is the disaggregation of the Company's revenue from income from dues or non-lease component in 2022 and in 2021:

	2022	2021
Income from dues:		
CUSA	**₱847,056,724**	₱319,999,414
Air-conditioning	**30,599,732**	8,938,162
	₱877,656,456	₱328,937,576

15. **Income from Dues - Net**

Income from dues - net pertain to CUSA and air-conditioning services of the Condominium Units where the Company determined that it is acting as an agent for these services (see Note 5). This account consists of the following in 2022 and 2021:

	2022	2021
Dues	**₱139,388,478**	₱52,654,823
Less direct costs	**(75,065,194)**	(30,515,209)
	₱64,323,284	₱22,139,614

16. **Other Income**

This account pertains to miscellaneous income earned from forfeitures and penalties charged to tenants for late payments, gain from insurance claims, and others. Other income amounted to ₱28.57 million and ₱0.28 million for the year ended December 31, 2022 and 2021, respectively.

17. **Costs and Expenses**

<u>Direct Operating Costs</u>
This account consists of the following in 2022 and 2021:

	2022	2021
Management fees (Notes 10 and 13)	**₱455,237,379**	₱181,971,378
Repairs and maintenance	**86,586,448**	25,057,069
Contracted services	**74,918,403**	26,645,501
Depreciation (Note 9)	**29,351,882**	12,142,834
Accretion of interest expense (Note 11)	**27,828,453**	11,874,014
Utilities - net (Note 5)	**12,458,511**	19,795,412
	₱686,381,076	₱277,486,208

Utilities - net pertains to net recoveries from tenants for the usage of light, water, diesel and other charges. Set out below is the disaggregation of the Company's utility dues billed to tenants in 2022 & 2021:

	2022	2021
Utility dues:		
Light	**₱752,632,061**	₱120,825,014
Water	**18,742,980**	4,828,217
Diesel and other charges	**504,804**	-
Costs:		
Light	**(760,065,588)**	(136,674,212)
Water	**(21,777,877)**	(7,234,534)
Diesel and other charges	**(2,494,891)**	(1,539,897)
	(₱12,458,511)	(₱19,795,412)

General and Administrative Expenses
This account consists of:

	2022	2021	2020
Rent expense (Note 18)	**₱211,722,256**	₱76,424,470	₱–
Taxes and licenses	**101,772,789**	34,292,734	500
Insurance expense	**23,825,740**	8,421,746	–
Professional fees	**4,537,939**	971,219	18,400
Supplies expense	**3,575,026**	928,794	–
Advertising and promotions	**1,791,369**	2,956,239	–
Communication	**359,031**	181,595	–
Others	**25,598,107**	3,356,313	50
	₱373,182,257	₱127,533,110	₱18,950

Others pertain to travel and transportation, bank charges, representation and entertainment, garbage fees and other expenses which are individually not material.

18. Lease Commitments and Contingencies

The Company as lessor - operating lease
The Company has entered into commercial property leases on its investment property portfolio. These noncancelable leases have remaining noncancelable lease terms of between one (1) and 10 years. All leases include a clause that enables upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum rentals receivable under noncancelable operating leases in 2022 and 2021 follows:

	2022	2021
Within one year	**₱4,006,440,217**	₱3,178,238,546
After one year but not more than five years	**7,779,378,367**	6,897,416,015
More than five years	**3,132,860,800**	2,816,981,746
	₱14,918,679,384	₱12,892,636,307

Total rent income amounted to ₱4,494.01 million for the year ended December 31, 2022 and ₱1,731.01 million for the year ended December 31, 2021 (see Note 14).

The Company as lessee - operating lease
Building and Land Lease Agreements with RLC
On July 16, 2021, the Company entered into long-term building lease agreements with RLC for the lease of the Robinsons Cybergate 1 and Robinsons Cybergate 2 and long-term land lease agreements for the lease of land where Cyberscape Alpha, Cyberscape Beta, Tera Tower, Exxa-Zeta Tower, Robinsons Cybergate Cebu, Robinsons Galleria Cebu, Robinsons Place Luisita 1, Cybergate Naga and Cybergate Delta 1 are situated.

These lease agreements are effective starting August 2, 2021 with lease terms up to ninety-nine (99) years and monthly rental fee equivalent to seven percent (7%) of the monthly rental income of the aforementioned properties.

Land Lease Agreement with BCDA
Simultaneous with the execution of Comprehensive Deed of Assignment (see Note 1), RLC assigned to the Company its rights, interests and obligations as a lessee including prepaid rent under the 25-year opening lease agreement it entered into with Bases Conversion and Development Authority (BCDA) in 2014 for a long-term lease of approximately 5,000 sqm parcel of land along Lawton Avenue, Bonifacio South, Taguig City where Cyber Sigma is currently located. The lease is payable at a fixed yearly rent of ₱50.00 million, subject to 3% annual escalation rate.

On August 2, 2021, RLC also transferred to the Company the remaining prepaid rent related to this lease agreement amounting to ₱302.42 million. Lease payment will commence in March 2031.

The rollforward analysis of lease liability in 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	**₱247,640,807**	₱–
Additions	**-**	243,688,599
Interest expense on lease liability	**9,724,913**	3,952,208
Balance at end of year	**₱257,365,719**	₱247,640,807

The following are the amounts recognized in the statements of comprehensive income in 2022 and 2021 from the above lease agreements as lessee:

	2022	2021
Depreciation of right-of-use asset (Notes 9 and 17)	**₱29,351,882**	₱12,142,834
Accretion of interest expense on lease liability	**9,724,913**	3,952,208
Total amounts recognized in the statement of comprehensive income	**₱39,076,795**	₱16,095,042

The undiscounted lease payments to be received in more than 5 years as of December 31, 2022 and 2021 amounted to ₱412.04 million, respectively.

19. **Income Tax**

For the year ended December 31, 2022 (nil in 2021 and 2020) provision for income tax represents final tax on interest income.

	2022	2021	2020
Provision for (benefit from) income tax at statutory income tax rate	**(₱1,391,618,820)**	₱419,738,042	(₱5,685)
Additions to (reductions in) income tax resulting from:			
Deductible dividends	**(1,004,711,901)**	(383,036,392)	–
Deductible expenses	**(137,344,127)**	(56,868,727)	–
Movements in unrecognized deferred tax assets	**2,539,445,406**	45,198,507	(1,286)
Stock issuance costs	**(1,944,518)**	(24,809,993)	–
Nontaxable income	**(7,268,330)**	(3,189,941)	–
Nondeductible interest expense	**6,957,113**	2,968,504	–
Expired NOLCO	**–**	–	6,971
Interest income subject to final tax	**(702,965)**		
	(₱2,811,858)	₱–	₱–

As of December 31, 2022 and 2021, the Company did not recognize deferred tax assets amounting to ₱180.49 million and ₱207.40 million, respectively, since management believes that sufficient taxable income will not be available to allow the carryforward benefits of deferred tax assets to be utilized.

The components of unrecognized deferred tax assets follow:

	2022	2021
Lease liability	**₱64,341,430**	₱61,910,202
Unearned rental income	**49,513,667**	38,191,133
NOLCO	**66,633,171**	107,293,839
	₱180,488,267	₱207,395,174

Bayanihan to Recover As One Act

On September 30, 2020, the BIR issued Revenue Regulations 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 a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2022	2023-2025	₱266,532,682	₱–	₱–	₱–	₱266,532,682
2021	2022-2026	429,120,423	–	–	–	429,120,423
2020	2021-2025	18,950	–	–	–	18,950
2019	2019-2022	35,983	–	35,983	–	–
		₱695,708,038	₱–	₱35,983	–	₱695,672,055

Corporate Recovery and Tax Incentives for Enterprises or CREATE Act
To attract more investments and maintain fiscal prudence and stability in the Philippines, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021.

Applying the provisions of the CREATE Act, there will be no significant changes in the Company's income tax provision.

Incentive Under REIT Law
The Company is granted an exemption under the REIT Law provided that it meets certain conditions (e.g., distribution of minimum required earning equivalent to at least 90% of distributable income).

Under the tax incentive scheme, the Company can choose to operate within one or two tax regimes (a "full tax" regime or a "no tax" regime) depending on whether profits are retained or distributed.

20. Financial Assets and Liabilities

Fair Value Information
Except for the Company's security deposits, which are disclosed below, the carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	December 31, 2022	
	Carrying value	**Fair value**
Security deposits	**₱922,006,287**	**₱861,230,080**

Fair Value Hierarchy
As of December 31, 2022 and 2021, the Company has no financial instrument measured at fair value. In 2022, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

The fair value of the Company's security deposits is categorized under Level 3 in the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as of December 31, 2022 and 2021 are shown below:

	Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of the input to fair value**
Security deposits	DCF method	Discount rate	2022: 1.20% to 6.68% 2021: 1.23% to 5.31%	Increase (decrease) in the discount would decrease (increase) the fair value

Financial Risk Management Objectives and Policies
The Company's principal financial instruments comprise of cash, receivables, accounts and other payables and security deposits which arise directly from the conduct of its operations. The main risks arising from the use of financial instruments are liquidity risk and credit risk.

The Company reviews policies for managing each of these risks. The Company monitors market price risk from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Exposure to credit, interest rate and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risks are primarily attributable to cash, receivables and other financial assets. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of default by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of financial capacity. Except for the trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of December 31, 2022, 100% of the Company's trade receivables are covered by security deposits (100% in 2021). Trade receivables include receivables as a result of straight-line method amounting to ₱168.92 million and ₱109.21 million as of December 31, 2022 and 2021, respectively. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. No provision for ECL was provided in 2022, 2021 and 2020.

As of December 31, 2022 and 2021, the ECL relating to cash in bank is minimal as this is considered as low credit risk.

The Company did not provide any allowance for credit loss relating to receivables from related parties since there is no history of default in payments. This assessment is undertaken each financial year through examining the financial position and operating cash flows of the related parties and the markets in which the related parties operate.

The Company's maximum exposure to credit risk as of December 31, 2022 and 2021 is equal to the carrying values of its financial assets, except for 'Trade receivables' under 'Receivables' in the statements of financial position. Details follow:

	December 31, 2022			
	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Cash in bank	**₱414,610,209**	**₱–**	**₱414,610,209**	**₱-**
Receivables				
Trade receivables	**420,641,226**	**861,230,080**	**–**	**861,230,080**
Receivable from a related party	**298,181,740**	**–**	**–**	**–**
Other receivables	**7,738,499**	**–**	**7,738,499**	**–**
	₱1,141,171,674	**₱861,230,080**	**₱422,348,708**	**₱861,230,080**

	December 31, 2021			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in bank	₱1,373,240,004	₱–	₱1,373,240,004	₱–
Receivables				
Trade receivables	348,517,131	813,315,211	–	813,315,211
Receivable from a related party	101,459,386	–	101,459,386	–
Other receivables	70,000	–	70,000	–
	₱1,823,286,521	₱813,315,211	₱1,474,769,390	₱813,315,211

The credit quality of the financial assets was determined as follows:

Receivables - high grade pertains to receivables from counterparties with no default in payment; medium grade pertains to receivables from counterparties with up to three (3) defaults in payment; and low grade pertains to receivables from counterparties with more than three (3) defaults in payment.

Liquidity risk
The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through a combination of internally generated funds and external borrowings, while working capital requirements are sufficiently funded through cash collections.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	December 31, 2022			
	< 1 year	**1 to 5 years**	**> 5 years**	**Total**
Financial assets				
Cash in bank	**₱414,710,209**	**₱–**	**₱–**	**₱414,710,209**
Receivables				
Trade receivables	**420,641,226**	**–**	**–**	**420,641,226**
Receivable from a related party	**298,181,740**	**–**	**–**	**298,181,740**
Other receivables	**7,738,499**	**–**	**–**	**7,738,499**
	₱1,141,271,674	**₱–**	**₱–**	**₱1,141,271,674**

(Forward)

	December 31, 2022			
	< 1 year	**1 to 5 years**	**> 5 years**	**Total**
Financial liabilities				
Accounts and other payables				
Accounts payable	**₱171,491,316**	**₱–**	**₱–**	**₱171,491,316**
Accrued expenses	**549,667,689**	**–**	**–**	**549,667,689**
Deposits from lessees	**252,451,253**	**612,603,422**	**143,267,680**	**1,008,322,356**
Lease liability	**10,050,440**	**44,314,958**	**203,000,321**	**257,365,719**
	₱983,660,698	**₱656,918,380**	**₱346,268,001**	**₱1,986,847,079**

	December 31, 2021			
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in bank	₱1,373,240,004	₱–	₱–	₱1,373,240,004
Receivables				
Trade receivables	348,517,131	–	–	348,517,131
Receivable from a related party	101,459,386	–	–	101,459,386
Other receivables	70,000	–	–	70,000
	₱1,823,286,521	₱–	₱–	₱1,823,286,521
Financial liabilities				
Accounts and other payables				
Accounts payable	₱179,507,108	₱–	₱–	₱179,507,108
Accrued expenses	82,608,096	–	–	82,608,096
Deposits from lessees	104,678,699	603,302,836	105,333,676	813,315,211
Lease liability	47,399,326	106,107,402	94,134,079	247,640,807
	₱414,193,229	₱709,410,238	₱199,467,755	₱1,323,071,222

21. Earnings (Loss) Per Share (EPS)

The Company's earnings (loss) per share for the years ended December 31, 2022, 2021 and 2020 were computed as follows:

	2022	2021	2020
Net income	**(₱5,569,287,139)**	₱1,678,952,169	(₱18,950)
Weighted average number of common shares	**10,245,203,201**	4,153,726,230	6,250,000
Basic/Diluted earnings (loss) per share	**(₱0.544)**	₱0.404	(₱0.003)

There were no potential dilutive common shares in 2022, 2021 and 2020.

22. Segment Reporting

The Company has determined that it is currently operating as one operating segment.

The Company's 16-building lease operation is its only income-generating activity, and such is the measure used by management in allocating resources.

23. **Registration with the Philippine Economic Zone Authority (PEZA)**

All of the Company's properties are registered with PEZA as a pioneer enterprise under the Section 6 of Republic Act No. 7916, otherwise known as 'The Special Economic Zone Act of 1995, as amended, its Implementing Rules and Regulations'. Under the terms of its registration, the Company shall not be entitled to PEZA incentives. See details below:

Name	Start Date	PEZA Board Resolution No.	Property	Location	Designation
Cyberscape Alpha	January 4, 2013	Nos. 00-411 dated December 29, 2000 and 11-665 dated November 25, 2011	A building with seven basement levels and a roof dec with an aggregate GLA of 49,902 sqm	Sapphire and Garnet Roads, Ortigas Center, Pasig City	Information Technology (IT) Center
Cyberscape Beta	November 22, 2012	No. 11-624 dated November 8, 2011	An area of 1,955 square meters, more or less (a portion of Lot 2-C)	Topaz and Ruby Roads, Ortigas Center, Pasig City	IT Center
Tera and Exxa-Zeta Towers (Bridgetowne)	June 26, 2015	Nos. 00-411 dated December 29, 2000 and 13-182 dated March 22, 2013	Several parcels of land located with an aggregate area of 79,222 square meters as IT Park, to be known as Bridgetown	C-5 Road, Ugong Norte, Quezon City	IT Park
Robinsons Cybergate Cebu	October 28, 2009	Nos. 00-411 dated December 29, 2000 and 08-312 dated June 26, 2008	Land of 4,772 square meter, more or less	Don Gil Street, Barangay Capitol Site, Cebu City	IT Center
Robinsons Galleria Cebu	July 12, 2013	Nos. 00-411 dated December 29, 2000 and 12-001 dated January 17, 2012	A building with an area of 46,345 square meters, more or less	General Maxilom Avenue, Cebu City	IT Center
Robinsons Luisita	December 10, 2008	No. 08-183 dated March 31, 2008	A building with a gross floor area of 9,025 square meters, which stands on a 12,703 square meter lot and an additional 3-storey office building	McArthur Highway, San Miguel, Tarlac	IT Center
Robinsons Cybergate Naga	May 12, 2017	No. 15-715 dated December 17, 2015	A building which stands on a 24,807-square meter, more or less, lot	Naga Diversion Road corner Almeda Highway, Barangay Triangulo, Naga City	IT Center
Robinsons Cyberpark Davao	October 3, 2017	No. 16-377 dated June 28, 2016	12,022 square meters, more or less, of land	J.P. Laurel Avenue, Davao City	IT Park
Robinsons Summit Center	September 1, 2006	Nos. 00-411 dated December 29, 2000 and 04-387 dated November 22, 2004	A building which stands on two parcels of land with an aggregate area of 2,430 square meters, more or less	6783 Ayala Avenue, Salcedo Village, Barangay Bel-Air, Makati City	IT Center
Robinsons Equitable Tower	July 21, 2003	Nos. 00-411 dated December 29, 2000 and 03-129 dated May 28, 2003	A 2,832 square meters parcel of land with an existing 43-storey condominium office building	ADB Avenue corner Poveda Street, Pasig City	IT Zone

Name	Start Date	PEZA Board Resolution No.	Property	Location	Designation
Cyber Sigma	December 16, 2016	No. 15-027 dated January 30, 2015	A building with a gross floor area of 79,124.33 square meters which stands on a parcel of land containing an aggregate area of 5,000 square meters more or less	Lawton Avenue, Bonifacio South, Taguig City	IT Center
Cybergate Bacolod	February 2, 2006	No. 00-262 dated August 17, 2003	A building with an aggregate GLA of 10,367 sqm	Araneta Singcang St., Barrio Tangub, National Road, Bacolod City, Negros Occidental	IT Park
Cyberscape Gamma	July 16, 2015	Nos. 00-411 dated December 29, 2000 and 15-377 dated January 16, 2015	A building with an aggregate GLA of 44,797 sqm	Topaz and Ruby Roads, Ortigas Center, Pasig City	IT Center

24. **Notes to Statements of Cash Flows**

The 2021 statement of cash flows in the previously issued December 31, 2021 financial statements has been restated. In the restatement, the additions to investment properties amounting to ₱59,159.63 million and proceeds from issuance of capital stock amounting to ₱59,046 million, which were presented as cash flow items under investing and financing activities, respectively, have been restated to nil amounts. As previously disclosed in the 2021 financial statements, these are non-cash flow items arising from the asset-for-share swap transaction under the Deed of Assignment entered between the Company and its Parent Company (see Notes 1 and 9). The restatement resulted in the reduction in 2021 cashflows from investing activities and cashflows from financing activities by ₱59,159.63 million and 59,046.00 million, respectively. The restatement has no impact on the 2021 statements of financial position, comprehensive income and changes in stockholders' equity, net increase in cash and earnings per share, and it did not impact the key performance indicators of the Company. Likewise, the notes to the 2021 financial statements are not affected by the restatement.

Noncash investing and financing activities pertain to the following:

2022

- Transfer of building and building improvements as a result of the Property-for-Share Swap executed between the Company and RLC amounting to ₱5,888.00 million;
- Issuance of shares of stock ₱5,888.00 million as a result of the Property-for-Share Swap executed between the Company and RLC;
- Fair value change in investment properties amounting to ₱9,801.94 million;
- Amortization of ROU asset amounting to ₱29.35 million (Notes 9 and 18); and
- Accretion of lease liability amounting to ₱9.72 million (Note 18).

2021

- Transfer of building and building improvements as a result of the Property-for-Share Swap executed between the Company and RLC amounting to ₱59,046.00 million;
- Issuance of shares of stock ₱59,046.00 million as a result of the Property-for-Share Swap executed between the Company and RLC;
- Fair value change in investment properties amounting to ₱113.63 million;
- Recognition of ROU asset and lease liability amounting to ₱546.11 million and ₱243.69 million, respectively (Notes 9 and 18);
- Amortization of ROU asset amounting to ₱12.14 million; and
- Accretion of lease liability amounting to ₱3.95 million (Note 18).

25. Events After Reporting Period

On February 6, 2023, the Company declared cash dividends for calendar year 2022 covering the period October 1 to December 31, 2022 at ₱0.0976 per outstanding common share, following the approval of the BOD in their regular meeting held on the same date. The cash dividends will be payable on February 28, 2023 to stockholders of record as of February 20, 2023.

26. COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Company's business activities.

Following the outbreak of the coronavirus disease that started in Wuhan, Hubei, China, on January 30, 2020, the World Health Organization declared the 2019 coronavirus disease (‘COVID-19’) outbreak a Public Health Emergency of International Concern, and subsequently, with the continued increase in the number of confirmed cases throughout the world, a pandemic on March 11, 2020.

In response to the pandemic, the Philippine government took actions and implemented quarantine measures at varying degrees starting March 16, 2020 which mandated the temporary closure and/or reduction in operating capacity of non-essential shops and businesses, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea and land in and out of country, except by diplomats and uniformed workers (carrying medical supplies), among others. These measures have disrupted supply chains, business operations, and workplace structures, forcing a shift in priorities and short-term strategies.

With public health and safety in mind and in full cooperation with the government, the Company remained open to support establishments offering essential services such as IT-Business Process Management (IT-BPM) firms.

The Company also institutionalized heightened cleanliness standards and invested in contactless technologies to minimize health and safety risks. While the ensuring business continuity, employee welfare and protection remained of utmost priority with the adoption of remote work arrangements and a digital workplace.

The Company is cognizant of COVID-19's potential material impact on its financial performance, the execution of its plans and strategies, and its customers and employees should the situation persist in the longer-term. Nevertheless, the Company expects to regain its significant foothold in the market it operates in as movement restrictions ease and as consumer sentiment recovers. Furthermore, despite unprecedented headwinds, the Company' financial position remains stable and strong on the back of its well-balanced business portfolio.

Contact for investor queries:

Selene Erica S. Lim | Investor Relations Officer

erica.lim@rlcommercialreit.com.ph

www.rlcommercialreit.com.ph