



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To: All Stockholders of
Converge Information and
Communications Technology
Solutions, Inc.

Please take notice that the Annual Meeting of the Stockholders of **Converge Information and Communications Technology Solutions, Inc.** will be held virtually or conducted through remote communication via https://conveneagm.com/ph/convergeict_asm2024 on May 31, 2024, Friday at 2:00 p.m., to discuss the following:

AGENDA

1. Call to Order
2. Proof of Service of Notice
3. Certification of Presence of Quorum
4. Approval of the Minutes of the Previous Meeting
5. Report of Management
6. Presentation of the Management Report and Ratification of the Audited Financial Statements as of 31 December 2023
7. Ratification of all acts of the Board of Directors and Management for the period of January 1, 2023 to December 31, 2023 adopted in the ordinary course of business
8. Election of Directors, including Independent Directors, for the year 2024
9. Appointment of External Auditors
10. Consideration of such other matters as may properly come before the meeting
11. Adjournment

For purposes of the meeting, only stockholders of record as of May 11, 2024 (the "Record Date") are entitled to attend and vote in the said meeting.

The Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance in the meeting only by remote communication. Voting shall be done by electronic means, or *in absentia*, or by appointing the Chairman of the meeting as proxy.

Online participation and voting by remote communication will be available for all qualified stockholders as of Record Date. Stockholders who wish to participate and vote online by remote communication should register at https://conveneagm.com/ph/convergeict_asm2024 starting May 11, 2024, and until May 24, 2024. The **Registration and Validation Procedures for the 2024 Annual Stockholders Meeting (Virtual)** are set out in **Annex "A"** in the Notice and Agenda attached to the Information Statement.

All stockholders who will not, are unable, or do not expect to attend the virtual meeting in person may choose to execute and send a valid proxy in writing to the Office of the Corporate Secretary, by email at asm2024@convergeict.com or in digital/electronic form at https://conveneagm.com/ph/convergeict_asm2024 on or before May 24, 2024. Proxies shall be validated beginning on May 25, 2024.



Pursuant to SEC Notice dated February 23, 2024, copies of this Notice, Information Statement, and Other Documents related to the Annual Stockholders' Meeting, shall be published through Manila Standard and Business Mirror.

Electronic copies of the Corporation's Information Statement, Management Report, SEC 17-A and other pertinent documents are available at its website at <https://corporate.convergeict.com/investor-relations/> and uploaded at the PSE's EDGE disclosure system.

A visual/audio recording of the meeting shall be made.

May 2, 2024,

By order of the Board of Directors:


MARIA GRACIA C. DE JESUS
Assistant Corporate Secretary

Annex A

Registration and Validation Procedures for the 2024 Annual Stockholders Meeting (Virtual)

Annex A: Registration and Validation Procedures for the Virtual ASM:

Note: In view of the Covid-19 pandemic, CNVRG is restricting all communications thru the online and designated email address provided. Please be guided accordingly.

1. Registration and validation of stockholders as of Record Date will be from 8:00 a.m. of May 11, 2024 to 6:00 p.m. of May 24, 2024.
2. Stockholders who will execute a proxy must submit their duly executed proxy thru this link https://conveneagm.com/ph/convergeict_asm2024 on or before May 24, 2024, validation of proxies is scheduled on May 25, 2024.

Note: For corporate stockholders, a secretary's certificate on the authorized signatory to execute the proxy is required to be submitted. Scanned copies of the secretary's certificate may be uploaded, but the Corporation reserves the right to require the submission of the originals for authentication.

3. Stockholders who intend to participate in the virtual ASM must register thru this link https://conveneagm.com/ph/convergeict_asm2024 for validation starting on May 11, 2024 until May 24, 2024 and submit the following documents:

For certificated stockholders:

- a. Full Name
- b. Address
- c. Email address
- d. Contact number
- e. Scanned copies of two (2) valid/unexpired government issued IDs

For stockholders whose shares are lodged with brokers:

- a. Full Name
- b. Certification from broker stating the name and number of shares of the beneficial owner and that they are beneficial owner as of the Record Date (must be complete)
- c. Address
- d. Email address
- e. Contact number
- f. Scanned copies of two (2) valid/unexpired government issued IDs

Note: the above documents will be subject to review for purposes of validation and we may require additional documents as needed.

4. Validated stockholders will get a confirmation thru email and will be provided with a link to the virtual ASM and the link to cast their vote on or before May 24, 2024.
5. Validated proxies will get a confirmation thru email and will be provided with a link to the virtual ASM and the link to cast their vote on or before May 24, 2024.
6. Validated stockholders may cast their vote through the designated link until the day of the ASM of May 31, 2024.
7. Validated proxies may cast their vote through the designated link until May 24, 2024.
8. For the determination of the quorum, all shares represented by duly validated proxies will be counted as "shares represented by proxies" and shares of validated stockholders present at the virtual ASM will be counted as "shares present in person". The Corporate Secretary shall announce all the results during the meeting proper subject to final tabulation and validation.



9. For the tabulation of votes, all validated ballots submitted on or before the ASM of May 31, 2024, and of all validated proxies submitted on or before May 24, 2024, will be tabulated by the Office of the Corporate Secretary and validated by SGV& Co, as the independent validator.
10. Questions and comments may be submitted during registration and until the ASM on May 31, 2024 either via https://conveneagm.com/ph/convergeict_asm2024 or via email at asm2024@convergeict.com.



SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION
17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement

☒ Definitive Information Statement

2. Name of registrant as specified in its charter:

CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC.

3. Province, Country or other jurisdiction of incorporation or organization

METRO MANILA, PHILIPPINES

4. SEC Identification Number: CS200716094

5. BIR Tax Identification Number: 006-895-049

6. Address of Principal Office

New Street Bldg., Mc Arthur Highway, Balibago, Angeles City, Pampanga 2009

7. Registrant's telephone no. and area code: (02)-8667-0888

8. Date, time and place of the meeting of security holders

Date : May 31, 2024

Time : 2:00 P.M.

Place : https://conveneagm.com/ph/convergeict_asm2024 via remote communication

9. Approximate date of which the Information Statement is first to be sent or given to security holders

May 2, 2024

10. Securities registered pursuant to Sections 8 & 12 of the Code or Section 4 and 8 of the Revised Securities Act:

Common Shares - 7,526,294,461 shares with a par value of Php0.25 per share and a total amount of Php1,881,573,615.25
Fixed Rate Bonds - 10,000,000,000

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

Yes ☐ No ☐

As of March 31, 2024, there are 7,526,294,461 of the Company's common shares listed on the Philippine Stock Exchange

EXPLANATION OF AGENDA ITEMS

1. **Call to Order**

The Presiding Officer will call to order the Annual Stockholders' Meeting at the principal office of the Company as provided in its articles of incorporation, or, if not practicable, in the city or municipality where the principal office of the corporation is located.

2. **Proof of Service of Notice**

The Corporate Secretary will be asked to certify that copies of the Notice and Agenda of the meeting, among others, were served upon the stockholders entitled to the same through publication in two (2) newspapers of general circulation, Manila Standard and Business Mirror, in print and online.

3. **Certification of Presence of Quorum**

The Corporate Secretary will then certify whether or not, based on the number of shares present, through remote communication, *voting in absentia* or by proxy, a quorum exists for a valid meeting.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, the Corporation has set up https://conveneagm.com/ph/convergeict_asm2024 as the designated online web address which may be accessed by the stockholders to register and vote *in absentia* on the matters presented for resolution at the meeting. A stockholder who votes *in absentia* as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

The following are the rules of conduct and procedures for the meeting:

- (i) Stockholders may attend the meeting via remote communication through https://conveneagm.com/ph/convergeict_asm2024. Questions and comments may be sent by email on or before the ASM on May 31, 2024 at asm2024@convergeict.com and shall be limited to the Items in the Agenda.
- (ii) Each of the proposed resolutions will be shown on the screen in the venue and during the livestreaming as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company of their intention to participate in the Meeting by remote communication to be included in determining quorum, together with the stockholders who voted *in absentia* and by proxy.
- (iv) Voting shall only be allowed for Stockholders registered in the online system through https://conveneagm.com/ph/convergeict_asm2024 or through the Chairman of the meeting as proxy.
- (v) Stockholders voting *in absentia*, who have previously registered through https://conveneagm.com/ph/convergeict_asm2024 may cast their votes electronically at any time using such online web address and which votes will be accepted real-time until during the ASM.
- (vi) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.
- (vii) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his/her votes.

(viii) The Company's stock transfer agent and the Office of the Corporate Secretary will tabulate all votes received and an independent third party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.

(ix) The proceedings of the meeting shall be recorded.

4. Approval of the Minutes of the Previous Meeting

The minutes of the previous stockholders' meeting is attached here as Annex "B" or may be accessed here at https://corporate.convergeict.com/wp-content/uploads/2023/01/CNVRG-Minutes-of-the-ASM_2023.pdf. A resolution on this item requires the approval of a majority of the votes of the stockholders present and eligible to vote. The minutes of the stockholders' meeting held on 26 May 2023 contain discussions of the following items:

1. Ratification of the Audited Financial Statements as of 31 December 2022
2. Ratification of all acts of the Board of Directors and Management for the period starting from January 1, 2022 up to December 31, 2022 adopted in the ordinary course of business
3. Election of Directors, including Independent Directors, for the year 2023
4. Appointment of External Auditors

5. Presentation of Management Report

The Chief Executive Officer and the President will present the Management Report on the Company's performance in 2023. The Audited Financial Statements ("AFS") of the Company as of and for the year ended December 31, 2023 (as audited by Isla Lipana & Co.) will also be presented for approval by the stockholders. A copy of the 17-A, the corresponding Management Discussion and Analysis (MD&A) and attached AFS (Annex "C") is incorporated in this Definitive Information Statement for this meeting.

In keeping with the Company's thrust to observe best corporate governance practices, the results of operations and financial condition of the Company will be presented and explained to the shareholders. Any comment from the shareholders will provide guidance in running the business and affairs of the Company.

6. Ratification of the Audited Financial Statements

The stockholders will be requested to ratify the Board's approval of the Company's audited financial statements as of December 31, 2023. The audited financial statements are attached to the Information Statement and distributed to eligible stockholders pursuant to the requirements of the Securities Regulation Code.

A resolution on the ratification of the approval of the audited financial statements requires the approval of a majority of the votes of stockholders present and eligible to vote.

7. Ratification of the Acts of the Board and of Management

Ratification by the stockholders will be sought for all the acts and resolutions of the Board of Directors and all the acts of Management taken or adopted from January 1, 2023 to December 31, 2023. A summary of these resolutions and actions is set forth below. Copies of the minutes of the meetings of the Board of Directors are available for inspection by any shareholder at the offices of the Company during business hours.

A resolution on this agenda item requires the ratification of a majority of the votes of stockholders present and eligible to vote.

In keeping with the Company's thrust to observe best corporate governance practices, the ratification of the Board and Management's acts and resolutions will be requested from the shareholders in this annual meeting. Such ratification will be a confirmation that the shareholders approve the manner that the Board and Management run the business and affairs of the Company.

8. Election of Directors for the Ensuing Year

Pursuant to the Company's By-Laws, and applicable rules of the Securities and Exchange Commission, and the Corporation's Nomination and Election Policy, any stockholder, including minority stockholders, may submit nominations for the election of directors not later than March 31, 2024. The Corporate Secretary will present the names of the persons who have been duly nominated for election as directors of the Company in accordance with the By-Laws and Manual on Corporate Governance of the Company and applicable laws and regulations.

9. Appointment of External Auditors

The Audit Committee has recommended the re-appointment of Isla Lipana & Co. as external auditors for the ensuing year. The profile of the firm is duly indicated in the Information Statement. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

10. Consideration of such other business as may properly come before the meeting

The Chairman will open the floor for comments and questions by the stockholders submitted beforehand in accordance with the rules.

This covers consideration of other business that may properly come before the meeting.

Under SEC Memorandum Circular No. 14, series of 2020, stockholders who alone, or together with other shareholders, hold at least five percent (5%) of the outstanding capital stock of the Company, shall have the right to include items on the agenda prior to the annual stockholders meeting. Items added on the agenda pursuant to the Memorandum Circular after the filing of the Definitive Information Statement shall be filed under Other Business.

PROXY FORM

Date:

Item 1. Identification

This proxy will serve to nominate, constitute and appoint _____, as my attorney and proxy, to represent me at the Annual Meeting of the Stockholders of the Corporation scheduled on May 31, 2024 at 2:00 p.m. at https://conveneagm.com/ph/convergeict_asm2024 and any adjournment(s) thereof, as fully and to all intents and purposes as I might or could if present and voting in person, hereby ratifying and confirming any and all action taken on matters which may properly come before such meeting or adjournment(s) thereof.

Item 2. Instruction

By affixing his/her signature on the space provided below, the undersigned stockholder hereby directs the said proxy to vote on the agenda items set forth below as he/she has expressly indicated by marking the same with an "X", failing which, his/her said proxy shall exercise full discretion in acting thereon. **If the undersigned stockholder fails to indicate his/her vote on the items specified below, this shall serve to authorize his/her proxy to exercise full discretion to act on behalf of the undersigned stockholder.**

Please be advised that proxies are validated by the Company's stock and transfer agent, PNB. The record date for the stockholders entitled to attend and to vote in the said meeting is **May 11, 2024**.

Item 3. Revocability of Proxy

This proxy shall be valid for the Annual Stockholders Meeting scheduled on May 31, 2024, or any adjournment thereof. This proxy shall not be valid where the undersigned stockholder personally appears and registers in the stockholders meeting. The proxy may not be withdrawn if coupled with an interest.

1. Approval of the Minutes of the Previous Meeting

YES		NO		ABSTAIN	

2. Ratification of the Audited Financial Statements for the Year Ended Dec. 31, 2023

YES		NO		ABSTAIN	

3. Ratification of the Acts of the Board and of Management from January 1, 2023 until December 31, 2023.

YES		NO		ABSTAIN	

4. Election of Director

	No. of Votes
Jose P. de Jesus (Independent Director)	

Dennis Anthony H. Uy	
Maria Grace Y. Uy	
Amando M. Tetangco, Jr. (Independent Director)	
Roman Felipe S. Reyes (Independent Director)	
Francisco Ed. Lim	
Estela Perlas-Bernabe (Independent Director)	

5. Appointment of Isla Lipana & Co. as External Auditors

YES		NO		ABSTAIN	

IN WITNESS WHEREOF, I have hereunto set my hand at _____, this _____, 2024.

(Printed Name of Stockholder & Signature)

(Witness)

NOTE: Accomplished proxy form, together with copies of valid identification cards, should be sent to asm2024@convergeict.com on or before May 24, 2024.

THIS PROXY FORM IS BEING PROVIDED AS A SAMPLE FOR USE BY THE STOCKHOLDERS SHOULD THEY WISH TO ACCOMPLISH THE SAME. IT IS NOT BEING SOLICITED ON BEHALF OF THE CORPORATION OR ITS MANAGEMENT. THE CORPORATION OR ITS MANAGEMENT IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND MANAGEMENT A PROXY.



CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. INFORMATION STATEMENT

This information statement is dated May 2, 2024 and is to be furnished to stockholders of record of Converge Information and Communications Technology Solutions, Inc. ("CNVRG" or the "Company") as of May 11, 2024 in connection with the Annual Stockholders' Meeting.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

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A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

Date - May 31, 2024, Friday
Time - 2:00 P.M.
Place - https://conveneagm.com/ph/convergeict_asm2024 via remote communication

Principal Office - New Street Bldg., Mc Arthur Highway, Balibago, Angeles City, Pampanga 2009

The Presiding Officer shall call and preside the stockholders' meeting at the principal office of the Company as provided in its articles of incorporation, or, if not practicable, in the city or municipality where the principal office of the corporation is located.

Approximate date of which the Information Statement is first to be sent to security holders

May 2, 2024

Item 2. Dissenters' Right of Appraisal

A stockholder has a right to dissent and demand payment of the fair value of his share: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares or of authorizing preferences over the outstanding shares or of extending or shortening the term of corporate existence; (ii) in case any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; (iii) in case of merger or consolidation and (iv) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for the payment of the fair market value of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: provided, that no payment shall be made to any dissenting stockholder unless the corporation

has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

There are no matters or proposed corporate actions, which may give rise to a possible exercise by stockholders of their appraisal rights under Title X of the Corporation Code of the Philippines.

Item 3. Interest of Certain Persons in Matters to be acted upon

- (a) No Director or Executive Officer of the Company has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.
- (b) No Director has informed the Company of his opposition to any matter to be taken upon at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) The Company has 7,526,294,461 common shares issued, 259,721,400 treasury shares, and 7,266,573,061 outstanding common shares as of March 31, 2024. Every stockholder shall be entitled to one vote for each share of common stock held as of the established record date.
- (b) All stockholders of record as of May 11, 2024, are entitled to notice of and to vote at the Company's Stockholders' Meeting.
- (c) With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate said shares and give one candidate as many votes as the number of directors to be elected or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the total number of shares owned by him multiplied by the whole number of directors to be elected.
- (d) Security ownership of certain Record and Beneficial Owners and Management:

Security Ownership of Certain Records and Beneficial Owners as of March 31, 2024:

The following table sets forth the record owners and, to the best knowledge of the Board of Directors and Management of the Company, the beneficial owners of more than five percent of the Company's outstanding shares of Common Stock, the number of shares owned by, and percentage of shareholdings of, each of them, as of March 31, 2024.

Title of Class	Name of Record Owner	Name of Beneficial Owner	Citizenship	Number of Shared held	Percentage of Ownership
Common Shares	Comclark Network and Technology Corp.	Dennis Anthony H. Uy and Grace Y. Uy	Filipino	4,515,776,677	62.14%
Common Shares	PCD Nominee Corporation *	Comclark Network and Technology Corp**	Filipino	281,640,597	3.88%
Common Shares	PCD Nominee Filipino	Public Ownership	Filipino	1,213,171,907	17.00%
Common Shares	PCD Nominee Corporation	Cloud Gateway Limited	Foreign	222,757,739***	3.07%
Common Shares	PCD Nominee Non-Filipino	Public Ownership	Foreign	1,255,221,373	17.27%

*PCD Nominee Corporation is not related to the Company

**These shares of Comclark Network and Technology Corp. in the amount of 281,640,597 are scrippless shares. The ultimate Beneficial Owners are Dennis Anthony H. Uy and Grace Y. Uy

***Dennis Anthony H. Uy and Grace Y. Uy are the ultimate beneficial owners of shares registered under Cloud Gateway Limited

Comclark Network and Technology Corp. is the majority shareholder of CNVRG, owning 66.02% of the total issued and outstanding capital stock. It is ultimately and beneficially owned by Mr. Dennis Anthony H. Uy and Ms. Maria Grace Y. Uy.

PCD Nominee Corporation is the owner of 3.07% of CNVRG. It is ultimately and beneficially owned by Mr. Dennis Anthony H. Uy and Ms. Maria Grace Y. Uy.

Dennis Anthony H. Uy, or in his absence, Maria Grace Y. Uy, has been named and appointed to exercise the voting power of Comclark Network and Technology Corp.'s and PCD Nominee Corporation shares in CNVRG.

PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions in the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. Other than the stockholders identified above, as of March 31, 2024, the Company is not aware of any shareholder beneficially owning shares lodged with the PCD which comprise more than 5% of the Company's total outstanding capital stock.

Equity Ownership of Foreign and Local Shareholders as of March 31, 2024:

Shareholders	No. of Shares	% Ownership
Filipino	6,011,262,687	82.72%
Foreign	1,255,310,374	17.28%
TOTAL Outstanding Shares	7,266,573,061	100%

Security Ownership of Management as of March 31, 2024:

As of March 31, 2024, the following is the share ownership of the Company's directors and senior officers:

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership ¹⁴	Percentage of Total Outstanding Shares
Common	Jose P. de Jesus	Chairman of the Board	Filipino	1 common share (Direct)	0.0%
Common	Dennis Anthony H. Uy*	Chief Executive Officer	Filipino	1 common share (Direct) 2,158,837,773* (Indirect) 111,378,869** (Indirect)	31.2%
Common	Maria Grace Y. Uy*	President, Chief Risk Officer, and Chief Resource Officer	Filipino	1 common share (Direct) 2,638,579,501* (Indirect) 111,378,870** (Indirect)	37.8%
Common	Amando M. Tetangco, Jr.	Independent Director	Filipino	1 common share (Direct)	0.0%
Common	Roman Felipe S. Reyes	Independent Director	Filipino	1 common share (Direct)	0.0%
Common	Francisco Ed. Lim	Director	Filipino	1 common share (Direct)	0.0%
Common	Estela M. Perlas-Bernabe	Independent Director	Filipino	3,000 common shares (Direct)	0.0%
Common	Jesus C. Romero	Chief Operations Officer	Filipino	0	0.0%
Common	Benjamin Rex Emilio B. Azada	Chief Commercial Officer*** and Chief Sustainability Officer	Filipino	25,100 common shares (Direct)	0.0%
Common	Paolo Martin G. Santos	Chief Network Transformation Officer	Filipino	0	0.0%
Common	Christine Renee R. Blabagno	Treasurer	Filipino	0	0.0%
Common	Elvira C. Oquendo	Corporate Secretary	Filipino	0	0.0%
Common	Maria Grace C. De Jesus	Assistant Corporate Secretary	Filipino	0	0.0%
Common	Laurice P. Esteban-Tuason	Compliance Officer	Filipino	0	0.0%
Common	Owen Kieffer D. Ocampo	Investor Relations Officer	Filipino	3,200	0.0%
Common	Anthony Vergel B. Velasco	Head of Internal Audit	Filipino	0	0.0%

* Dennis Anthony H. Uy and Maria Grace Y. Uy, beneficially own 4,797,417,274 shares of the Company through Comclark Network and Technology Corp.

** Dennis Anthony H. Uy and Maria Grace Y. Uy are the ultimate beneficial owners of 222,757,739 shares registered under Cloud Gateway Limited.

***Mr. Azada was appointed as the Chief Commercial Officer on February 1, 2024, concurrent to his role as Chief Sustainability Officer. Prior to this, Mr. Azada held the position of Chief Strategy Officer and Chief Sustainability Officer.

The directors and senior officers have no beneficial ownership of the Company except as disclosed above.

- (a) The Company is not aware of any person holding more than 5% of the total issued and outstanding capital stock of the Company under a voting trust or similar agreement.
- (b) The Company is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Company. No change of control in the Company has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers Board of Directors

Term of Office

Each director holds office until the annual meeting of stockholders held next after his election and his successor shall have been elected and qualified, except in case of death, resignation, disqualification, or removal from office. The term of office of the officers is coterminous with that of directors that elected or appointed them.

The following are the incumbent directors and independent directors of the Company:

Name	Position	Citizenship
Dennis Anthony H. Uy	Executive Director	Filipino
Maria Grace Y. Uy	Executive Director	Filipino
Jose P. de Jesus	Chairman, Independent Non-Executive Director	Filipino
Amando M. Tetangco, Jr.	Independent Non-Executive Director	Filipino
Roman Felipe S. Reyes	Independent Non-Executive Director	Filipino
Francisco Ed. Lim	Non-Executive Director	Filipino
Estela M. Perlas-Bernabe	Independent Non-Executive Director	Filipino

All of the incumbent Directors named above have a one-year term of office. All have been nominated for re-election to the Board of Directors.

The nominees for directors for the year 2024 are as follows:

Name	Position	Citizenship
Dennis Anthony H. Uy	Executive Director	Filipino
Maria Grace Y. Uy	Executive Director	Filipino
Jose P. de Jesus	Independent Non-Executive Director	Filipino
Amando M. Tetangco, Jr.	Independent Non-Executive Director	Filipino
Roman Felipe S. Reyes	Independent Non-Executive Director	Filipino
Estela M. Perlas-Bernabe	Independent Non-Executive Director	Filipino
Francisco Ed. Lim	Non-Executive Director	Filipino

The Filipino executive and non-executive directors were formally nominated by Comclark Network and Technology Corp and an independent stockholder, Marrie Anne Asuncion.

The following were nominated as independent non-executive directors for board seats: Messrs. De Jesus, Tetangco, Reyes and (Ret.) Justice Perlas-Bernabe as independent non-executive directors. The nominating stockholders are not related in any way to the nominees for independent directors.

The nominees will serve as directors of the Company for one year from date of election.

The Corporate Governance Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Corporate Governance Committee is



composed of Jose P. de Jesus, Amando M. Tetangco, Jr., Roman Felipe S. Reyes, Estela M. Perlas-Bernabe, and Francis Ed. Lim.

The Company has adopted the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and has complied therewith.

Directors elected during the annual meeting of stockholders will hold office for one year until their successors are duly elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Below is a summary of the nominees' qualifications:

The Board is composed of experienced individuals with different and complementing knowledge, skills, experiences, perspectives, and backgrounds. The following states the business experience of our incumbent directors for the last five years:

Mr. Dennis Anthony H. Uy, aged 57, co-founded Converge with Ms. Maria Grace Y. Uy in 2007 and currently serves as CEO and Executive Director. A self-made industrialist, Mr. Uy started doing business in his teens with a Betamax and VHS rental shop with his family in Angeles City that eventually evolved into cable television which he founded right after the Mount Pinatubo eruption in his home province Pampanga. He founded Comclark Network and Technology Corporation, the controlling shareholder of Converge, in Pampanga in 1997 and remains the CEO and President of Comclark. Mr. Uy also serves on the boards of several companies in the technology, media, power, and real estate sectors.

Recognized as a game-changer and a futurist in his field, Mr. Uy was named as the Entrepreneur of the Year and Master Entrepreneur at the prestigious Entrepreneur of the Year Philippines 2022 Awards organized by EY Philippines through the SGV Foundation. He represented the country during the June 2023 World Entrepreneur Awards held in Monaco.

Mr. Uy holds a Bachelor of Science degree in Electrical Engineering from Holy Angels University, Pampanga.

Expertise: General Management, Economics, Technology, Media and Telecommunications Industries, Information Technology, Risk Management, Regulatory, Strategy

Ms. Maria Grace Y. Uy, aged 56, co-founded Converge with Mr. Dennis Anthony H. Uy in 2007 and currently serves as our President, Chief Resources Officer, Chief Risk Officer and Executive Director. Prior to that, Ms. Uy secured a management role at IBM Philippines. Following seven years under her belt at IBM, Ms. Uy served as CFO and VP at Savers Mall in Pampanga. Already with a foot in the IT industry, Ms. Uy founded ComClark Network and Technology Corp. with Dennis Anthony Uy. Currently she is also the Chief Financial Officer and Executive Vice President of ComClark Network and Technology Corp. and the Angeles City Cable Television Network.

In 2022, Ms. Uy garnered the Woman in Telecoms award from the World Communication Awards for her outstanding leadership in the field of telecommunications. She is the only Filipina leader to receive the award. In that same year, she landed a spot in Forbes Asia's 50 Over 50 Asia edition. In 2023, she gained further renown as she won the Stevie Awards for Women in Business, winning the Gold Stevie for Woman of the Year – Technology category.

Ms. Uy graduated from De La Salle University in 1988 where she obtained her Bachelor of Science in Accountancy and notched 16th place in the Certified Public Accountant (CPA) Licensure Board Examination in 1989.

Expertise: General Management, Technology, Media and Telecommunications Industries, Accounting and Financial Reporting, Corporate Finance, Risk Management, Human Resource Management, Strategy

Mr. Jose P. de Jesus, aged 89, was appointed as Chairman and an Independent Director in June 2020. Mr. de Jesus is also a Director of AirAsia, Inc., Philippines AirAsia, Inc., Petron Corporation, SMC Skyway Corporation, SMC TPLEX Corporation, SMC SLEX, Inc., Comstech Integration Alliance as well as an Independent Director of Alviera Country Club. He is a Trustee of the Kapampangan Development Foundation and Holy Angel University, a Member of the Board of Advisors of *Bantayog ng mga Bayani* Foundation, an Eisenhower Exchange Fellow since 1977, and a Member of the Management Association of the Philippines.

Throughout his executive career Mr. de Jesus held senior positions in Manila Waterworks & Sewerage System (MWSS), Philippine Long Distance Telephone Co. (PLDT), Manila North Tollways Corporation, Meralco (Manila Electric Company), Clark Development Corporation, to name a few. Mr. de Jesus brought his expertise in strategic management to the government sector when he was appointed to the helm of two major agencies, the Department of Public Works and Highways (1991-1993), and the Department of Transportation and Communications (2010-2011). Prior to this, his government service included leading the Development Academy of the Philippines and serving as Cabinet Secretary during the administration of President Corazon C. Aquino. Mr. de Jesus was a former Trustee of the UP Foundation and a Member of the Board of Regents, University of the Philippines from 2001 to 2003. In recognition of his leadership and management excellence, he was awarded the IABC CEO Excel Awards in Leadership Communication, and the Lux in Domino (Most Outstanding Alumnus) Award from alma mater Ateneo de Manila University. He was conferred the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon Aquino.

Mr. de Jesus completed his graduate studies in Human Development from the University of Chicago under university scholarship and Fulbright grant. He holds a Master of Arts degree in Psychology from the Ateneo de Manila University where he also obtained his Bachelor of Arts degree in Economics.

Expertise: General Management, Technology, Media and Telecommunications Industries, Corporate Governance, Risk Management, Regulatory, Human Resource Management

Mr. Amando M. Tetangco, Jr., aged 71, was elected as an Independent Non-Executive Director of the company in June 2020. He is Independent Director and Chairman of the Board of SM Investments Corporation since June 16, 2023. Concurrently, he is Independent Director and Vice Chairman of SM Prime Holdings, Inc. and Independent Director of Belle Corporation, and Shell Pilipinas Corporation. He also sits on the boards of Toyota Motor Corporation, CIBI Information, Inc., and The Manila Hotel. Additionally, Mr. Tetangco is a Trustee of St. Luke's Medical Center, Tan Yan Kee Foundation, Inc., and Foundation for Liberty and Prosperity. He also sits as member of international advisory boards of the Graduate Institute for Policy Studies in Tokyo, Japan and of the Asia School of Business in Kuala Lumpur, Malaysia. Mr. Tetangco's banking career includes serving as Governor of the Bangko Sentral ng Pilipinas and Chairman of the Monetary Board for two consecutive terms from July 2005 to July 2017, where he also held various official positions and chaired international groups. He was conferred the Order of Lakandula with the rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He was voted MAP Management Man of the Year in 2015. Mr. Tetangco also received multiple recognition from global organizations as one of the best central bank governors.

He holds an AB Economics degree from the Ateneo de Manila University and a Master's in Public Policy and Administration (Development Economics) from the University of Wisconsin-Madison. Mr. Tetangco was conferred the Honorary Doctorate in Management by the Asian Institute of Management in 2023. He has attended various training programs at prestigious institutions like Harvard Business School and the New York Institute of Finance.

Expertise: Corporate Finance, Economics, Accounting and Financial Reporting, Risk Management, Legal, Regulatory, Corporate Governance

Mr. Roman Felipe S. Reyes, aged 71, was appointed as an Independent Non-Executive Director in June 2020. Mr. Reyes is the Founding Partner & Chairman of Reyes Tacandong & Co. Prior to founding Reyes Tacandong & Co., he was with Sycip Gorres Velayo & Co, the Philippine practice of Ernst & Young Global Limited (E&Y Philippines), for 35 years, 25 of which as the Senior Partner of the firm. He was also Vice Chairman for Client Services and Accounts, Head of the Japan Business Services, Head of E&Y Philippines' highest revenue generating business unit, and member of the Management and Operations Committees of E&Y Philippines. He served as a Director of the Bank of Commerce, and the National Reinsurance Corporation of the Philippines, and Pakistan International Container Terminal Ltd., and Premium Leisure Corporation. He likewise served as a Trustee

of the Government Service Insurance System. In 2024, Mr. Reyes was appointed as Independent Director of the Maharlika Investment Corporation. He is also currently a member of the board of directors of the Philippine Geothermal Production Company, RPN 9, Pasudeco, All-Asian Countertrade, Rockwell Club, and a member of the board of trustees in San Beda University, Manila, San Beda College Alabang, and the San Beda College Alumni Association Foundation. He is currently the Chairman of the Board of the Nicanor Reyes Memorial Foundation.

Mr. Reyes is a Certified Public Accountant. He graduated from San Beda College in 1972, where he obtained his Bachelor's degree in Commerce, major in Accounting. He received his Master's degree in Business Administration, concentration in Finance from the University of Detroit, Michigan, USA in 1975.

Expertise: Accounting and Financial Reporting, Risk Management, Corporate Governance

Mr. Francisco Ed. Lim, aged 68, was elected as Non-Executive Director in May 2021. Atty. Lim is a Senior Legal Counsel of the Angara Abello Concepcion Regala & Cruz Law Offices. He is presently the Chairman of Air Asia, Inc., Philippines Air Asia Philippines, Inc., Justice Reform Initiative (JRI) and Co-Chairman (together with Finance Secretary Ralph Recto) of the Capital Market Development Council. He also currently serves as a Director/Trustee of several Philippine stock and non-stock corporations, among which are the AirAsia Aviation Group Limited (Malaysian company), Alphaland Corporation, First Philippine Holdings Corporation, The Insular Life Assurance Co., Ltd., and Union Bank of the Philippines.

Atty. Lim served as President and Chief Executive Officer of the Philippine Stock Exchange (PSE) from 2004 to 2010. During his time in the PSE, he also held key positions in various institutions such as the Securities Clearing Corporation of the Philippines, Capital Market Development Center, Inc., Philippine Stock Exchange Foundation, Inc., Philippine Dealing and Exchange Corporation, Philippine Dealing System Holdings, Inc., Capital Market Development Council, and Securities Investors Protection Fund.

He is also a law professor of the Ateneo Law School and the San Beda College Graduate School of Law. He is the Chairman of the Commercial Law Department and Professional Lecturer of the Philippine Judicial Academy (PHILJA) and a member of PHILJA's Academic Council and the Rules Committee of the Supreme Court. He is also a Fellow of the Institute of Corporate Directors and a Columnist in Rappler.

Atty. Lim graduated from University of Sto. Tomas, Manila, Philippines in 1975, where he obtained a Bachelor of Philosophy (Magna Cum Laude) and a Bachelor of Arts (Cum Laude). He received a Bachelor of Laws (Second Honors) from the Ateneo de Manila University, Quezon City, Philippines in 1981. He received his Master of Laws from the University of Pennsylvania, USA in 1987. He is currently a member of the Philippine Bar and the New York State Bar.

Expertise: Corporate Finance, Legal, Regulatory, Labor Law, Human Rights Law, Risk Management, Corporate Governance

Ms. Estela M. Perlas-Bernabe, aged 71, is an independent director of the Company and she has more than 40 years' experience in public and private legal practice. Justice Bernabe was Senior Associate Justice of the Supreme Court of the Philippines until her retirement in May 2022. She was appointed to the Supreme Court in 2011 after serving the Philippine judiciary in various capacities: as Associate Justice of the Court of Appeals, Regional Trial Court Judge of Makati City, Metropolitan Trial Court Judge of the same city, and as Technical Assistant in the Office of the Court Administrator. She also worked in both private and government offices, and for various financial institutions, including China Banking Corporation, Paramount Finance Corporation, National Home Mortgage and Finance Corporation, and Bernabe Perlas Morte and Associates. She is presently an Independent Director of BDO Unibank, Inc., San Miguel Food and Beverage, Inc., Petrogen Insurance Corporation, and PHILJA Development Center Inc. She is also a member of the Board of Trustees of the Foundation for Liberty and Prosperity.

She earned her Bachelor of Science in Commerce degree, magna cum laude, from St. Paul College of Manila, and her law degree from the Ateneo de Manila University College of Law, graduating as Class Salutatorian in 1976.

Expertise: Accounting and Financial Reporting, Legal, Regulatory, Corporate Governance, Human Resource Management

Independent Directors of the Board

The nominees for Independent Directors, Mr. de Jesus, Mr. Tetangco, Mr. Reyes, and (Ret.) Justice Perlas-Bernabe are independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company.

Specifically, Mr. de Jesus, Mr. Tetangco, Mr. Reyes, and (Ret.) Justice Perlas-Bernabe: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two (2) years; (v) are not retained as professional advisers by the Company or with any of its related companies or with any of its substantial shareholders within the last two (2) years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arm's length and are immaterial; (vii) do not own more than two percent of the shares of the Company and/or its related companies or any of its substantial shareholders; (viii) are not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and (ix) are not employed as executive officers of another company where any of the Company's executives serve as directors.

The certifications of the independent directors are attached hereto as Annexes "D-1", "D-2", "D-3", and "D-4". Likewise, our Corporate Secretary has certified that no directors or officers are connected with any government agencies or its instrumentalities, attached herewith as Annex "D-5".

List of Executive and Corporate Officers

The following officers are the incumbent senior officers and corporate officers of the Company:

Name	Position	Citizenship
Dennis Anthony H. Uy	Chief Executive Officer, Founder & Executive Director	Filipino
Maria Grace Y. Uy	President, Chief Resources Officer, Chief Risk Officer, Founder and Executive Director	Filipino
Jesus C. Romero	Senior Executive VP, Chief Operations Officer	Filipino
Benjamin Rex Emilio B. Azada	Executive VP, Chief Commercial Officer* and Chief Sustainability Officer	Filipino
Paolo Martin G. Santos	Executive VP, Chief Network Transformation Officer	Filipino
Christine Renee R. Blabagno	Senior VP, Treasurer and Deputy Chief Financial Officer	Filipino
Elvira C. Oquendo	Senior VP, Corporate Secretary, Head of Legal Services	Filipino
Maria Grace C. De Jesus	Senior VP, Assistant Corporate Secretary, Head of Corporate Affairs	Filipino
Laurice P. Esteban-Tuason	Senior VP, Corporate Compliance Officer and Data Protection Officer	Filipino
Anthony Vergel B. Velasco	VP, Head of Internal Audit	Filipino
Owen Kieffer D. Ocampo	VP, Head of Investor Relations	Filipino

**Mr. Azada was appointed as the Chief Commercial Officer on February 1, 2024, concurrent to his role as Chief Sustainability Officer. Prior to this, Mr. Azada held the position of Chief Strategy Officer and Chief Sustainability Officer.*

Mr. Dennis Anthony H. Uy, aged 57, co-founded Converge with Ms. Maria Grace Y. Uy in 2007 and currently serves as CEO and Executive Director. A self-made industrialist, Mr. Uy started doing business in his teens with a Betamax and VHS rental shop with his family in Angeles City that eventually evolved into cable television which he founded right after the Mount Pinatubo eruption in his home province Pampanga. He founded Comclark Network and Technology Corporation, the controlling shareholder of Converge, in Pampanga in 1997 and remains the CEO and President of Comclark. Mr. Uy also serves on the boards of several companies in the technology, media, power,

and real estate sectors.

Recognized as a game-changer and a futurist in his field, Mr. Uy was named as the Entrepreneur of the Year and Master Entrepreneur at the prestigious Entrepreneur of the Year Philippines 2022 Awards organized by EY Philippines through the SGV Foundation. He represented the country during the June 2023 World Entrepreneur Awards held in Monaco.

Mr. Uy holds a Bachelor of Science degree in Electrical Engineering from Holy Angels University, Pampanga.

Ms. Maria Grace Y. Uy, aged 56, co-founded Converge with Mr. Dennis Anthony H. Uy in 2007 and currently serves as our President, Chief Resources Officer, Chief Risk Officer and Executive Director. Prior to that, Ms. Uy secured a management role at IBM Philippines. Following seven years under her belt at IBM, Ms. Uy served as CFO and VP at Savers Mall in Pampanga. Already with a foot in the IT industry, Ms. Uy founded ComClark Network and Technology Corp. with Dennis Anthony Uy. Currently she is also the Chief Financial Officer and Executive Vice President of ComClark Network and Technology Corp. and the Angeles City Cable Television Network.

In 2022, Ms. Uy garnered the Woman in Telecoms award from the World Communication Awards for her outstanding leadership in the field of telecommunications. She is the only Filipina leader to receive the award. In that same year, she landed a spot in Forbes Asia's 50 Over 50 Asia edition. In 2023, she gained further renown as she won the Stevie Awards for Women in Business, winning the Gold Stevie for Woman of the Year – Technology category.

Ms. Uy graduated from De La Salle University in 1988 where she obtained her Bachelor of Science in Accountancy and notched 16th place in the Certified Public Accountant (CPA) Licensure Board Examination in 1989.

Mr. Jesus C. Romero, aged 60, was appointed as Chief Operating Officer in February 2016. He oversees and manages our day-to-day operations, covering revenue generation, customer experience, product development, and organic growth initiatives through partnerships. Prior to joining Converge, Mr. Romero held senior leadership positions spanning all aspects of operation from Globe Telecom, DTSI Group, ComStream Corporation and Hughes Network systems. He has close to 40 years of industry experience to date and has led market entry, growth and transformation in the areas of Telecommunications, Systems Integration and IT services.

Mr. Romero received a Bachelor's degree in Electronics and Communications Engineering (B.S.E.E.) from the De La Salle University in Manila, the Philippines in 1984.

Mr. Benjamin Rex Emilio B. Azada, aged 50, was appointed as Chief Commercial Officer in February 2024 concurrent to his Chief Sustainability Officer role for which he was appointed to in February 2023. Prior to his role as Chief Commercial Officer, he was Converge's Chief Strategy Officer since April 2020. Prior to joining Converge, Mr. Azada was a Partner with PwC's Southeast Asia Consulting practice, with P&L responsibility for operations in the Philippines. His clients included top enterprises in the telecommunications, media, technology and financial services sectors. He spent over a decade of his career with PwC Hong Kong, where he helped clients in Hong Kong and China transform their operations, comply with new regulations, and enter new markets. He has over 25 years of industry experience to date.

Mr. Azada holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines Diliman, and a PgDip in Business Administration (with Merit) from the University of Durham, UK. He has attended executive education courses at INSEAD and is currently pursuing an MSc in Sustainable Development at the University of Sussex. He is a Global Reporting Initiative (GRI) Certified Sustainability Professional, and an IFRS Fundamentals of Sustainability Accounting (FSA) credential holder.

Mr. Paolo Martin G. Santos, aged 34, was appointed as the Chief Network Transformation Officer in May 2022. He brings to Converge a wealth of experience from the Government, Telecom & Network, and Banking industries, specializing and leading organizations in Digital Transformation, Information Technology, and Network Innovation.

He held various key leadership roles in Globe Telecom, Wifi Nation, Smart Communications Inc., and PLDT. In 2017, he also led the overall digital transformation of the Food and Drug Administration (FDA). Prior to joining Converge, Mr. Santos was part of Unionbank of the Philippines as Vice President and Head of Enterprise Communications, Collaboration and Security, where he steered the transformation of Unionbank's IT arm and built



its capabilities that helped transform the bank's network infrastructure to a cloud ready Software Defined Network (SDN).

Mr. Santos earned his bachelor's degree in Materials Engineering from the University of the Philippines Diliman.

Ms. Christine Renee R. Blabagno, aged 51, was appointed as Treasurer in March 2021. Prior to joining Converge, Ms. Blabagno was the Vice President for Consolidated Core Business Controllershship of Globe Telecom and most recently held the position as CFO of the Philippine Business for Social Progress, a corporate membership non-profit organization. She also worked for 10 years with SGV's assurance practice and has over 30 years of experience to date.

Ms. Blabagno graduated from the Notre Dame University, Cotabato City with a degree of Bachelor of Science in Commerce, Major in Accounting. She is a Certified Public Accountant, a Certified Management Accountant and a Certified Enterprise Risk Manager. She completed her Master of Business Management Major in Finance at the Asian Institute of Management.

Ms. Elvira C. Oquendo, aged 57, was appointed as Corporate Secretary in June 2020 and is our Senior Vice President & Head of Legal Services. After graduation from law school in 1992, she joined Carpio Villaraza & Cruz Law Office where she specialized in Litigation, Commercial and Banking Law, Intellectual Property Law, Telecommunications Law, and Labor Law. In 2001, she joined the government as Solicitor III in the Office of the Solicitor General, and in 2002, she became the Chief of Staff/Head Executive Assistant of the Office of the Ombudsman. Prior to joining Converge, Ms. Oquendo served as Legal Director and Corporate Secretary of various corporations under the Cemex Philippines Group of Companies and was also a Board member of the CEMEX Philippines Foundation. Ms. Oquendo also participated in the Management Development Program of the Asian Institute of Management.

Ms. Oquendo holds a double degree in Physics and Computer Engineering from the Ateneo de Manila University, where she also later went on to receive her Juris Doctor degree. She was admitted to the Philippine Bar in 1992.

Ms. Maria Grace C. De Jesus, aged 53, was appointed as Assistant Corporate Secretary in May 2023. She is Senior Vice President for Corporate Affairs of the Company. She started her law practice at Carpio Villaraza & Cruz Law Offices where she specialized in Corporate and Business Law, Corporate Restructuring and Reorganization, Mergers and Acquisitions, and Project Development. Prior to joining Converge, Atty. De Jesus served as Senior Legal Manager, Assistant Corporate Secretary, and a Board member of various corporations under the Cemex Philippines Group of Companies. She also participated in the Management Development Program of the Asian Institute of Management.

Atty. de Jesus obtained her Bachelor of Arts degree in Political Science and her Bachelor of Laws from the University of the Philippines (Diliman) in 1991 and 1995, respectively. She was admitted to the Philippine Bar in 1996 (ranking 9th place in the Philippine Bar Examination).

Ms. Laurice P. Esteban-Tuason, aged 42, was appointed as Corporate Compliance Officer in April 2021. She has fourteen (14) years of corporate experience in the legal and compliance space. She started her career in 2007 with highly reputable law firms as Junior Associate, then embarked in Government service with the Bangko Sentral ng Pilipinas in 2011 as Legal Officer II. In 2016, Atty. Tuason joined ABS-CBN Corporation and held leadership roles in legal and compliance with its various subsidiaries such as ABS-CBN E-Money Plus Inc., ABS-CBN Global Ltd., and U-Pay Digital Technologies, Inc. Prior to joining Converge, Atty. Tuason was the Compliance Officer-Director of ABS-CBN Corporation.

Atty. Tuason graduated from Ateneo de Manila University with a degree in BS Legal Management in 2002. She went on to obtain her Juris Doctor degree from the Ateneo School of Law in 2006 and was admitted to the Philippine Bar in 2007. She recently completed her degree in Master in Cybersecurity at the Asian Institute of Management.

Mr. Anthony Vergel B. Velasco, aged 48, was appointed as Internal Audit Director in the organizational meeting of the Board of Directors in May 2021, and is now our Vice President & Head of Internal Audit. Mr. Velasco has over 20 years of solid internal auditing experience from different industries. He worked for various reputable institutions where he obtained exposure in data analytics, risk management, operations, financial, and IT audits.

He started his career in 1997 with Punongbayan and Araullo, then went to government service for more than 10-years at Philippine Health Insurance Corporation as Senior Auditing Systems Specialist. In 2012, Mr. Velasco joined 2GO Group, Inc., a publicly listed and largest end-to-end supply chain group of companies to lead its Internal Audit Group for more than six (6) years. He also became the Group Chief Audit Executive of Megawide, another listed company, for more than two (2) years. He also served as a Board of Trustee of the Institute of Internal Auditors - Philippines (IIAP) from 2015 to 2019 and has been an active resource speaker and lecturer since.

Mr. Velasco graduated from San Beda College with a degree in BS Accountancy in 1997. He is a Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and a Certified ISO 31000 Lead Risk Manager.

Mr. Owen Kieffer D. Ocampo, aged 33, was appointed as Investor Relations Officer in January 2021. He started his career with J.P. Morgan & Chase before moving to KPMG in the Philippines where he was part of the Deal Advisory Group for almost four years, specializing in transaction advisory and corporate finance. Immediately prior to joining Converge, he was the Investor Relations Manager of Metro Pacific Investments Corporation for more than three years.

Mr. Ocampo graduated from De La Salle University – Manila and holds a double degree in Applied Economics and Commerce.

Significant Employees

While the Company considers all our employees as significant contributors to our success and all our employees work together as a team to successfully meet our goals and objectives. The Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Family Relationships

Dennis Anthony H. Uy, CEO, Founder & Executive Director, is married to Maria Grace Y. Uy, President, Chief Resources Officer, Chief Risk Officer, Founder & Executive Director.

Involvement of Directors and Officers in Certain Legal Proceedings

To the best of our knowledge, in the last five years, none of the above-named directors or members of senior management has been subject to the following:

- (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (ii) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (iii) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities, commodities, or banking activities; or
- (iv) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Relationships and Related Transactions

In the ordinary course of business, we enter transactions with related parties and affiliates, principally consisting of construction, lease, and services arrangements. Our policy with respect to related party transactions is to ensure

that these transactions are entered on an arm's length basis and entered on terms comparable to those available from or to unrelated third parties, as the case may be. We have established a Related Parties Transactions Committee to comply with the Board and shareholder voting mechanisms provided under the Philippine Corporation Code and the relevant regulations of the Philippine SEC for related party transactions.

Please see Note 19 of the consolidated financial statements for further discussion.

Item 6. Compensation of Directors and Executive Officers

The compensation for our executive officers for the years ended December 31, 2020, 2021, 2022, 2023, and 2024 (estimated) are shown below:

Names	Position	Year	Salary	Bonus
Aggregate executive compensation for the following key management officers:				
Mr. Dennis Anthony H. Uy	Chief Executive Officer			
Ms. Maria Grace Y. Uy	President			
Mr. Jesus C. Romero	Chief Operating Officer			
Mr. Benjamin Rex Emilio B. Azada	Chief Commercial Officer** and	2020	₱60.2 million	₱242.3 million*
	Chief Sustainability Officer	2021	₱72.1 million	₱151.7 million
Mr. Ronald G. Brusola (retired in 2023)	Chief Technology Officer	2022	₱83.9 million	₱31.8 million
		2023	₱92.0 million	₱73.9 million
Mr. Alberto L. Santos (resigned in 2024)	Chief Customer Experience Officer	2024-E	₱72.8 million	₱36.4 million
Mr. Ulysses C. Naguit (resigned in 2023)	Chief Information Officer			
Mr. Paolo Martin G. Santos (starting 2022 only)	Chief Network Transformation Officer			
Aggregate executive compensation of all other Officers and Directors, unnamed		2020	₱17.4 million	₱5.0 million
		2021	₱26.6 million	₱21.9 million
		2022	₱25.6 million	₱3.9 million
		2023	₱26.0 million	₱4.6 million
		2024-E	₱10.7 million	₱2.3 million

*Majority was awarded for the completion of the IPO.

**Mr. Azada was appointed as the Chief Commercial Officer on February 1, 2024, concurrent to his role as Chief Sustainability Officer. Prior to this, Mr. Azada held the position of Chief Strategy Officer and Chief Sustainability Officer.

Compensation of Directors

Directors' Arrangement:

Except for the executive directors, who do not receive compensation as directors, the following is the remuneration arrangement for the directors:

Board Meetings: Per diem of ₱50,000.00 every meeting
 Committee Meetings: Per diem of ₱30,000.00 per meeting.
 Stockholders Meeting: Per Diem of ₱50,000.00 per stockholders meeting
 Variable remuneration: Minimum bonus of ₱2,000,000.00, subject to the performance of the company at year-end

The directors do not participate in discussions and/or deliberations involving their own remuneration.

Pursuant to the provisions of the Revised Corporation Code on the annual compensation of the directors, the table below indicates the gross compensation for the following non-executive and independent directors for FY 2023 –

both paid and unpaid. Executive Directors do not receive compensation as directors.

Director	Per Diem		Variable Director Remuneration	Total**
	Board Meetings	Committee Meetings		
Jose P. de Jesus	600,000.00	420,000.00	3,000,000.00	4,020,000.00
Francisco Ed. Lim	600,000.00	450,000.00	3,000,000.00	4,050,000.00
Amando M. Tetangco, Jr.	500,000.00	510,000.00	3,000,000.00	4,010,000.00
Roman Felipe S. Reyes	550,000.00	570,000.00	3,000,000.00	4,010,000.00
Estela M. Perlas-Bernabe*	400,000.00	330,000.00	1,333,333.33	2,063,333.33
Dennis Anthony H. Uy	-	-	-	-
Maria Grace Y. Uy	-	-	-	-

*Justice Perlas-Bernabe was elected to the Board on May 26, 2023

**Pursuant to and in compliance with Par. 2 of Section 29 of the Revised Corporation Code, the total yearly compensation of the directors does not exceed ten (10%) percent of the net income before income tax of the Company during the preceding year.

Other than the foregoing, there are no other compensatory plans or arrangements that will result from a resignation, retirement, or any other termination of an executive officer's employment from a change-in-control of the Company or a change in the executive officer's responsibilities following a change-in-control. No action is to be taken about election, any bonus, profitsharing, and pension/retirement plan.

Item 7. Directors' Attendance and Performance Appraisal

Board Performance for FY 2023

Name	Meetings Attended	Percentage
Dennis Anthony H. Uy	10 out of 10	100%
Maria Grace Y. Uy	10 out of 10	100%
Jose P. de Jesus	10 out of 10	100%
Amando M. Tetangco, Jr.	8 out of 10	80%
Roman Felipe S. Reyes	10 out of 10	100%
Francisco Ed. Lim	9 out of 10	90%
Estela M. Perlas-Bernabe*	6 out of 6	100%

*Justice Perlas-Bernabe was elected on May 26, 2023.

Committee Meetings for FY 2023

The respective committees conducted the required number of meetings under the Code of Corporate Governance:

Name	Meetings Held
Audit Committee	7*
Related Party Transactions Committee	3**
Corporate Governance Committee	5
Board Risk Oversight Committee	5
Remuneration Committee	2

*3 meetings were held as Audit and RPT Committee prior to the separation of the committees

** Stand-alone meetings post Organizational Meeting

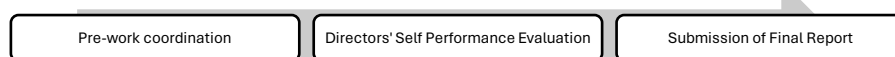
Performance Appraisal for FY 2023

The Company's Manual on Corporate Governance provides that the Board shall conduct an annual self-

assessment of its performance, including the performance of the Chairperson, Board members, committees, and key control officers. Pursuant to the Code of Corporate Governance for Publicly Listed Companies (SEC Memorandum Circular No. 19-2016), the Company follows the recommendation that every three (3) years, an external facilitator shall support the assessment.

For FY 2023, the Company enlisted the assistance of the Institute of Corporate Directors (ICD) to be its external facilitator in conducting the assessment of the board, its directors, and its committees. The assessment also covered the evaluation of the performance of the Company's key officers: the Chairman, Chief Executive Officer, and the President.

In the conduct of its assessment, ICD benchmarked on multiple principles, notably the ASEAN Corporate Governance Scorecard (ACGS) which scopes on a) structure and composition, highlighting diversity and competencies b) responsibilities and duties, which include strategy, oversight, and accountability c) board processes, that highlights internal processes and d) dynamics and relationships, which shows how the board functions collectively. Following this, ICD observed the following assessment process:



In the above process, the Directors' Self Performance Evaluation of ICD employed a survey questionnaire designed by ICD and accomplished by every member of the Board. This allowed the directors to share their impressions on various aspects of the Board's performance and to express the extent of their agreement on various issues.

The evaluation used a quantitative mechanism whereby a 4-point Likert scale was used to identify board functions that may need further attention. Relatedly, qualitative questions were included to allow each participating director a window for sharing his/her position on key issues.

The Corporate Compliance Officer provided the directors with the results of the external facilitator assessment which outlines the methodology of evaluation, criteria and metrics, and the process of the assessment. Said assessment was discussed with the board's Corporate Governance Committee and the Board of Directors.

Item 8. Independent Public Accountants

The principal accountants and external auditors of the Company is the accounting firm of Isla Lipana & Co., the Philippine member firm of the PwC network. Isla Lipana & Co. has been the Company's Independent Public Accountants since the last eight (8) years. There was no event in the past eight (8) years where Isla Lipana & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Isla Lipana & Co. was re-elected at the Annual Stockholders' Meeting held on May 26, 2023.

The Company has engaged Isla Lipana & Co., with Nelson Charsegun L. Aquino as the engagement partner, for the audit of the Company's books in 2023. The Company has complied with the revised SRC Rule 68, paragraph 3(b)(iv). In addition, pursuant to the revised SRC Rule 68, paragraph 3(b)(ix), and the Company's Manual on Corporate Governance, the engagement partner shall be rotated after every five (5) years. In view thereof, Jan Michael L. Reyes was replaced by Nelson Charsegun L. Aquino as the engagement partner for 2023.

Representatives of Isla Lipana & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Group's aggregate fees for each of the last two (2) fiscal years for professional services rendered by the external auditor are as follows:

	2023	2022
Audit and Audit Related Fees	Php3,280,000	Php3,700,000.0
Non-Audit Fees	-	Php1,400,000.0 ¹

¹These non-audit fees are for services rendered by the external auditor in relation to the Company's Annual Stockholders' Meeting and issuance of fixed-rate bonds

The Audit Committee's approval on policies and procedures from Isla Lipana & Co., the external auditors are discussed in page 13 of the Company's Manual of Corporate Governance dated October 2021.

The Audit Committee is composed of Mr. Roman Felipe S. Reyes as Chairman, Mr. Amando M. Tetangco, Jr., and (Ret.) Justice Estela M. Perlas-Bernabe.

Item 9. Dividend Policy

Please see the discussion in the Management Report, Annex "E" of this Information Statement. No action is to be taken with respect to dividends.

Item 10. Compensation Plans

No action is to be taken with respect to compensation plans.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 11. Item Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the authorization or issuance of securities.

Item 12. Modification or Exchange of Securities

No action is to be taken with respect to the modification or exchange of the Company's securities.

Item 13. Financial and Other Information

The Management Report, including the Management Discussion and Analysis, which include the market price of shares and dividends and other data is attached as Annex "E" and the quarterly financial statements as of March 31, 2024, will be submitted accordingly to the shareholders on or before May 15, 2024. The schedules required under Part IV(c) of Revised SRC Rule 68 is included in the Management Report. The Audited Financial Statements is attached also as Annex "C".

Annex "F" is the Evaluation System established to monitor compliance of directors and officers with the Manual on Corporate Governance.

Item 14. Mergers, Consolidations, Acquisitions, and Similar Matters

No action is to be taken with respect to the mergers, consolidations, acquisitions, and similar matters.

Item 15. Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.

Item 16. Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 17. Action with Respect to Reports

- Approval of the Minutes of the Meeting of the Stockholders held on 26 May 2023 covering the following matters:
 1. Ratification of the Audited Financial Statements as of 31 December 2022
 2. Ratification of all acts of the Board of Directors and Management for the period starting from January 31, 2022 up to December 31, 2022 adopted in the ordinary course of business
 3. Election of Directors, including Independent Directors, for the year 2023
 4. Appointment of External Auditors
- Ratification of the Audited Financial Statements for the year ending December 31, 2023.

Item 18. Matters Not Required to be Submitted

No action is to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

Item 19. Amendment of Charter, By-laws, or Other Documents

No action is to be taken with respect to an amendment of the Articles of Incorporation or By-laws of the Company.

Item 20. Other Proposed Actions

Other proposed actions in the Agenda are:

- Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering January 1, 2023 to December 31, 2023 adopted in the ordinary course of business. These matters have already been approved by the Board of Directors and these acts are not being submitted for approval or disapproval and are subject only to general ratification of stockholders. The resolutions of the Board were duly adopted in the normal course of trade or business and are set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been filed with the PSE and the SEC, as may be required under applicable regulations. These minutes cover various resolutions, including treasury matters, including borrowings, opening of accounts and bank transactions; and housekeeping matters, including the appointment of signatories and amendments thereof, appointment of authorized signatories and approval of various transactions in the normal course of business of the Company.

- Other Business:

Under SEC Memorandum Circular No. 14, series of 2020, stockholders who alone, or together with other shareholders, hold at least 5% of the outstanding capital stock of the Company, shall have the right to include items on the agenda prior to the annual stockholders meeting.

The Company did not receive any such request to include items on the agenda in accordance with the Memorandum Circular before the filing of this Definitive Information Statement. Items proposed to be added on the agenda pursuant to the Memorandum Circular after the filing of this Definitive Information Statement shall be filed under Other Business.

Item 21. Voting Procedures

- (a) **Vote Required:** The proposed actions listed in Items 17 and Item 20, as in motions in general, require the affirmative vote of a majority of the shares of the Company's common stock and preferred stock present through remote communication, electronic voting in absentia and/or represented and entitled to vote via proxy. The manner of voting is non-cumulative, except as to the election of directors.

- (b) Method: Straight and cumulative voting. In the election of directors, the top seven nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots. On the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. In adopting an online format for this meeting, stockholders

Voting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be provided with an electronic ballot to enable him to vote on each item or proposal in the Agenda.

The Corporate Secretary and the Company's stock transfer agent will be responsible for counting and tabulating all the votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at any meeting of the stockholders, and the results will be validated by an independent third party.

(c) Participation via Remote Communication

To ensure the safety, security, and welfare of our directors and stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will only allow attendance through remote communication, as set forth above, by voting in absentia or by voting through the Chairman of the meeting as proxy.

The live webcast of the Annual Stockholders Meeting may be accessed through https://conveneagm.com/ph/convergeict_asm2024. To enable the Company to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, the shareholders shall follow the registration and validation procedures attached as Annex "A" to the notice.

The Company's annual and quarterly reports are posted in the Company's website and are made available to the stockholders during the meeting. Upon the written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of the Company's annual report or SEC Form 17-A and quarterly report or SEC Form 17-Q free of charge. Any written request for a copy of the annual and quarterly reports shall be addressed to the following:

CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC.

Attention: Owen Kieffer D. Ocampo
Vice President & Head of Investor Relations

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in Pasig City on May 2, 2024.

CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC.

By:


MARIA GRACE C. DE JESUS
Assistant Corporate Secretary

**MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS OF
CONVERGE INFORMATION AND COMMUNICATIONS
TECHNOLOGY SOLUTIONS, INC.**

Held by remote communication
on Friday, May 26, 2023 at 2:00 p.m.

DIRECTORS AND OFFICERS PRESENT IN THE MEETING

SHARE INFORMATION

Jose P. de Jesus	- Chairman of the Board and Independent Director
Dennis Anthony H. Uy	- Director and Chief Executive Officer
Maria Grace Y. Uy	- Director and President, Chief Resources Officer and Chief Risk Officer
Francisco Ed Lim	- Director
Amando M. Tetangco, Jr.	- Independent Director
Roman Felipe S. Reyes	- Independent Director
Elvira C. Oquendo	- Corporate Secretary

TOTAL ISSUED AND OUTSTANDING SHARES:	7,526,294,461 common shares

TOTAL OUTSTANDING SHARES:	7,266,573,061 common shares

TOTAL NUMBER OF SHARES REPRESENTED IN THIS MEETING:	5,804,538,992 common shares

I. CALL TO ORDER

The Chairman of the Board, Mr. Jose P. de Jesus, called the meeting to order and presided over the same from Angeles City, Pampanga. The Corporate Secretary, Atty. Elvira C. Oquendo, recorded the minutes of the meeting.

The Corporate Secretary introduced the incumbent members of the Board of Directors of the Company who were all in attendance and the other principal executive officers of the Company who were present, including the Company's Investor Relations Officer, Mr. Owen Kieffer D. Ocampo. Members of the external auditor team, Isla Lipana & Co., are likewise present.

II. CERTIFICATION OF NOTICE AND QUORUM

At the request of the Chairman, the Corporate Secretary certified that notices of this meeting were published in print and online format in the Manila Times and Malaya Business Insight, both newspapers of general circulation, on April 03 and April 04, 2023, and posted on the website of the Company and the Philippine Stock Exchange (PSE), all in accordance with the requirements of the Securities and Exchange Commission (SEC); that stockholders as of record date of May 06, 2023 are entitled to vote in this meeting; that there were represented in the meeting stockholders owning a total of 5,804,538,992 common shares representing 79.88% of the total outstanding voting stock of the Company, and that there is therefore a quorum at this meeting.

The Corporate Secretary explained that this meeting is being conducted through remote communication pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC

Memorandum Circular No. 6, Series of 2020, and proceeded to discuss the rules and procedures for the conduct of this meeting.

Further, the Corporate Secretary also highlighted the following rules and procedures for the conduct of the meeting:

1. Stockholders were given the opportunity to send questions and comments through the online platform and by e-mail prior to this meeting. The Company will endeavor to answer all said questions at this meeting, or separately through the Company's Investor Relations Office, or by email.
2. As indicated in the ballot for voting of shareholders, there are five (5) Agenda items proposed for the approval of the stockholders in this meeting. Each of the Agenda items presented for resolution will be shown on the screen as the same is taken up at this meeting.
3. Voting has been allowed for Stockholders registered in the Company's Electronic Voting in Absentia System or through the Chairman of the meeting as proxy.
4. Only votes on each of the Agenda items cast through the Company's Electronic Voting in Absentia System or through the Chairman of this meeting as proxy, shall be recognized.
5. Votes as of May 19, 2023 had been tabulated after the end of the proxy validation process. The votes tabulated were from stockholders owning a total of 5,804,513,382 shares, including the shares represented by the Chairman as proxy, representing in the aggregate 79.88% of the total outstanding voting shares of the Company. SGV & Co. was appointed as the independent third party to count and validate the votes for this Meeting. The Corporate Secretary would be referring to the results of the tabulation when she reports the voting results throughout this meeting.
6. Finally, an audio/video recording of this meeting is being made and will be kept for future reference.

III. APPROVAL OF THE MINUTES OF THE LAST ANNUAL STOCKHOLDERS' MEETING HELD ON MAY 27, 2022

The Chairman noted that the next item in the Agenda is the approval of the minutes of the last Annual Meeting of Stockholders held on May 27, 2022. A copy of the same minutes of meeting may be found in the Company's website, and a summary of the same is contained in the Definitive Information Statement circulated prior to the meeting.

At the request of the Chairman, the Corporate Secretary reported that shareholders owning 5,804,513,382 shares or 99.99% of the total voting shares represented in this meeting have voted in favor of the approval of this corporate action.

Accordingly, the Chairman declared the minutes of the last Annual Meeting of Stockholders held on May 27, 2022 adopted and approved:

"RESOLVED, that the Minutes of the Annual Meeting of Stockholders of the Corporation held on May 27, 2022 be, as it is hereby, approved."

The breakdown of the votes cast on this matter was as follows:

Votes in favor: 5,804,513,382 (representing 99.99% of shares present)
Votes against: 0
Abstentions: 0

Minutes of Annual Stockholders Meeting (26 May 2023)

IV. CHAIRMAN'S MESSAGE

The Chairman shared a few words on behalf of the Board of Directors, prior to the delivery by Management of its report, as follows:

"On behalf of the Board of Directors, I would like to thank all our shareholders who are represented today and express our appreciation for your continued support of the Company.

Your Board has been at the forefront of upholding shareholders' rights and ensuring accountability to its stakeholders.

In support of our Sustainability Commitment, we have published our Corporate Stakeholder Commitment Statement that adheres to the accountability principles as defined by the AccountAbility Principle Standards of 2018. This includes the Principles of Inclusivity, Materiality, Responsiveness, and Impact.

We have also put our Sustainability Agenda into action as we shifted the power consumption of all our data centers and major offices into 100% green, renewable energy.

We have also launched a Countdown to Zero Waste campaign, starting with the collection and recycling of our electronic waste, including the refurbishing of our old modems. We also began upcycling our old tarpaulins used for marketing and information collaterals into bags and other items through a partnership with a women-led social enterprise. Our goal is to have zero waste to landfill output by 2030.

We continued to strengthen our corporate governance as we put in place a Whistleblowing Platform that provided a secure channel for concerned individuals to report misbehavior and unethical practices that could affect the Company's performance in the long-run.

We also approved our Human Rights Policy that covers guidelines on protecting the rights of customers and our employees as well as those of our business partners and the communities where we operate in.

With these initiatives, we were recognized by the Institute of Corporate Directors during the 2022 Golden Arrow Awards as among the listed firms conforming to the highest standards of corporate governance.

This recognition gives us inspiration to move forward in our mission to serve our unserved and underserved communities.

Last year, we further deepened our presence in Visayas and Mindanao as our domestic fiber backbone reached more cities and municipalities across these regions.

Thus, we achieved early our goal of reaching 55% of the Philippine population with our fiber connectivity. We are now the country's biggest fiber to the home network as we have already deployed 7.9 million fiber ports as of December 2022.

This year, Converge is further delivering on its commitment to reach the underserved and unserved communities as we roll-out a prepaid fiber internet service that is affordable to the broader segment of the population.

To demonstrate our mission, please watch this video.

Minutes of Annual Stockholders Meeting (26 May 2023)

[Video was played.]

Our Management will further discuss these initiatives that you saw in the video in their report. But before that, allow me to thank my fellow Board Members for their service and let's continue making a positive difference in the lives of our people through Converge.'

**V. MANAGEMENT REPORT AND RATIFICATION OF THE DECEMER 31, 2022
AUDITED FINANCIAL STATEMENTS**

a. Presentation of the Management Report:

The Chief Executive Officer, Mr. Dennis Anthony H. Uy, and the President, Ms. Maria Grace Y. Uy, reported the highlights of the Company's operations and financial performance for the year 2022. The Chief Executive Officer discussed the highlights of the Company's operations for the year 2022, as follows:

- The Company has accomplished a lot over the past year. The progress allowed the Company to remain competitive in this industry previously dominated by a duopoly.
- Through the Company's employees and Management Team, the Company is able to achieve more milestones over the past year:
 - "First, we have reached our 2025 goal of covering more than 55% of nationwide households three years early.
 - As of December 2022, we have 7.9 million ports or 56% household coverage. Out of this, 7 million are fiber ports, which means that we own the broadest fiber network in the country as of December.
 - Second, we have increased the speeds of our FiberX plans to up to 200Mbps for our base plan 1,500. We also improved the premium plans with the fastest speed of up to 1Gbps.
 - We at Converge know how essential it is to have fast and consistent internet connection for work, school, and even personal use. We've expanded our network and equipped it with the latest technology, to ensure Filipinos get the quality internet connection they deserve.
 - Third, we are expanding our international subsea cable network with our participation in the South East Asian Hainan - Hong Kong Express Cable System or SEA-H2X, which will connect Hong Kong; Hainan, China; Philippines; Thailand; Malaysia; and Singapore.
 - This is going to be on top of our initial investment in Telstra EAC and C2C networks and the Bifrost cable system under the Keppel consortium.
 - Both the BiFrost and the SEA-H2X cable systems will be completed by 2024 – further adding diversity and redundancy to our international network, as well as allowing us to resell excess capacity through our wholesale business
 - Fourth, we continue to expand our enterprise solutions. One of which is the launch of our first Optical Transport Network ("OTN") services available globally. This provides enterprise customers with a fast, stable, and secure way to send different traffic types such as IP, Ethernet, storage, digital video, and SDH, over the Company's high-speed, low latency backbone network

- We have multiple unique enterprise solutions that we offer to our clients that competitors find difficult to replicate, including our flexiBiz that we launched in 2021. This helped grow our SME business and continues to be a key contributor to our enterprise growth with its unique feature.
- Fifth, as a testament to our performance, we have received multiple recognitions during the year - including Ookla's Top-Rated Fixed Network in the Philippines for the first half of 2022 and Best ISP Video Experience in the Philippines for the second half of 2022.
- We remain committed to ensuring our customers get the best service.
- Lastly, we remain steadfast in our commitment to ensuring that subscribers are provided with the best service with or without a calamity. One of the Company's large-scale digitalization project aims to improve back-end efficiency through automation. This would allow us to be constantly flexible amid the evolving needs of the customers.
- Aside from our infrastructure redundancy projects, the Company has been implementing disaster preparedness activities given the number of typhoons that have and are still expected to hit the country. This aims to limit the impact of calamities on the Company's infrastructure to ensure minimal service disruption.
- These are important milestones that we have achieved in 2022, thanks to the continuing support of our shareholders on our mission to connect unserved and underserved homes and businesses in the Philippines with world-class fiber broadband.
- This year, we are launching our new low cost plans to cater to the broader and less affluent households in the country. Our newest brand Surf2Sawa is a prepaid option that will use our reliable broadband network to ensure quality services to all of our subscribers. We are also working on another lower cost postpaid brand that we look to introduce to the market in the next few quarters.
- We will #LeaveNoOneBehind – as I always say "Digital access is no longer a privilege of a few but a right of everyone."
- I personally visited our S2S customers in the Manggahan floodway. I saw where they lived and how much they benefited from our connectivity. S2S is really life-changing for many of them. We are committed to ensuring that we will be able to provide these communities the connectivity they need and deserve. Let's watch this video."

[Video presentation was played.]

Moreover, the following are the key financial highlights for Fiscal Year 2022 as discussed by the President:

- "Last year, we have seen the country significantly affected by macroeconomic factors, such as rising inflation and interest rates. Despite this high inflationary environment, Converge ended the year on an uptrend.
- First. Consolidated revenue grew by 27% year-on-year, hitting almost PHP33.7 billion. This was well within our guidance of 25-30%.
- Second. We've shown strong organic year-on-year EBITDA growth of 31% in 2022, reaching more than PHP19 billion. This represented a 57.4% EBITDA margin. This

was higher than our guided 55% margin due to prudent cost management initiatives.

- Third. Our net income after tax of PHP7.4billion represented a margin of 22.1%. ROIC ended at 15.7%, which remains to be industry-leading.
- Fourth. The revenue of our Residential Business increased by 27% compared to full year 2021. This was driven by the growth in subscriber base with churn gradually declining from its peak in 2Q2022.
- Lastly. Our Enterprise Business continued to show significant growth with enterprise revenues increasing by 26% year-on-year. This was driven by the sustained growth of our SME business, whose revenues grew by more than 90% from 2021 to 2022.
- This year, we are guiding to a double-digit 10-15% consolidated revenue growth, 56-58% EBITDA margin and 13-14% ROIC.
- To also share a quick summary of our first quarter results, we ended March 2023 with 1.92 million residential subscribers. Coupled with a 33% growth in enterprise revenues year-on-year, our Trifecta remains industry's best. We ended with a blended 11.5% revenue growth. Profitability grew with 59.9% EBITDA margin. And finally, our ROIC still leads the market at 15%."

The shareholders noted the Management Report.

Since the stockholders were given the opportunity to send questions and comments through the online platform and by e-mail prior to this meeting, the Chairman mentioned that it will now entertain the questions on the reports.

The Corporate Secretary reported that the Company received several questions from the stockholders to which were responded to by the executives of the Company during the meeting as set out in **Annex "A"** of these minutes.

b. Ratification of the December 31, 2022 Audited Financial Statements:

The next item in the Agenda is the ratification of the Audited Financial Statements of the Company as of December 31, 2022, which is reproduced in the Annual Report and is available in the Converge website.

At the request of the Chairman, the Corporate Secretary reported that shareholders owning 5,797,975,579 shares or 99.87% of total voting shares represented in this meeting have voted in favor of the approval of this corporate action.

Accordingly, the Chairman declared the Audited Financial Statements of the Company as of and for the year ended December 31, 2022 adopted and approved:

"RESOLVED, that the Audited Financial Statements of the Corporation for the year ended December 31, 2022, be, as the same are hereby, approved."

The breakdown of the votes cast on this matter was as follows:

Votes in favor: 5,797,975,579 (representing 99.87% of shares present)
Votes against: 6,537,803
Abstentions: 0

VI. RATIFICATION OF ACTS OF BOARD OF DIRECTORS AND MANAGEMENT

At the request of the Chairman, the Corporate Secretary explained that Management is proposing the ratification of the acts of the Board of Directors and Management of the

Minutes of Annual Stockholders Meeting (26 May 2023)

Company for the period covering January 1, 2022 to December 31, 2022, as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the Securities and Exchange Commission and the Philippine Stock Exchange and as more particularly described in the Definitive Information Statement for this meeting.

At the request of the Chairman, the Corporate Secretary reported that shareholders owning 5,804,513,382 shares or 99.99% of total voting shares represented in this meeting have voted in favor of the approval of this corporate action.

Accordingly, the Chairman declared the ratification of acts of the Board of Directors and Management for the period covering January 1, 2022 until December 31, 2022, adopted and approved:

"RESOLVED, that all acts, resolutions, and deeds of the Board of Directors and Management of the Corporation during the period from **January 01, 2022 to December 31, 2022**, be, as they are hereby, confirmed, ratified, and approved."

The breakdown of the votes cast on this matter was as follows:

Votes in favor: 5,804,513,382 (representing 99.99% of shares present)

Votes against: 0

Abstentions: 0

VII. ELECTION OF DIRECTORS

At the request of the Chairman, the Corporate Secretary reported that the following individuals had been duly nominated for election as directors of the Company in accordance with the Company's By-Laws, Manual on Corporate Governance and applicable laws and regulations, and whose nominations have been duly considered and endorsed by the Corporate Governance Committee in accordance with the Company's Manual of Corporate Governance:

Dennis Anthony H. Uy

Maria Grace Y. Uy

Francisco Ed. Lim

Jose De Jesus (Independent Director)

Amando M. Tetangco, Jr. (Independent Director)

Roman Felipe S. Reyes (Independent Director)

Estela M. Perlas-Bernabe (Independent Director)

The Corporate Secretary reported further that the Corporate Governance Committee had evaluated the qualifications of the foregoing nominees and confirmed that they possess all the qualifications and have none of the disqualifications to be elected as directors of the Company. The Corporate Governance Committee had also confirmed that Mr. de Jesus, Mr. Tetangco, Mr. Reyes, and Ms. Bernabe meet all the requirements and qualifications for election as independent directors of the Company under Section 38 of the Securities Regulation Code and Rule 38 of its Implementing Rules and Regulations.

The Corporate Secretary then stated that considering that there are only seven nominees for the seven Board seats and each nominee received votes, each of the same nominees has received sufficient votes for election to the Board.

Accordingly, the Chairman declared the seven nominees named by the Corporate Secretary elected as directors of the Company for the year 2023-2024 and until their successors have been duly elected and qualified.

The number of votes cast in favor of each director is as follows:

Dennis Anthony H. Uy	- 12,728,927,093
Maria Grace Y. Uy	- 12,419,685,270
Francisco Ed. Lim	- 2,915,306,262
Jose P. de Jesus	- 2,935,269,471
Amando M. Tetangco, Jr.	- 2,992,784,908
Roman Felipe S. Reyes	- 3,002,153,308
Estela Perlas M. Bernabe	- 3,006,696,908

VIII. APPOINTMENT OF EXTERNAL AUDITOR

The Corporate Secretary stated that the Audit Committee of the Board recommended, and Management is accordingly proposing to the stockholders, the re-appointment of Isla Lipana & Co. as external auditors of the Company for the year 2023.

The Corporate Secretary then reported that shareholders owning 5,804,513,382 shares or 99.99% of total voting shares represented in this meeting have voted in favor of the approval of this corporate action.

The Chairman accordingly declared Isla Lipana & Co. reappointed as external auditors of the Company for the year 2023, as follows:

"RESOLVED, that the Audited Financial Statements of the Corporation for the year ended December 31, 2022, be, as the same are hereby, approved."

The breakdown of the votes cast on this matter was as follows:

Votes in favor: 5,804,513,382 (representing 99.99% of shares present)

Votes against: 0

Abstentions: 0

IX. OTHER MATTERS

The Corporate Secretary stated that there are no other matters to be taken up in this meeting based on the Agenda and that the Company has not received any further questions from its shareholders to be taken up under Other Matters.

X. ADJOURNMENT

There being no further business to transact, the Chairman declared the meeting adjourned.

CERTIFIED CORRECT:

ORIGINAL SIGNED

ELVIRA C. OQUENDO
Corporate Secretary

ATTESTED BY:

ORIGINAL SIGNED

JOSE P. DE JESUS
Chairman



COVER SHEET

SEC Registration Number

C	S	2	0	0	7	1	6	0	9	4

Company Name

C	O	N	V	E	R	G	E		I	N	F	O	R	M	A	T	I	O	N		A	N	D						
C	O	M	M	U	N	I	C	A	T	I	O	N	S		T	E	C	H	N	O	L	O	G	Y					
S	O	L	U	T	I	O	N	S	,		I	N	C	.															

Principal Office (No./Street/Barangay/City/Town/Province)

N	E	W		S	T	R	E	E	T		B	U	I	L	D	I	N	G		M	C	A	R	T	H	U	R		
H	I	G	H	W	A	Y		B	A	L	I	B	A	G	O		A	N	G	E	L	E	S		C	I	T	Y	
P	A	M	P	A	N	G	A																						

Form Type

1	7	-	A

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

converge.sec@convergeict.com

Company's Telephone Number/s

-

Mobile Number

09175774586

Annual Meeting

Month/Day

Last Friday of May of Each Year

Fiscal Year

Month/Day

Dec-31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

OWEN OCAMPO

Email Address

okdocampo@convergeict.com

Telephone Number/s

-

Mobile Number

09328912603

CONTACT PERSON'S ADDRESS

Reliance IT Center Bldg., Annex 1, No. 99, E. Rodriguez Jr. Ave., Brgy. Ugong, Pasig City

NOTE : 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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2023**
2. SEC Identification number **CS200716094**
3. BIR Tax Identification No. **006-895-049**
4. **Converge Information and Communications Technology Solutions, Inc.**
Exact name of issuer as specified in its charter
5. **Republic of the Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **New Street Bldg., Mc Arthur Highway, Balibago, Angeles City, Pampanga**
Address of registrant's principal office **2009**
Postal Code
8. **(02) 8667-0888**
Registrant's telephone number, including area code
9. **Not applicable**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	No. of Shares of Common Stock Issued & Outstanding
Common Shares	7,266,573,061
Fixed Rate Bonds	10,000,000,000
11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes [☒] No [☐]
12. Check whether the issuer:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [☒] No [☐]
 - (b) has been subject to such filing requirements for the past ninety (90) days

Yes [☒] No [☐]
13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. P22.4 billion (2.2 billion shares at P9.96 (as of March 27, 2024))

TABLE OF CONTENTS

I. Business and General Information	
1. Business	04
2. Properties	30
3. Legal Proceedings	30
4. Submission of Matters to a Vote of Security Holders	30
II. Operational and Financial Information	
5. Market for Issuer's Common Equity and Related Stockholder Matters	31
6. Management's Discussion and Analysis or Plan of Operation	34
7. Financial Statements	54
8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	54
III. Control and Compensation Information	
9. Directors and Executive Officers of the Issuer	55
10. Executive Compensation	62
11. Security Ownership of Certain Beneficial Owners and Management	63
12. Certain Relationships and Related Transactions	65
IV. Corporate Governance	
13. Corporate Governance	67
14. Audit	73
15. Investor Relations	78
V. Exhibits and Schedules	
16. Exhibits and Reports on SEC Form 17-C	79

Forward-Looking Statements

This report contains certain "forward-looking statements." These forward-looking generally can be identified by use of statements that include words or phrases such as "aims," "believes," "expects," "anticipates," "intends," "plans," "foresees," "seeks," "may," "might," "can," "could," "will," "would," "shall," "should," "is/are likely to," or other words or phrases of similar import. Similarly, statements that describe Converge's objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that the forward-looking events and circumstances discussed in this report might not occur. Actual results could differ materially from those contemplated by the relevant forward-looking statement. The forward-looking statements included herein are made only as of the date of this report.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Overview

Converge Information and Communications Technology Solutions, Inc. (“Converge” or the “Company”) is one of the largest pure-play high-speed fixed broadband providers in the Philippines, with industry leading optical fiber-based connectivity services.

This singular focus on high speed fixed broadband services is deeply ingrained in the organization, which permeates all aspects of Converge’s operations, including network rollout, product and service innovation, sales, and customer service. Converge owns and operates the broadest end-to-end fiber network in the Philippines, which is also one of the newest in the country. The Company’s network consists of 100% high-speed technologies, by enabling fixed broadband connections utilizing FTTH technologies. The network reached 16.9 million homes by the end of 2023 with 8.9 million ports deployed, covering approximately 63% of households nationwide. Converge achieved this milestone of covering more than 55% of households nationwide two years earlier than initially guided during the Initial Public Offering in October 2020.

Converge was listed on the PSE under the ticker symbol CNVRG, marking another historic milestone for the Company in 2020. With an offering size of ₱25 billion, the Initial Public Offering (IPO) was the largest IPO on the PSE at that time since 2016. On August 5, 2021, the Philippine Stock Exchange (PSE) announced that Converge will be included in the Philippine Stock Exchange Index (PSEi) effective August 16, 2021, after qualifying for early inclusion. Converge was further included in the PSE Services Index, representing one of the main six sector-based indices of the local exchange.

In 2023, the Company received several accolades for operational distinction, corporate governance excellence, and product and technological innovation. On the back of Converge’s goal of providing world-class connectivity to the Philippine community, it ensures that all stakeholders are properly engaged and served.

As a publicly listed company, Converge discloses information on its economic, environmental, and social impacts for the year as an exhibit to this Annual Report (Exhibit 2). With the Company’s commitment to providing quality services to all subscribers, Converge is mindful of its impact on the environment and the communities the Company operates in and of its compliance with best governance practices.

Business Development and Historical Background

In 2007, Mr. Dennis Anthony H. Uy and Ms. Maria Grace Y. Uy (collectively referred to as “Founders”) incorporated Converge in Pampanga, a province in Luzon, with the primary purpose of providing broadband internet and other connectivity services to residential and enterprise customers nationwide. Converge remained dormant as it awaited the requisite licenses and approvals to operate.

In 2009, Republic Act No. 9707 granted Converge its franchise from the Philippine Congress to construct, install, establish, operate, and maintain telecommunications systems throughout the Philippine for a term of 25 years.

On June 24, 2011, the National Telecommunications Commission (NTC) issued a Provisional Authority for us to install, operate and maintain a nationwide broadband internet network in the Philippines. In June 2012, we commenced our fixed broadband internet operations.

The following year, we launched FTTH fixed broadband services and entered Metro Manila, the nation’s capital. Metroworks ICT Construction, Inc. was incorporated in 2013 to manage the network rollout.

In 2019, we commenced our efforts to “Go National” (beyond Luzon), kicking-off the construction of our nationwide domestic backbone that will connect Luzon with Visayas and Mindanao. In the same year, we executed an agreement with leading global private equity firm Warburg Pincus for a U.S.\$225 million primary investment (through Coherent Cloud) into our Company to accelerate our nationwide network expansion plans. As part of the transaction, we completed a group reorganization to streamline our operations, which resulted in Metroworks becoming a wholly owned subsidiary of Converge in the same year.

In July 2020, we activated the Philippines’ first 400 Gbps metro backbone utilizing industry-leading optical solutions. This deployment provides us with a programmable, dynamic setup of connections that increases adaptability and resiliency. The metro backbone was further scaled to higher 800 Gbps transmission capacity to support future growth in mid-2021. This allows Converge subscribers to make full use of the Company’s connections to the content distribution networks, peering partners, and other international exchanges, easily doubling the bandwidth they have for any of their online activities.

We were listed on the PSE on October 26, 2020 in one of the largest Initial Public Offerings of the Philippines in recent history, with a total offering size of c. ₱25 billion and raising net proceeds of c. ₱8 billion.

In November 2020, Converge reached the important milestone of one million residential subscribers and celebrated by providing free speed upgrades to its subscribers of up to an additional 300 Mbps in December. Both existing and new subscribers were able to enjoy permanent speed upgrades to their plans without additional fees.

In April 2021, Converge’s fiber backbone reached Visayas and Mindanao. Rollout of the subsea cable continued until November 2021 where the nationwide subsea cable network was completed.

In May 2021, Converge secured participation in the Bifrost Cable System.

In August 2021, the PSE announced the inclusion of Converge in the PSEi effective August 16, 2021 after qualifying for early inclusion. Converge was also included in the PSE Services Index, representing one of the main six sector-based indices of the local exchange.

In October 2021, Converge was awarded its Certificate of Public Convenience and Necessity (CPCN), allowing us to operate until the expiration of our franchise term.

In March 2022, Converge reaffirmed its partnership with a consortium to construct and operate the South East Asia Hainan - Hong Kong Express Cable System (SEA-H2X), a new submarine cable system that will connect Hong Kong SAR China, Hainan China, Philippines, Thailand, East Malaysia and Singapore, with options to extend to Vietnam, Cambodia, West Malaysia and Indonesia.

In April 2022, Converge issued its maiden bond offering of ₱10 billion (5-year fixed-rate) to support the Company’s capital expenditure programs and general corporate activities. This was the Company’s entrance into the fixed income market with very strong demand from investors.

In January 2023, Converge received the greenlight to provide international connectivity services in Singapore through its wholly-owned subsidiary, Converge ICT Singapore Pte. Ltd. (Converge SG) via the awarding of a Facilities-Based Operations (FBO) License. Converge SG can now start providing wholesale connectivity services and fiber optic cable capacity to customers such as other Internet Service Providers, data centers, enterprise customers in the Southeast Asian city state.

With the goal of aiding the unserved and underserved segments, Converge introduced two new residential brands in 2023 – Surf2Sawa and BIDA Fiber. This broadens the Company’s addressable market and promotes inclusive

digital access. Surf2Sawa is the country's first prepaid broadband package which allows its customers to have the ultimate flexibility of availing unlimited fiber connectivity on a when-needed and as-needed basis. On the other hand, BIDA Fiber is a lower-priced postpaid broadband that serves the niche segment of Philippine households that can allocate a consistent portion of their monthly income for connectivity but at lower cost. See Exhibit 2 (Sustainability Report) – Access to Information and Communications for details.

Mission, Vision, Core Values

The Company's mission is to *delight our customers by taking care of our own*. The Founders established Converge with the vision of becoming a *World Class ICT Organization that empowers people, business and the nation to be their best* by building a business focused on providing highspeed fixed broadband to millions of unserved and underserved households and businesses across the Philippines. The Founders assembled a world-class team of like-minded professionals, and together, built Converge into an organization focused on becoming the market-leader in the high-speed fixed broadband market. The Company also incorporates its core values of Integrity, Customer Focus, Teamwork, Empowerment, Excellence, and Velocity in its daily operations. The mission, vision, and core values are deeply ingrained in the organization, and is the foundation of Converge's key competitive advantages, including the differentiated products and services that are offered and the extensive proprietary network that are built and managed.

Business Segments

Converge operates two businesses: (i) residential business (Residential Business), which primarily offers high-speed fixed broadband internet services to residential customers; and (ii) enterprise business (Enterprise Business), which offers high-speed fixed broadband internet services, private data network solutions, cloud and colocation services and other connectivity solutions to enterprise customers of varying sizes, industries and types. The Residential and Enterprise Business revenues also include installation revenue that is generated from each new subscriber or customer.

Historically, majority of revenues have been derived from the Residential Business. Revenues from the Residential Business increased from ₱6,353.9 million in 2019 to ₱30,282.1 million in 2023, representing a CAGR of 47.8% between the periods. Revenues from the Enterprise Business increased at a CAGR of 16.2% during the same period to reach ₱5,077.3 million in 2023. The consolidated revenue increased at a CAGR of 40.2% from ₱9,139.5 million in 2019 to ₱35,359.3 million for 2023.

For the full year of 2023, revenues from our Residential Business represented 85.6% of the consolidated revenues, while revenues from our Enterprise Business represented 14.4% of the same.

	For the years ended December 31,					CAGR	
	2019	2020	2021	2022	2023	(2019-23)	
	(in millions)						
Revenues	₱					U.S.\$	
Residential Business	6,353.9	12,628.3	23,129.1	29,462.2	30,282.1	545.0	47.8%
Enterprise Business	2,785.6	3,024.0	3,349.7	4,233.5	5,077.3	91.4	16.2%
Total Revenues	9,139.5	15,652.3	26,478.8	33,695.6	35,359.3	636.3	40.2%

OUR RESIDENTIAL BUSINESS

Overview

Since 2018, the Company's strategy has been to focus on Fiber-to-the-Home (FTTH) expansion, as FTTH technology offers higher quality connectivity and generates higher ARPU compared to Hybrid fiber-coaxial (HFC).

Our Residential Business offers high-speed fixed broadband internet services, and other bundled or add-on connectivity services to residential customers, through fiber access networks utilizing FTTH and HFC technologies. While a substantial majority of our residential customers are home users, some of these customers are microbusinesses, which are small-scale businesses with up to nine employees, such as standalone restaurants, doctors' clinics, boutique law firms, and mom and pop stores.

Following our successful network expansion through the Go National and Go Deep strategies since 2019, the Company has expanded its residential subscriber base from 529,629 as of December 2019 to 2,128,052 as of December 2023. This represented a 300% growth within four years. By the end of 2023, Converge's residential fixed broadband subscriber market share was approximately one-third amongst the three largest broadband operators in the Philippines. This has been a significant improvement from when the Company listed in the PSE on October 26, 2020, with approximately 24% of the market.

The table below sets out the key operating and financial metrics of the Residential Business for the periods indicated.

	For the years ended December 31,					CAGR (2019 - 23)	
	2019	2020	2021	2022	2023		
Revenues (in millions)	₱6,353.9	₱12,628.3	₱23,129.1	₱29,462.2	₱30,282.1	U.S.\$545.0	47.8%
Residential Subscribers	529,629	1,038,321	1,691,550	1,877,361	2,128,052	N/A	41.6%

Products and Services

The table below summarizes the primary product and service offerings for the Residential Segment. The subscriber mix has evolved significantly since the Company made a strategic pivot to prioritize FTTH over HFC in early 2018. Furthermore, the Company launched two new broadband brands that are targeted for the broader less affluent segment of the country.

The table below summarizes the latest primary product and service offerings of our Residential Business as of December 31, 2023:

PLAN	UPGRADED SPEED (up to)	MONTHLY SERVICE FEE (VAT-inc.)
FTTH Technology		
FiberX		
FiberX 1500	200 Mbps	₱1,500
FiberX 2000	400 Mbps	₱2,000
FiberX 2500	600 Mbps	₱2,500
FiberX 3500*	800 Mbps	₱3,500
FiberX 7499*	1 Gbps	₱7,499

PLAN	UPGRADED SPEED (up to)	MONTHLY SERVICE FEE (VAT-inc.)
BIDA Fiber	35 Mbps	₱888
Surf2Sawa (rates vary from daily to monthly)	25 Mbps	Various
FiberX Time-of-Day		
FiberX Time of Day 1699	200 Mbps (400 Mbps on peak hours)	₱1,699
FiberX Time of Day 3000	600 Mbps (800 Mbps on peak hours)	₱3,000
The Game Changer		
Pro Entry	400 Mbps	₱2,500
Pro Mid	600 Mbps	₱3,000
Pro High*	800 Mbps (at peak hours)	₱3,500
Elite*	800 Mbps	₱5,000
HomeBase		
Plan 1500	200 Mbps	₱1,500
Plan 1899	300 Mbps	₱1,899

**These products are part of the XCLSV program (please see details under FiberX product information)*

The Company offers a menu of fiber broadband residential plans, a wide selection from which to choose a product that best suits their individual household or microbusiness needs. All products, including the two newly launched brands, have unlimited data capacity.

- **FiberX:** Converge provides residential broadband services via FTTH connection under our FiberX brand. Its flagship product, FiberX 1500, is the entry-level FTTH plan tailored specifically for the middle-income Philippine household that forms the core of the Company's target customer base. FiberX 1500 remains to be Converge's most popular plan and has grown exponentially. Premium plans range from ₱2,000 per month for download speeds of up to 400 Mbps to ₱7,499 per month for download speeds of up to 1 Gbps, with no data caps.

In 2022, the Company introduced Converge XCLSV, which aims to deliver premium experience through personalized customer support for premium data plans. This product is automatically given to subscribers of the FiberX Plan 3500 and 7499 free of charge as a value add-on. XCLSV subscribers are entitled to an exclusive and dedicated hotline and email support team, priority lane in business centers, free delivery of purchased add-on devices, and more.

- **BIDA Fiber:** This newly launched postpaid FTTH brand caters to a niche segment - being significantly more affordable than any other postpaid fiber plans in the market but also offering faster speed than the Company's prepaid fiber options. At ₱ 888 a month, BIDA Fiber offers up to 35 Mbps of unlimited fiber connectivity to budget-conscious consumers.
- **Surf2Sawa:** This is the first prepaid fiber product to the market which allows its customers to have the ultimate flexibility of availing unlimited fiber connectivity on a when-needed and as-needed basis. Surf2Sawa lets users enjoy up to 25 Mbps of unlimited Fiber connectivity with multiple top up options at unmatched price points ranging from just ₱50 for 1 day up to ₱700 pesos for 30 days.
- **FiberX Time-of-Day:** Converge continues to introduce variations of such bandwidth upgrade campaigns to enhance our ARPU. The Company launched the "Time of Day" product allowing subscribers the option to customize and adjust the speed available to them in accordance with their usage at a given time. For example, subscribers who require more bandwidth during business hours under WFH arrangements or during weekday school hours under Learn From Home online arrangements can upgrade their service for

those particular times. In addition to enhancing ARPU, this initiative will increase customer satisfaction and loyalty.

- **The Game Changer:** A unique offering to subscribers who are gamers or gaming enthusiasts. The subscription includes a free high-end gaming router with high bandwidth, high prioritization with low packet loss, low jitter, and low latency. The plan offers high prioritization for gaming applications to ensure quality gaming experience. The Game Changer plans range from ₱2,500 per month for speeds of up to 400 Mbps to ₱5,000 per month for speeds of up to 800 Mbps.
- **HomeBase:** The HomeBase plans target small home-based businesses and start-ups that can benefit from fast fiber connectivity that will power their daily operations, online transactions and office application requirements. HomeBase plans come with a dynamic IP address. The plans range from ₱1,500 per month for speeds of up to 200Mbps to ₱1,899 for speeds of up to 300 Mbps.

The Company carefully segmented BIDA Fiber and Surf2Sawa to only attract its intended target market with minimal to no effect on existing and potential FiberX subscribers. Both BIDA Fiber and Surf2Sawa use Wi-Fi only modems that can simultaneously connect up to 6 devices only. The difference in speed between FiberX and the two low-cost brands also provides FiberX subscribers the best value proposition as they are getting almost 6 times faster speeds for only 70% additional cost. In addition, the Company has also implemented targeted marketing and sales efforts for both BIDA Fiber and Surf2Sawa such that the Company's partners and distributors can only sell these two products in selected areas where the target market of these two products is present.

To complement the core products and services, Converge also offers a broad suite of add-on products and services. An additional fee is charged on the subscriber's monthly plan for these add-ons, enhancing our ARPU. Examples of our add-ons include the following:

- **Vision:** Through marketing service arrangement with affiliates, Converge offers cable and Internet Protocol TV as a bundled service to internet subscribers in select locations, for an additional fixed monthly fee.
- **Others:** Converge offers various connectivity-enabled or enabling devices such as modems (FiberX Share), WiFi mesh systems (Seamless Whole Home WiFi), and security cameras (FiberScope).

In partnership with Linksys, the Company was the first to offer WiFi 6 to subscribers. WiFi 6 is a long-awaited innovation in wireless technology. With expanded capabilities in the said frequency, consumers can enjoy an improved online experience within their homes. The Velop MX5300 WiFi 6 Mesh system comes with the next generation orthogonal frequency-division multiple access (OFDMA) technology which decreases latency in high-density environments to deliver high speed WiFi to multiple devices simultaneously.

Converge offers fiber-enabled high-definition CCTV cameras allowing subscribers to monitor their home or business for an additional monthly fee of up to ₱740 for a package of four cameras. The equipment allows both video and audio monitoring with IR-cut filter to provide images with minimal distortions.

All FiberX, Game Changer, and HomeBase plans initially include a fixed-term contract for a 24-month period. At the time of sign-up, customers are typically required to pay a one-time installation fee and may also be required to pay a one-month security deposit. With the 24-month contract and the security deposit, this ensures that new subscribers are of high credit quality, and the Company can maintain a stable subscriber base and minimize churn. At the end of the initial 24-month contract, residential customers may opt to discontinue the service, sign a new contract or continue on their existing contract on a rolling basis (following which time, they may terminate their

subscriptions with effect from the end of their current billing cycle). On the other hand, BIDA Fiber subscribers have a fixed-term contract for 36 months.

Converge designs the offerings to meet the evolving demands of consumers. The fast-paced shift to a digital lifestyle ushered by the pandemic has placed utmost importance on the reliability of internet connection. Major activities that drive heavier internet traffic such as work from home, distance learning, and at home entertainment such as online gaming and video streaming and the increased use of features like 4K video which call for higher speeds have fueled the demand for better connectivity— a key commitment of Converge to its ever-growing community.

Residential Target Customer Groups

The Company's residential subscriber base grew more than 13% from December 2022. By end of 2023, the subscriber portfolio is comprised of 2,013,216 postpaid subscribers and 114,836 prepaid subscribers.

The Company's FiberX customers typically belong to the middle-income or upper-income classes in the Philippines, specifically targeting customers belonging to the larger middle-income class segment. The Company believes that many of these targeted households are young or millennial working families who tend to be tech savvy and heavy internet users. As such, these households have both the means and the willingness to spend on internet and would seek to prioritize internet speed and reliability and a strong "value for money" proposition. As the middle-income households become more affluent over time, the Company actively cross-sells and upsells add-on services, upgrades, and complementing devices such as high-speed routers.

In line with the Company's commitment to affordability, Converge offers broadband internet solutions for a diverse range of users in the socioeconomic spectrum. With the introduction of BIDA Fiber and Surf2Sawa, Converge's target addressable market has widened to include those that previously heavily relied on alternative forms of connectivity, such as mobile data, fixed wireless, and legacy technology due to affordability concerns. BIDA Fiber and Surf2Sawa, combined, aim to target ~17 million untapped households in the country which represents over 77% of the overall market for fixed broadband. With these new innovative products that open the opportunities for less affluent households to afford reliable connectivity, Converge aims to foster equal access to information and communications technology. See Exhibit 2 (Sustainability Report) – Access to Information and Communications for details.

OUR ENTERPRISE BUSINESS

Overview

Converge's Enterprise Business offers high-speed broadband internet services and other connectivity solutions, including private data network services, cloud and colocation services, and bandwidth leases on a wholesale basis to enterprise customers. The Company's enterprise solutions are delivered over end-to-end fiber networks via fiber-to-the-premise (FTTP) technology. The Company serves enterprises of varying sizes, ranging from SMEs to some of the largest businesses in the Philippines, including multinational corporations with a presence in the country, and local and global content providers. While most enterprise clients are for-profit corporations, we also serve non-profit organizations, such as governmental departments, public universities, and NGOs. The Company's key strategic accounts include large business process outsourcing companies, major financial institutions, content providers including local and global telecommunication carriers, national government agencies, and other large accounts with industry-specific bandwidth-intensive requirements. Consistent with Converge's overall vision, the Enterprise Business segment is focused on serving the needs of enterprise customers for critical high-speed and reliable connectivity.

The table below sets out the key operating and financial metrics of the Enterprise Business for the periods indicated.

	For the years ended December 31,					CAGR (2019 – 23)	
	2019	2020	2021	2022	2023		
Revenues (in millions)	₱2,785.6	₱3,024.0	₱3,349.7	₱4,233.5	₱5,077.3	U.S.\$91.4	16.2%
Enterprise Customers	10,083	11,090	26,038	37,563	48,150	N/A	47.8%

Enterprise Target Customer Groups

The Company's Enterprise Business is organized around four target customer groups: (i) Large Enterprises, (ii) Corporates, (iii) SMEs and (iv) Wholesale customers.

Converge's Large Enterprise customers comprise the largest companies in the Philippines, which generally have been among the top 5,000 corporations in the Philippines by revenue. These customers include BPO companies with more than 100 seats, top-tier banks and financial institutions, national government agencies and large non-profit institutions such as major public universities. Corporate customers, on the other hand, comprising large corporations are generally ranked between the top 5,000 and top 10,000 corporations in the country, by revenue. SME clients generally comprising companies with 10 to 199 employees. Home or microbusinesses with fewer than 10 employees are served through the Company's Residential Business. Wholesale group provides bandwidth leases on a wholesale basis primarily to telecommunication and media companies, as well as content providers, including local and global telecommunication carriers, TV and media operators, and over-the-top content providers.

On January 3, 2023, Converge received the Facilities-Based Operations license from the Infocomm Media Development Authority, a statutory board under the Singapore Ministry of Communications and Information, to provide international connectivity services in Singapore through its wholly-owned subsidiary, Converge SG. This aims to further strengthen its fast-growing international wholesale business. Effective January 3, 2023, Converge SG can start deploying telecommunications infrastructure and provide connectivity services and fiber optic cable capacity to wholesale and enterprise customers in the Southeast Asian city state.

Products and Services

Converge differentiates itself from other operators in its ability to offer tailored solutions that allow customers to customize their subscription packages to suit their specific needs, and to choose from a wide range of internet connectivity, private data network solutions, and cloud and colocation services.

The table below sets out the key connectivity services offered by our Enterprise Business.

Product/ Service	Available Speeds	Target Customer Groups	Service Highlights
Internet Connectivity Services			
flexiBiz Plans	50 Mbps - 300 Mbps	• SME	- High-speed, high-reliability broadband internet plans tailored to the requirements of SME customers - flexiBIZ DAY Plan provides higher speeds on Daytime suitable for typical businesses. flexiBIZ PEAK plans provides fixed high-speed internet 24x7,

Product/ Service	Available Speeds	Target Customer Groups	Service Highlights
Dedicated Internet Access	2 Mbps up to 100 Gbps	- Large Enterprise - Corporate	with option of static IP - Add-on options include Workplace Solutions for HR and Payroll, Fiberscope, Fibershare and Mesh Routers - Ultra-high performance internet connectivity solutions tailored to the requirements of Large Enterprise and Corporate customers - Our “Bandwidth-on-Demand” add-on product enables dynamic demand-based bandwidth top-up, allowing customers to increase bandwidth as and when needed for an incremental additional charge - The “Time-of-Day” add-on offers variable bandwidth based on the pre-set time of day. Enterprise customers can get the same quality of the premium internet service with double the subscribed bandwidth on their preferred time - either night or day, providing flexibility and best value for money - Our “Upload” variant that offers asymmetric download and upload bandwidth allocation. Business can get the same quality of the premium internet service with two times upload speed, best for their outbound traffic intensive business operation - The “Converge Connect” premium service enables businesses to have customizable combination of products and resources that are best suited to their needs – fast delivery and no truck-roll needed “China Connect” is a dedicated internet service that provides premium access to China destinations “IPT Express” and “IX Express” give customers the similar connectivity benefits of an ISP with international presence and capacity
Transport and Private Network Services			
Local Data Network Services	2 Mbps up to 100 Gbps	- Large Enterprise - Corporate - Wholesale	- Private and secure network services for point-to-point connectivity between two or more local sites - Products include FAST, Metro Ethernet, MPLS, Metro Lambda (EoDWDM), and FASTER
International Data Network Services	10 Mbps up to 100 Gbps	- Large Enterprise - Corporate - Wholesale	- Private and secure network services for point-to-point connectivity between local and international sites - Products include Ethernet-International Private Line and Private Line

Product/ Service	Available Speeds	Target Customer Groups	Service Highlights
Ethernet- Cloud Direct Connect Service	10 Mbps up to 1 Gbps	- Large Enterprise - Corporate	- Connectivity between private enterprise networks and public cloud service providers - Products include Carrier Ethernet
Optical Transport Network (OTN)		- Large Enterprise - Corporate	Layer 1 technology that provides a secure, clear channel, high bandwidth, reliable, and low latency network service running over Dense Wavelength Division Multiplexing (DWDM)
Value Added Services			
Colocation Services	Half rack to Full Rack	- Large Enterprise - Corporate	- Provides a secure, controlled environment for a customer's servers and other IT and network equipment - Remote hands services are available as an option - Option of either power usage based with separate power charges or fixed MRC with power charges included
Microsoft Azure Peering Service ("MAPS")		- Large Enterprise - Corporate	- Improves connection to Microsoft applications such as Office 365, Teams, SharePoint, and other products running on the Azure Public Cloud - MAPS offers a faster, more reliable network connection with consistent performance, dedicated traffic paths on Converge ICT and Microsoft networks, and route protection over the public internet therefore improving business collaboration and productivity for businesses
Workplace		- SME - Large Enterprise - Corporate	A SAAS Payroll and HR Management System that automates HR, Timekeeping, and Payroll processes. A Cloud service that is accessible through any device, anytime and anywhere.

Internet Connectivity Services

flexiBIZ Plans

Converge's flexiBIZ plans are FTTP broadband internet plans tailored for and marketed primarily to SME customers. FlexiBIZ is a unique and first-in-the-market service for SMEs that offers true symmetric high-speed internet, and it comes in two options: Daytime and Peak. The broadband speed will reach double the original plan during the chosen time option. The plans provide subscribers with a dedicated IP address, 24-hour service desk and support teams, and certain guaranteed service level agreements ("SLAs"), and are priced ranging from ₱2,000 per month for original speed for Daytime of 25 Mbps (doubles to 50 Mbps during chosen schedule) and ₱3,000 per month for Peak at 50 Mbps to ₱15,000 per month for Daytime with original speed of 150 Mbps (doubles to 300 Mbps during chosen schedule) and ₱18,000 per month for Peak at 300 Mbps.

Dedicated Internet Access (“DIA”)

DIA services are dedicated, ultra-high performance internet connectivity solutions tailored for and marketed primarily to Large Enterprise and Corporate customers. Multiple variations of the DIA service are offered, all of which are provided with enterprise-grade SLAs, 24-hour all in-source support teams and 24-hour service desk and restoration team service. The “Bandwidth-on-Demand” add-on product enables dynamic demand-based bandwidth top-up, allowing customers to increase bandwidth as and when needed for an incremental additional charge.

In 2021, the Company launched the “Time of Day,” “Upload,” and “Converge Connect” products for enterprise customers. The “Time-of-Day” add-on offers variable bandwidth based on the pre-set time of day. The “Upload” variant that offers asymmetric download and upload bandwidth allocation. The “Converge Connect” premium service enables businesses to have customizable combination of products and resources that are best suited to their needs. The newly introduced “IPT Express” and “IX Express” are innovative and cost-effective IP Transit and IX Connection solutions that gives customers similar benefits of an ISP with international presence.

Transport and Private Network Services

Local Private Data Network Solutions

The Company’s local private data network solutions, which are marketed primarily to Large Enterprise, Corporate and Wholesale customers, provide point to point connectivity between two or more sites within the Philippines. These solutions, as described below, come with enterprise-grade SLAs, as well as dedicated 24-hour service desk (hotline) and support teams.

- “FAST” and “FASTER” are direct “point-to-point” solutions provided on shared fiber network to deliver private and secure connectivity between two or more business locations. This service provides scalability and flexibility at affordable rates compared to traditional private leased lines and is often used to connect branches with kiosks, automated teller machines and point-of-sale machines and as back-up connections;
- Metro Ethernet runs through a globally certified carrier ethernet network, providing high capacity and secured wide area network (“WAN”) connectivity between geographically separated sites;
- Multi-Protocol Label Switching (“MPLS”) combines video, data applications and voice without the complexities of securing “one-to-many-point” network connections, and is often used to interconnect a head office with its various branch or regional offices; and
- Metro Lambda is a dedicated point-to-point connectivity service delivered using our DWDM network, and is often used for data center-to-data center connectivity, database disaster recovery, and high capacity, ultra-low latency site-to-site connectivity.

International Private Data Network Solutions

Our international private data network solutions, which are marketed primarily to our Large Enterprise, Corporate and Wholesale customers, provide point to point connectivity between two or more local and international sites. These solutions come with enterprise-grade SLAs, as well as dedicated 24-hour service desk (hotline) and support teams.

- Ethernet-International Private Line provides cost effective and secure point-to-point high bandwidth connectivity from the Philippines to international markets; and

- International IP provides destination-specific, dedicated internet access designed for enterprises with international IP requirements, such as those in the U.S., Hong Kong, Singapore, Taiwan and China, in partnership with global service providers.

Ethernet-Cloud Direct Connect Service

Converge's Ethernet-Cloud Direct Connect Service, which is marketed primarily to Large Enterprise and Corporate customers, provides a private, dedicated and high-throughput network connection between an enterprise private network and public cloud service providers, allowing businesses to interact with these clouds privately, as if these were part of their WAN.

The Cloud Upload Booth allows customers to upload large files into cloud service provider platforms, at a working space located at Reliance IT Center in Pasig City. This removes the need to go to cloud regions such as Singapore just to upload large files. Users would have access to a Windows PC with a LAN-based internet connection of 10 Gbps.

The Cloud Direct Connect, meanwhile, is a service that would connect the enterprise customer's local IT infrastructure to a cloud service provider. This link is done in partnership with global firm Equinix, without crossing the internet.

Optical Transport Network

OTN is a Layer 1 technology that provides a secure, high bandwidth, reliable, and low latency network service that runs over the Company's DWDM network – the youngest and most modern network in the country.

Leveraging on OTN technology, this provides enterprise customers with a fast, stable, and secure way to send different traffic types such as IP, Ethernet, storage, digital video, and SDH, over the Company's high-speed, low latency backbone network.

Value Added Services

Converge's colocation service offers a reliable data center environment for storing data and applications. Customers can benefit from reduced IT infrastructure and management costs, reliability, access to various telecommunication requirements, security, required bandwidth at reasonable rates, and 24/7 dedicated support.

MAPS improves connection to Microsoft applications such as Office 365, Teams, SharePoint, and other products running on the Azure Public Cloud. MAPS offers a faster, more reliable network connection with consistent performance, dedicated traffic paths on Converge ICT and Microsoft networks, and route protection over the public internet therefore improving business collaboration and productivity for businesses.

Designed for every Filipino business, Converge x SweldoMo Workplace ensures up to date to local rules and regulations. This is a Payroll and HR Management System that automates HR, Timekeeping, and Payroll processes that is also accessible through any device, anytime and anywhere.

Customer Care and Self-Help

The Company continues to commit to providing a quality customer experience for both existing and potential new subscribers. Converge continues to be highly focused on enhancing the overall customer experience by strengthening its customer care functions and digitizing the journey of all of its customers.

Converge has been investing in preventive measures to lessen service-impacting disruptions, including redundancy investments. The Company will continue to invest in redundancy measures so that one-off incidents will be less disruptive to subscribers. While these redundancy investments are ongoing, there will be incidents or calamities that would impact the subscribers, either on a household level or on a large-scale area. The Company has launched its social listening and social customer service to detect any complaints mentioned on social media, as well as raise an appropriate ticket for investigation. This allows the Company to deliver personalized omni-channel customer service in a systematic approach. Converge has also invested in artificial intelligence to allow shorter mean time to escalate during large scale incidents that affect multiple households.

Converge's focus of prioritizing customer experience pushed for a more digitalized approach to customer service. The streamlined web portal and GoFiber app are more intuitive and provided ease-of-use to both new and existing customers. Customers can view the status of their modems in terms of number of devices connected, the temperature, and signal strength – allowing customers to have first-hand troubleshooting capabilities. Furthermore, the Company has been developing its Network Intelligence and Automation Platform aimed at reducing time to escalate and repair infrastructure damages. The platform allows Converge to identify the exact location of network damage and raise this concern to the appropriate service team with minimal lead time. As a result, backbone mean-time-to-restore improved by 20% and outside plant mean-time-to-restore improved by more than 33% compared to 2022 average. Field network operations team was also able to repair damaged equipment 46% faster due to this initiative.

Converge has been prioritizing customer experience to improve take-up and reduce churn. Service reliability and overall customer experience are deemed as important metrics for customers when deciding on a provider. The Company will continue its efforts in pushing for network reliability improvements and making sure that the Company's network performance is best-in-class. See Exhibit 2 (Sustainability Report) – Customer Welfare for details.

Aside from focusing on customers' experience with the broadband service, Converge is also committed to ensuring that customers' human rights are upheld, including their privacy and data security. Compliant with the Data Privacy Act of 2012, Converge's Data Privacy Policy outlines its commitment to safeguarding personal information. This policy includes the implementation of robust security measures and the protection of data subjects' rights, ensuring that collected Personal Data adheres to principles of proportionality, transparency, and legitimate purpose. See Exhibit 2 (Sustainability Report) – Customer Privacy and Data Security for details

Sales and Distribution Channels

The majority of Converge's subscribers are engaged through third-party sales channels through two main types of sales arrangements: (i) the Managed Service Provider ("MSP") model, where third-party managed service providers perform certain aspects of sales and operations within the agreed coverage area under outsourcing arrangements that are generally renewable annually and (ii) Converge Partner Outlets ("CPO") wherein the Company partners with various local businesses such as pawn shops, foreign exchange transaction centers, and payment collection establishments that allow potential customers to process new fiber plan applications, making the products more accessible through the networks of these partner outlets. The MSPs perform services generally on an exclusive basis and are responsible for select post-sales activities.

Converge also engages an increasing number of subscribers through our internal sales channels: (i) tele-digital sales platform and (ii) customer referral programs. The Company's tele-digital sales channel is one of the most cost-effective means to market and sell products. While internal sales personnel receive performance-based incentives for their services, the average customer acquisition cost via tele-digital platform is significantly lower than the customer acquisition cost via third-party sales channels.

Converge's GoFiber website and GoFiber digital app allow customers to view various fiber plans and add-on offerings through their digital devices. Customers may also report technical and hardware issues, check the status of their raised concerns, and pay their outstanding bills. In addition, customers may access the Converge branch locator where they can find nearby business centers for their convenience.

Industry and Competition

The Philippine fixed broadband market has been significantly underserved and underpenetrated compared to other regional markets. The Philippines ended 2023 with a fixed wired broadband penetration of 25% (compared to fixed broadband penetration of 9% in 2015 and 24% in 2022), lower than most other ASEAN markets.

Other major fixed broadband operators in the Philippines include PLDT and Globe Telecom. These other operators have earned a significant portion of their revenues from providing mobile connectivity. Based on publicly available data, mobile services represented approximately 45% of their total revenues for the year ended December 31, 2023, compared to fixed broadband which accounts for approximately 40% of their total revenues.

Given the low penetration of the fixed broadband market in the Philippines, to date, there has been minimal pressure to lower prices in the effort to gain market share. Recent competitive actions have focused on expanding network reach, improving service quality, and overall performance of the broadband plans.

The Company has increased its residential market share in the fixed wired broadband industry – from 17% in December 2019 to 33% as of December 2023. Our two major competitors in the industry, PLDT and Globe, had 50% and 17% as of December 2023, respectively.

Converge is well positioned to increase market share in the fixed broadband market given its significant investment in its infrastructure network and innovative solutions to cater to different customer segments. Leveraging its proprietary, end-to-end fiber network, the Company has been able to differentiate itself by offering a superior product and customer service. In 2023, Converge garnered the most residential net additions in the market.

Competitive Strengths

Focused exclusively on the Philippine fixed broadband market as a pure-play fixed broadband operator

Converge is the only pure-play fixed broadband provider with an exclusive focus on serving the Philippine fixed broadband market, according to MPA. The Company's Founders, CEO Mr. Dennis Anthony H. Uy and President, Chief Resource Officer and Chief Risk Officer, Ms. Maria Grace Y. Uy, established and expanded Converge with a vision—to build a business dedicated to providing high-speed fixed broadband access to millions of unserved and underserved households and businesses across the Philippines. The organization has been focused on understanding and serving the needs of fixed broadband customers. As a result, Converge is well-positioned to grow its subscriber base as it continues to expand network coverage. Furthermore, the Company is not constrained by legacy infrastructure or dated service models, which makes the Company more agile and adept at anticipating and addressing customer needs.

The broadest proprietary fiber infrastructure with the most number of fiber ports deployed

Converge owns and operates a proprietary, end-to-end fiber network in the Philippines that extends from the backbone to the last mile. The network infrastructure comprising a fiber backbone that stretches from the northernmost tip of Luzon Island to its southernmost end with extensions to Visayas and Mindanao, as well as a fiber distribution and last-mile network. Total fiber infrastructure reached 685,017 kilometers nationwide. With eight million fiber ports deployed, Converge has the broadest fiber infrastructure in the country. The Company's

network covered in aggregate 16.9 million homes passed, covering 63% of households nationwide, reaching its target of 55% three years earlier than guided during the IPO.

With six million ports still unused as of December 2023, Converge can capitalize this with the expansion of its target addressable market. Having launched BIDA Fiber and Surf2Sawa, Converge now has a full suite of products to maximize the returns from these infrastructure investments, on top of its flagship product FiberX.

Well-positioned to serve a fast-growing and underserved enterprise market

The Philippine enterprise fixed broadband market is significant and fast-growing, underpinned by substantial and rapidly growing demand for fixed broadband from Philippine businesses, particularly those in the services sector, where internet access is critical.

For larger businesses with complex connectivity needs including the requirements for redundancy and back-up support, there is an undersupply of reliable alternative providers, with many areas in the Philippines serviced by only one or two enterprise operators. For smaller businesses with simpler connectivity requirements but for whom connectivity represents a critical need, many are unserved with more than half of all MSMEs (microbusinesses and SMEs) not having access to fixed broadband.

With the Company's continuous innovation and expanded network reaching Visayas and Mindanao, Converge is well equipped to serve more enterprise customers both small businesses and large corporates either operating in local areas or nationwide.

Converge is also investing in international subsea cables that are expected to be operational by 2024 and 2025. These cables will provide further excess capacity to Converge that it intends to sell through its wholesale business. Having been awarded a Facilities-Based Operations license by the Singapore Infocomm Media Development Authority, Converge would be able to expand its wholesale business not just to carriers operating locally but internationally, as well.

Industry-leading growth, profitability and capital efficiency, combined with a healthy balance sheet

Converge's Residential and Enterprise Businesses have delivered market-leading subscriber and revenue growth since 2017. In addition, the Company has adopted a disciplined approach in deploying capital to expand its fiber network, focusing on capital efficiency to ensure consistently high return on invested capital ("ROIC").

Consolidated revenues grew by 5% in 2023 to ₱35.4 billion from ₱33.7 billion in 2022 – cementing the Company's position as the fastest-growing fixed broadband service provider in the Philippines. Profitability was also well within management guidance, with industry-leading 60.9% consolidated EBITDA margin, 25.7% net income margin, and 16.3% ROIC for the year ended December 31, 2023 – consistently higher than local peers.

Converge has been able to maintain its strong balance sheet and cash flows with ample liquidity and gearing comfortably within bank covenants. The Company's net debt position (as measured by total financial debt less cash and cash equivalents) reached ₱21.5 billion as of December 31, 2023. The Company repaid a portion of its financial debt, reducing the balance to ₱35.2 billion as of the same period. The Company's debt service coverage ratio ("DSCR") was 2.4x and the net debt-to-total equity was at 0.5x, well within the required financial covenants from its debt facilities. The weighted average cost of debt from drawn debt facilities remained at 5.1% as of December 2023.

Suppliers

Converge purchases substantially all of its network equipment outside of the Philippines and the Company expects this to continue in pursuing network expansion plans and other development programs. For core network equipment and the expansion of our optical transmission backbone, including for our planned subsea cables, Huawei Technologies, ZTE, Nokia and Ciena are our principal suppliers. Fiber procurement is undertaken through a bidding process and our principal suppliers are fiber manufacturers such as YOFC International (Philippines) Corporation, Hengtong Optic-Electric International Co., Ltd. and ZTT International Ltd.

The Company reviews the performance of each of major supplier periodically, assessing the quality of work performed and materials supplied against the requirements set out in our contractual agreements. Depending on the supplier's internal classification, performance is reviewed annually or per transaction. Along with operational requirements, the Company also tracks sustainability metrics to ensure that all suppliers are aligned with Converge's environmental and social policies. See Exhibit 2 (Sustainability Report) – Supplier Environmental Assessment and Supplier Social Assessment for details.

Customers

As of December 31, 2023, Converge has 2,128,052 residential subscribers and 48,150 enterprise customers. No single customer and contract accounted for more than 20% of the Company's total sales in 2022 and in the full year of 2023.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements

Converge has a number of registered trademarks registered with the Philippine Intellectual Property Office as well as applications for the registration of various trademarks. These trademarks are important because name recognition and exclusivity of use are contributing factors to the Company's success.

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office issues a certificate of registration to the owner of the mark. The mark shall confer the right to prevent, without the owner's consent, third parties from using identical or similar signs or containers for goods or services in respect of which the mark is registered. The certificate of registration also serves as prima facie evidence of the registrant's validity of registration, and ownership of the mark. A certificate of registration remains in force for an initial period of 10 years and may be renewed for periods of ten (10) years at its expiration.

Government Approvals/Regulatory Matters

The Company has all the material permits and licenses necessary for its business as currently conducted, which are valid and subsisting.

Converge was granted a legislative franchise under R.A. No. 9707 to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines. The franchise is for a term of 25 years from the date of effectivity of R.A. No. 9707 and is expected to last until 2034. Prior to its expiration, the Company intends to apply for the renewal of franchise. From 2011 to 2021, Converge had been operating on the basis of a valid Provisional Authority issued by the NTC. On September 28, 2018, the NTC renewed Converge's Provisional Authority until December 24, 2021. In a certification dated August 25, 2020, the NTC confirmed that the

Company is in good standing with the NTC. In September 2020, the Company filed an application for renewal of the Provisional Authority. On October 13, 2021, the NTC granted the Company a CPCN to operate and maintain a nationwide wired and wireless broadband network in the Philippines and to offer broadband communications services and other ancillary services. The CPCN is co-terminus with the Company's legislative franchise.

Research and Development

Converge values innovation and is constantly on the lookout for opportunities to improve the services offered or add adjacent products to enhance customer experience for both residential and enterprise. A dedicated Product Development team is responsible for challenging the product portfolio and pushes boundaries to meet currently evident and future customer needs. In 2023, after a series of thorough product and market testing, Converge launched BIDA Fiber and Surf2Sawa to cater to a new segment of the residential market. On the enterprise side, the Company launched Converge Workplace to expand the Company's offerings to include digitalized payroll platform. As broadband connectivity enables the customers to enhance their digitization (and thereby decarbonization) journey, widening the target market through BIDA Fiber and Surf2Sawa further extends the environmental impact to a broad segment of the market.

The Company is also working on deploying recently developed five nanometer process chip sets for the Company's data center interconnect equipment. This chip set is advertised to reduce network power consumption of relevant equipment by up to 60%. This is a new innovative material that Converge embraces given its inherent positive impact on energy efficiency. This project is set to kick off in 2024.

In 2023, Converge's research and development expenses are not significant, and hence, not separately booked.

Compliance with Environmental Laws

As a Participant in the UN Global Compact, Converge takes a precautionary approach to environmental matters. Any project that could be expected to have a significant impact on the quality of the environment is subject to the Philippine Environment Impact Study system, for which an Environmental Compliance Certificate ("ECC") would need to be obtained from the Philippine DENR, before the project can proceed. The Company's nationwide submarine cable network that connects the main islands of the Philippine archipelago, requires the relevant ECC to be obtained. Converge has complied with this requirement as it continues to expand in the Visayas and Mindanao regions.

Converge also expects suppliers to comply with mandated environmental standards in their operations as required by the Company's Third Party Code of Conduct and Energy Management Policy. See Exhibit 2 (Sustainability Report) – Supplier Environmental Assessment for details.

Converge is also actively intensifying its renewable efforts by continually seeking opportunities to enhance energy efficiency and maximize the use of renewable energy. The Company conducted electrical audits, culminating in rectifications to align with the requirements for obtaining an Energy Management Systems certification (ISO 50001). Converge also sustained efforts in procuring renewal energy from a mix of geothermal, solar, wind and hydroelectric sources for multiple office locations. See Exhibit 2 (Sustainability Report) – Energy and Emissions for details.

In 2023, the implementing rules and regulations of the Extended Producer Responsibility Act (EPPRA) of 2022 came into effect. This is in response to the urgent need for enhanced waste management practices in the country. This legislative measure holds companies accountable for the plastic packaging they use in their products throughout the entire life cycle. The law expands the responsibility of product manufacturers beyond production to include the use and end-of-life stages of their products. In line with Converge's commitment to UN Sustainable

Development Goal 12, the Company actively incorporates environmentally responsible practices into its business operations. See Exhibit 2 (Sustainability Report) – Waste Management for details.

Relevant policies can also be viewed on the Company’s website: <https://corporate.convergeict.com/corporate-governance/>.

Human Resources

Converge believes that its employees are critical to the success of the Company. Converge places great importance on attracting and retaining the most talented and qualified employees to be part of a globally competitive team. As of December 31, 2023, Converge and Metroworks had 3,379 full-time employees.

Furthermore, Converge leverages an ecosystem of business partners to support our business, including MSPs, MSAs, and third party contact centers. Other providers include manpower agencies for various technical and skilled worker, as well as maintenance and janitorial services. Converge engages with independent third-party contractors for various construction, installation and repair works. In engaging with these business partners, Converge and Metroworks ensure compliance with relevant labor laws, and seek to ensure that our business partners likewise adhere to labor and employment standards.

As a responsible and ethical employer, Converge is committed to adhering to relevant labor laws and regulations, prioritizing the protection of our employees’ human rights and freedoms. The Code of Business Ethics Policy underscores our responsibility as conscientious employers, emphasizing ethical employment and work practices that uphold Workers’ Rights. Furthermore, Converge takes proactive measures to enhance diversity and inclusion throughout the organization. Our Diversity, Equity and Inclusion Framework and roll-out plan reflects our commitment to fostering an inclusive workplace.

For further details, please see Exhibit 2 (Sustainability Report) – (i) Workforce Welfare, (ii) Diversity, Equity, and Inclusion, and (iii) Supplier Social Assessment sections.

Major Risk Factors and Risk Management

Management Approach

The Company documented policies and internal controls to ensure it can reasonably manage process-level risks. At enterprise and project levels, it also adopted the following management approach: Board Committees: establishing and maintaining various Board Committees are an integral part of the Company’s risk management. Its Board of Directors created several committees to assist in managing and mitigating the risks the Company faces. These committees are also involved in the overall governance matters of the Company:

- The Board Risk Oversight Committee (BROC) oversees the Company’s Enterprise Risk Management (ERM) system, including risks originating from subsidiaries, affiliates, and investments. It also ensures the functionality and effectiveness of the ERM system, the sustainability framework, and periodic review of this framework to ensure it remains appropriate considering material changes to the Company’s size, complexity, business strategy, and business and regulatory environments. The BROC also oversees strategies designed to respond to sustainability-related (including climate) risks and opportunities and ensures that sustainability-related and climate-related risks and opportunities are taken into consideration when making investment decisions (for example, plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements).

- The Audit Committee is responsible for enhancing the Board's oversight capability over implementing the Company's Code of Conduct; and the financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations of Converge.
- The Related Party Transactions Committee reviews and evaluates related-party transactions to enhance corporate transparency and promote fair transactions.
- The Corporate Governance Committee is responsible for assisting the Board in performing its corporate governance responsibilities and reviewing and evaluating the qualifications of all persons nominated to the Board and other appointments requiring Board approval. It also assists the Board in assessing the effectiveness of the Board's processes and procedures in the election and replacement of directors.
- The Remuneration Committee provides guidance to and assist the Board in developing a compensation philosophy or policy; oversee the development and administration of the Company's executive compensation programs; establish an effective performance management framework; and assist the Board in the succession planning for Officers and in overseeing the development and implementation of professional development programs for Officers.
- The Executive Committee possesses the powers of the Board. It has the right to use them in managing the business and affairs of Converge when the Board is not in session, except for certain actions and decisions.

Enterprise Risk Management

To achieve its corporate objectives, Converge acknowledges the need for the active management of the risks inherent in its business which should involve the entire organization. For this reason, it set up a dedicated Enterprise Risk Management (ERM) Team led by an ERM Head, reporting to the President and Chief Risk Officer. In 2021, an ERM Program was established to manage imminent and emerging risks in the internal and external operating environments of Converge.

The ERM Program is aligned with the Company's Manual of Corporate Governance, which mandates the Board to ensure a sound ERM framework to effectively identify, monitor, assess, and manage key business risks. In addition, the Company's BROC provides oversight of management functions relating to strategic, financial, operational, compliance, and other risks of the Company, which involves periodic disclosure of risk exposures and related risk management activities.

The ERM framework based on ISO 31000:2018 has been adopted and provides the foundation for the Company's management of risks through the ERM Program. It is anchored on the mandate and commitment from the Board and top management to implement the ERM process across the organization. It is envisioned to be dynamic and shall be continuously improved to be responsive to the needs of the organization and attain the Company's desired state. Converge also adopted the ERM process defined in ISO 31000:2018 in managing risks. At each stage of the risk management process, tools and techniques suited to the Company's objectives, resources, and capabilities shall be employed.

Through the ERM Program, the Company shall embed risk awareness within its culture and effectively communicate to the Board and Management the risks that it could potentially face. Converge also looks into Environment, Social, and Governance (ESG) risks and assesses how these could be incorporated into its ERM framework and eventually formalized in its applicable business processes, metrics, and targets.

The Chief Executive Officer (CEO) is the comprehensive risk executive and is ultimately responsible for managing key risks, setting ERM priorities, tolerances, and policies, and developing, executing, and monitoring risk management strategies. The CEO directs the design and implementation of appropriate systems, tools, and methodologies to support ERM processes and other risk management activities.

The Chief Risk Officer (CRO) is the ultimate champion of ERM at Converge. The CRO oversees the entire risk management function and the development, implementation, maintenance, and continuous improvement of ERM processes and tools. Supporting the CRO is the ERM Team responsible for developing risk management tools, methodologies, and processes. It leads the implementation and dissemination of ERM across Converge in coordination with the CRO and risk owners.

In 2023, the Company's Senior Leadership Team (composed of the CEO, President/CRO, and their direct reports) determined the most significant risks facing the Company. The management of top corporate risks, which have been mapped out up to the department level, was delegated to the appropriate Risk Owners. The Risk Owners have formulated and committed to a risk management plan monitored by the ERM Department, which defined specific action points, accountability, and timeline. The status of the top corporate risks is regularly discussed and reported to the BROCC.

The identified risks underwent the following phases:

- **Analysis:** This refers to the thorough understanding of each risk. This step involves consideration of the causes and sources of risks, their consequences or impact, the likelihood of the impact, and the effectiveness by which the risks are managed.
- **Evaluation:** This involves comparing the level of risk found during the analysis process with established risk criteria. Based on this comparison, the need for treatment, further analysis, and other alternative actions may be considered.
- **Treatment:** The selection and implementation of strategies and actions to modify risks that need treatment based on risk analysis and evaluation results. Appropriate risk treatment options are selected by balancing the required costs and the benefits derived from implementation.
- **Reporting and Monitoring:** The implementation of selected options is planned, constantly monitored, and regularly reviewed. The responsibilities for implementation and monitoring have been defined. The results of review and monitoring are recorded and reported internally and externally as appropriate.

In 2021, Converge formalized the Sustainability Council, a cross-functional working group responsible for determining risks and opportunities related to ESG and implementing ESG and other sustainability-related initiatives. The council also governs its Corporate Social Responsibility (CSR) Team, ensuring CSR activities are planned, implemented, and measured. In addition, the Company also put its Sustainability Framework and Roadmap in place.

Project Risk Management

Project risk management processes are embedded in all key strategic and operational initiatives of Converge. The Company requires each new major project to have a formal project risk assessment and mitigation plan. Risks and issues are part of regular status reporting, and action plans to address the identified risks and issues are monitored accordingly. As Converge sets its sights on further expanding its reach and footprint, it continues to engage talents in managing risks across the organization. With active involvement and appreciation of risk management at all levels within the organization, Converge is geared up to manage uncertainties in the business, regulatory, and physical environment. It is equipped to achieve and seize new business goals as it continues its pursuit of becoming a world-class ICT organization that empowers people, businesses, and the nation to be their best.

This section outlines the key risks to Converge, listed in no particular order of significance.

○ **Business Disruption Risk**

The continuity of our services and the growth of our business is highly dependent on the proper functioning of our network and infrastructure, our ability to conduct maintenance, upgrades, and repairs on our network and infrastructure, and our ability to continue our network rollout and expansion. Damage or disruptions to our

network operations, other network infrastructure, and expansion plans due to natural disasters and calamities such as typhoons, floods and earthquakes, public health crises, and other events beyond our control could materially and adversely affect our financial performance and operations. In addition, our network operations may be disrupted by accidental damage, including natural disasters or environmental elements such as heavy rainfall or typhoons, or by third parties, such as local government authorities undertaking construction works alongside our underground and aerial network cables.

Mitigation

- Establishment of a dedicated Business Continuity and Disaster Recovery Team to quickly respond to natural and man-made emergencies.
- Establishment of ISO 22301:2019 Business Continuity Management System (BCMS) documents and processes.
- Implementation of Remote Monitoring System to proactively monitor nodes' operational status in various regions coupled by timely and effective troubleshooting and resolution of possible equipment issues.
- Enhancement and improvement network infrastructure by applying corrections and executing preventive action through our Project Backbone 6Sigma.
- Continuous hardening of systems, and additional network redundancy to lessen the impact of fiber cuts and localized equipment failure.
- Improvement of insurance programs to cover the key assets and exposures of Converge as well as its subsidiaries and affiliates.
- Conduct of Disaster Risk Reduction and Management Course for Private Sector in coordination with the Office of the Civil Defense and ARISE Philippines.
- Emergency drill and Emergency Call Tree drill actual activation.

For further details, please see Exhibit 2 (Sustainability Report) – Customer Welfare, Climate Adaptation and Resilience sections.

○ **Climate Change Risk**

The Company is exposed to risks resulting from changes in global climate patterns and affecting natural and human systems. These include risks related to the physical impacts of climate change and risks related to the transition to a lower carbon economy, may exacerbate the impacts of other risks if they materialize, such as business disruption, macroeconomic factors, environment, and regulation.

Mitigation

- Scenario Analysis to determine the impact of climate change, particularly the rising sea level on our assets within the climate scenarios outlined by the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways (RCP).
- Natural Catastrophe Modeling to determine the potential losses of the Company from key perils such as typhoons and extreme weather events, etc.
- Transition in energy source to geothermal energy for our key facilities and with plans to expand the use of renewable energy across the organization.
- Continuous investment in network hardening and resilience in anticipation of increased adverse weather events over time.
- Monitoring of regulatory changes in response to climate change.
- Improvement of insurance programs to cover the key assets and exposures of Converge as well as its subsidiaries and affiliates.

For further details, please see Exhibit 2 (Sustainability Report) – Climate Adaptation and Resilience for details.

○ **Competition Risk**

The Company faces competition from two major telecommunications companies in the Philippines and other operators, as well as potential new entrants. The Company also faces competition from technologies from new and existing industry players.

Mitigation

- Expansion of distribution and last-mile networks to existing and new coverage areas in Visayas and Mindanao.
- Improved product offerings (e.g., the higher speed at the same cost), offering customers higher value broadband plans and customer service.
- Launched new product offerings (e.g., S2S Prepaid Internet, BIDA Fiber) to serve all market segments.
- Launched XCLSV, a new product that guarantees premium experience and the best and personalized customer support.
- Manage and ensure compliance of third-party sales agents and managed service providers with our policies.
- Continue to incentivize our third-party sales agents appropriately and managed service providers to expand and optimize our customer penetration in their respective areas.

For further details, please see Exhibit 2 (Sustainability Report) – Competitive Behavior and Open Internet for details.

○ **Customer Experience Risk**

Customer satisfaction depends on the Company's customer service's effectiveness in our ability to address requests and inquiries, install services, and deal with complaints and service issues promptly and satisfactorily. Although the Customer Experience Group maintains various tools and platforms to address customer needs and concerns, any unsatisfactory response or lack of responsiveness by Converge's customer service team could adversely affect customer satisfaction, loyalty, and business reputation.

Mitigation

- Strengthening customer relationship management (CRM) platform's capabilities with value-adding features to maintain the service level in response to the surge in digital channel interactions.
- Enhancing the GoFiber app's functionality across web and mobile platforms, offering an extended array of self-service options, including one-click issue detection, troubleshooting, and reporting. The app also offers billing and service modification. Enhancements also include in-app alarms for network outages and tech personnel dispatch.
- Deployment of an intelligent and cloud-based solution that continuously listens, knows, and engages customers across various social media channels.
- Continuous improvements (provide consistent availability and timely support 24/7, system improvements to minimize downtime) for better customer experience for After-Sales Transactions.

For further details, please see Exhibit 2 (Sustainability Report) – Customer Welfare.

○ **Data Privacy Risk**

Converge collects data from employees, clients, customers, third party vendors, and affiliates. The Company is in adherence to the general principle of proportionality, transparency, and legitimate purpose in compliance with the Data Privacy Act of 2012. These data can be misused, maliciously disclosed, or mishandled, or a data subject's data privacy rights are otherwise violated by the Company or any appointed Personal Information Processors. Thus, the Company ensures these information is only used in the provision of safe and quality services and that no external entities unrelated to these will be able to access the data.

Mitigation

- Appointment of a Data Protection Officer.
- Acquisition and implementation of a Data Privacy Management Platform and a Consent Management Platform.
- Updating the organization's Record of Process Activities and Registry of Data Processing Systems in line with business process and system improvements.
- Finalizing a Data Privacy Handbook for employees to serve as a go-to guide for relevant data privacy standards, policies, and procedures.
- Empowering the team through the recruitment of additional Compliance Officers for Privacy and mobilizing a team of Corporate Governance and Data Privacy Champions.
- Conducting a Data Privacy Awareness Campaign across the organization and third-party partners.
- Conducting the inaugural Annual Data Privacy Breach Drill to improve our response to breaches and social engineering. This session places particular emphasis on risk identification, solution implementation, and fostering a proactive cybersecurity posture.

For further details, please see Exhibit 2 (Sustainability Report) – Customer Privacy and Data Security.

○ **Fraud Risk**

The Company is exposed to the occurrence of fraudulent acts committed by employees or other stakeholders that may negatively impact the company's reputation and result in loss of income, property or other assets.

Mitigation

- Implementation of core compliance policies and procedures such as the Code of Business Ethics, Anti-Bribery and Anti-Corruption Policy, Whistleblower Policy and Procedure, Compliance Risk Management Policy, and Blacklisting and Suspension Policy.
- Use of a Whistleblowing Platform as an independent tool for stakeholders to report any wrongdoing without fear of retaliation.
- Continuous improvement and automation of internal controls.
- Strengthening of compliance, internal audit, and security capabilities to prevent, detect, and investigate cases of fraud.

For further details, please see Exhibit 2 (Sustainability Report) – Anti-Corruption.

○ **Information Security Risk**

The Company's network and systems are potentially exposed to physical or electronic break-ins, computer viruses, piracy, hacking, phishing attacks, and other disruptive problems despite security measures. Furthermore, the Company's operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification, or accidental release or loss of information maintained in Converge's information technology systems and network and those of our third-party vendors, including customer, personnel, and

vendor data. Breaches of the Company's network, including breaches through piracy or hacking, may result in unauthorized access to content carried on the network or a breach of privacy information transmissions.

Mitigation

- Adoption of ISO 27001: 2013 Information Security Management System standards.
- Conducting internal and external vulnerability assessments and penetration testing of applications and portals.
- Launch of Secure Access Service Edge (SASE)-based products for enterprise clients.
- Implementing Vulnerability Management, Detection, and Response Program in IT Network, Web Application, and Infrastructure to detect and remediate vulnerabilities in production systems.
- Improving access review process to validate user IDs for all employees per application system and ensure secure access control.
- Acquiring a Phishing Simulation Platform to fortify security measures against potential threats.

For further details, please see Exhibit 2 (Sustainability Report) – Customer Privacy and Data Security.

○ **Macroeconomic Factors Risk**

Converge is exposed to risks associated with any future downturn in the domestic, regional, or global economy that could reduce the demand for the Company's services, affect the ability of customers to pay for services or subscribe to value-added services, force customers to downsize bandwidth requirements, among others, all of which will materially adversely affect the business, results of operations, financial condition, and prospects. Converge is also exposed to the movements in foreign exchange and interest rates, exposing the company to economic and accounting losses.

Mitigation

- Monitoring of Philippine economic assessments (e.g., World Bank, BSP) and assessment of the impact on business plans, investments, operations, and other key risks.
- Entering contracts to reduce the impact of foreign exchange and interest rate movements (e.g., hedge).
- Ensuring adequate available resources (raised at reasonable costs) for immediate and long-term investments, capital repayments, and expenses.

○ **Occupational Health, Safety and Environment Risk**

Converge is subject to various laws and regulations relating to health, safety, and environmental matters. These include laws relating to the protection of the environment, human health, and human safety, such as laws and regulations governing the management and disposal of, and exposure to, hazardous materials, for which Converge could be liable for the costs of removal of certain hazardous substances and clean-up of certain hazardous locations. The introduction of, or changes in, various laws and regulations relating to health, safety, and environmental matters applicable to the business could materially adversely affect the business, results of operations, financial condition, and prospects.

Mitigation

- Establishment of a Safety, Health, Environment, and Security (SHES) Committee for the governance of safety, health, environment, and security matters.
- Conduct of various safety-related training including, but not limited to, Safety Officer Training, Working at Heights, Mandatory Eight-Hour Safety and Health Training, and First Aid Training.
- Establishment of an Energy Management Policy in accordance with ISO 50001:2018 Energy Management Systems standard.
- Establishment of a Solid and Hazardous Waste Management Framework.

- Establishment of an Extended Producer's Responsibility (EPR) Program with the National Solid Waste Management Commission and Zero Waste Campaign to support solid waste management target of zero waste to landfill.

For further details, please see Exhibit 2 (Sustainability Report) – Workforce Welfare.

○ **Revenue Leakage Risk**

The Company is exposed to revenue leakage affecting operating results and financial condition as the telecommunications industry is inherently vulnerable to this risk. The sources of leakage are driven by internal and external factors such as system limitations, process gaps, and fraudulent behavior of stakeholders.

Mitigation

- Establishment of a Revenue Assurance Team to develop controls into existing and new products and controls.
- Implementation of appropriate internal controls covering revenue-impacting processes.
- Implementation of an automated Revenue Assurance tool and resolution of noted exceptions.

○ **Socio-Political and Regulatory Risk**

The broadband, data communications, and internet services Converge provides are regulated, supervised, and regulated by various regulatory authorities. Converge is required to obtain and maintain a franchise from the Philippine Congress to maintain telecommunications systems throughout the Philippines and numerous regulatory licenses and permits from various entities, such as the NTC and local government units, to install cables and other activities. The Company's franchise, licenses, and permits are subject to review, interpretation, modification, or termination by the relevant authorities. The relevant government authorities have ultimate discretion over whether licenses or permits will be granted or revoked.

In addition, Converge may be affected by political and social developments in the Philippines and changes in the political leadership and government policies in the Philippines. Such political or social developments may result in introducing new laws and regulations (e.g., legislation on the open internet and service levels such as refunds for service outages and interruptions) that may adversely impact business.

Mitigation

- Creation of a Government Relations Group.
- Staying abreast with new regulatory mandates and ensuring compliance with such mandates in a timely manner.

For further details, please see Exhibit 2 (Sustainability Report) – Competitive Behavior and Open Internet.

○ **Talent Management Risk**

Converge depends on the availability and continued service of several key employees, managers, and other individuals, including directors and senior management. These key individuals are heavily involved in the daily operation of business and make strategic decisions, ensure their implementation, and manage and supervise our development. Converge's future operating results depend, in a significant part, on the Company's ability to attract, develop and retain talents to meet current and future business needs and objectives. In addition, the sudden vacancy in a senior management role that cannot be filled satisfactorily within an acceptable time frame due to the absence of an identified "Ready Now" successor may adversely affect our operations.

As we navigate the complexities of our global environment, Converge acknowledges the broader implications of Diversity, Equity and Inclusion (DEI), extending beyond the workplace to encompass broader societal challenges. Recognizing and addressing gender based disparities – in time allocation, access to assets and credit, treatment by formal institutions, and limited participation in policy discussions – within the framework of DEI is essential for creating empowered, resilient and equitable workplaces and societies.

Mitigation

- Implementation of various talent management programs and activities that ensure engagement and retention of existing employees and attract new talents.
- Establishment of Converge University covering internal training programs for continuous learning and development of employees; with specialized training programs for required critical competencies.
- Implementation of a talent management and succession planning program which includes talent reviews, identification of competency gaps and implementation of individual development plans.
- Incorporating commitment to eliminate discrimination in employment and occupation in the Company's Code of Business Ethics Policy
- Launched a woman-to-woman mentorship initiative that aims to provide a stronger voice for women within Converge.

For further details, please see Exhibit 2 (Sustainability Report) – Workforce Welfare and Diversity, Equity, and Inclusion.

○ **Technology Change Risk**

Converge operates in an industry driven by technological change. The Company may be required to upgrade the network or systems in response to technological changes, which could increase capital expenditure and operating costs materially and adversely affect operations and financial condition results. Converge may incur more capital expenditure than currently contemplated. In addition, advances in technology and electronics and their impact on operations and the competitive landscape of the industry are challenging to predict.

Mitigation

- Up to date with the latest technological trends in the industry.
- Use of upgradeable technology/infrastructure to cater to future demand while avoiding significant capital requirements.

○ **Third Party Risk**

The Company relies on third parties for the supply of network materials (e.g., fiber optics), equipment (e.g., network terminals, equipment routers, and equipment for customer premises), and services (e.g., construction work, outsourcing of certain operations such as trade marketing, installation and repair, sales, after-sales support, and international connectivity). Within the dynamic MSP model, the Company's MSPs handle functions such as trade marketing, installation and repair, sales and aftersales support, as well as warehousing and logistics. An adequate and dependable supply of network materials, equipment, and services is critical to the Company's ability to deliver high-quality broadband services to customers.

Mitigation

- Establishment of a Vendor Management and Development Team, who plays an integral role in spearheading further improvements in supply chain and procurement guidelines.
- Enhancement of third-party due diligence process covering vendors, service providers, contractors, and subcontractors.

- Creation of an MSP Playbook that serves as a guide to partners on performance expectations for critical processes and controls.
- Ongoing performance monitoring of key business partners supporting critical customer-facing processes.

For further details, please see Exhibit 2 (Sustainability Report) – Supplier Social Assessment, Supplier Environmental Assessment, Workforce Welfare.

Debt Issues

For details on the Company's Borrowings, see Note 10 of the attached Notes to the 2023 Audited Financial Statements.

Item 2. PROPERTIES

None of Converge's properties are used as collateral for Company liabilities except for certain transportation equipment under finance lease which are subject to chattel mortgage. As of December 2023, Converge's head office is located in Balibago, Angeles City. Its main office in Metro Manila is located in Pasig City.

Converge operates more than 30 warehouses and storage facilities nationwide to support the business operations of the Company. Converge also operates business centers in strategic locations throughout our operating areas. These facilities are generally in good working condition with lease agreements and various payment terms, expiration dates, and renewal options.

Telecommunications Equipment

As of the date of this Report, Converge's primary telecommunications equipment comprises the nationwide fiber network that spans 685,017 kilometers throughout the country, including the backbone, distribution network, and last mile connections. Given the country's archipelagic geography, the Company invested in more than 20 cable landing stations to expand its backbone infrastructure to the major islands of the Philippines.

The Company also invested in three core network backbone nodes that enable a robust and redundant traffic routing in the network.

Investments in Submarine Cable Systems

Converge invested in a submarine cable system through a supply contract for the purchase of submarine cables and accessories and other equipment, as well as a service contract for the design, manufacture, installation, integration, testing and commissioning of the submarine cable system and provision of long-term technical support and maintenance thereof with Huawei Technologies.

Item 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are not currently involved in any material litigation, arbitration or similar proceedings, and are not aware of any such proceedings pending or threatened against them or any of their properties. There was no bankruptcy, receivership or similar proceedings initiated during the past five years.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

2023	Number of shares	Amount at par
Authorized shares		
Common shares at P0.25 par value per share	16,900,000,000	4,225,000,000
Preferred shares at P0.25 par value per share	3,060,000,000	765,000,000
Preferred B shares at P0.0025 par value per share	4,000,000,000	10,000,000
Total	23,960,000,000	5,000,000,000
Issued and outstanding		
Common shares	7,266,573,061	1,816,643,265
Preferred shares	-	-
Total	7,266,573,061	1,816,643,265

For details of the equity components listed in the table above, please see Note 13 of the attached consolidated financial statements.

Converge was listed on the PSE on October 26, 2020 under the ticker symbol CNVRG at ₱16.80 per share. The quarterly high and low prices are as follows:

Quarter	High (₱)	Low (₱)
4Q2020	16.98	13.20
1Q2021	21.20	14.54
2Q2021	23.45	17.58
3Q2021	40.40	22.25
4Q2021	45.40	27.90
1Q2022	32.20	21.50
2Q2022	31.50	18.24
3Q2022	22.40	12.66
4Q2022	16.78	11.02
1Q2023	19.98	12.80
2Q2023	13.00	10.06
3Q2023	11.18	7.77
4Q2023	10.40	7.63

As of the latest practicable trading date of April 2, 2024, Converge's publicly listed stock closed at ₱9.50 per share.

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

On August 8, 2019, the Company, the Founders, Comclark and Coherent Cloud entered into a share subscription agreement pursuant to which we agreed to issue, and Coherent Cloud agreed to subscribe for the 51,136,363 Preferred Shares for an aggregate consideration of U.S.\$225,000,000. The subscription was completed in two tranches as follows:

Date of issuance	No. of Preferred Shares*	Consideration
August 23, 2019	30,681,818	U.S.\$135,000,000
February 7, 2020	20,454,545	U.S.\$90,000,000

*Number of Shares before the Stock Split and the Conversion.

Each convertible preferred share confers upon a shareholder: a) the right to vote at any shareholders' meeting or on any resolution of the shareholders; and b) the right to distribution of income on a pari passu basis with all other shareholders based on actual shareholding percentage. Each convertible preferred share shall be convertible into a fully paid ordinary share on a one-to-one basis.

The Company applied for a stock split and was approved by the SEC on September 28, 2020. As a result of the stock split, the above convertible preferred shares were exchanged for 2,045,454,520 newly issued preferred shares, each with a par value of P0.25 per share.

On October 8, 2020, Coherent Cloud Investments B.V. exercised its conversion right to convert all 2,045,454,520 issued and outstanding preferred shares held in its name to common shares and the Company has issued 2,045,454,520 common shares to Coherent Cloud on the same date at a conversion ratio of one preferred shares to one common share.

As of December 31, 2022, the Company has no outstanding preferred shares. Refer to Note 13 of our consolidated financial statements for a detailed discussion on the movements of our share capital.

Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of 20.0%.

R.A. No. 9707 mandates the Company to offer at least 30% of its outstanding capital stock or higher percentage that may hereafter be provided by law in any securities exchange in the operations in compliance with the constitutional provision to encourage public participation in public utilities (the "Converge Public Offering"), which shall occur within five years from the commencement of operations of the Company pursuant to Section 16 of R.A. No. 9707 otherwise, the franchise may be revoked. Nevertheless, under Section 17 of R.A. No. 9707, which provide that "any advantage, favor, privilege, exemption or immunity granted under existing franchises for telecommunications system, or which may hereafter be granted, shall ipso facto become part of this franchise and shall be accorded immediately and unconditionally to the herein grantee", the applicable period for the Converge Public Offering is in fact ten years from the commencement of operations of the Company. Considering that at least two legislative franchises granted in June 1998 under Republic Act No. 8645 for Mindoro Telecommunications Corporation and Republic Act No. 8678 for Sear Telecommunications Inc. provide that the public offering requirement of least 30% of their outstanding capital stock or higher percentage be undertaken within 10 years from commencement of operations, the period for the Converge Public Offering should likewise be deemed automatically extended from five years to ten years. On June 18, 2020, in reply to the letter from the Company requesting for clarification on this matter, the NTC confirmed that the applicable period for the Converge Public Offering is 10 years from commencement of the Company's operations in 2012. As of May 2022, the Company has reached 30.9% public float. Please see *Item 10. Security Ownership of Certain Beneficial Owners, Directors, and Executive Officers* for more details.

Stockholders

As of March 31, 2024, the stockholders of the Company own 7,266,573,061 or 100% of issued and outstanding common shares.

	Name	No. of Shares	Percentage
1	COMCLARK NETWORK AND TECHNOLOGY CORP.	4,797,417,274*	66.02%
2	PCD NON FILIPINO	1,255,221,373	17.27%
3	PCD FILIPINO***	1,213,171,907**	17.00%

	Name	No. of Shares	Percentage
4	CAROUSEL HOLDINGS, INC.	317,500	0.00%
5	LAARNI N. ENRIQUEZ	150,000	0.00%
6	DIOSDADO M. PERALTA	120,000	0.00%
7	BERCK Y. CHENG OR ALVIN Y. CHENG OR DIANA Y. CHENG OR CHERYL Y. CHENG	50,000	0.00%
8	JINGYU SHANG	45,000	0.00%
9	OMRY YADAN	29,000	0.00%
10	WEIXI	15,000	0.00%
11	ARACELI Z. LORAYES	12,000	0.00%
12	MYRA P. VILLANUEVA	10,000	0.00%
13	MYLENE C. ARNIGO	3,000	0.00%
14	MANUEL JORGE L. CRISTOBAL OR LORNA T. CRISTOBAL	2,000	0.00%
15	JOSELITO C. HERRERA	2,000	0.00%
16	GABRIELLE CLAUDIA F. HERRERA	2,000	0.00%
17	MYRNA P. VILLANUEVA	1,000	0.00%
18	MILAGROSA P. VILLANUEVA	1,000	0.00%
19	MARIETTA V. CABREZA	1,000	0.00%
20	JAYBEE C. BARAQUEL	1,000	0.00%
21	JUAN CARLOS V. CABREZA	1,000	0.00%
22	JOSE P. DE JESUS	1	0.00%
23	AMANDO M. TETANGCO, JR.	1	0.00%
24	ROMAN FELIPE S. REYES	1	0.00%
25	SAURABH AGARWAL	1	0.00%
26	FRANCISCO ED LIM	1	0.00%
27	JOSELITO TANWANGCO BAUTISTA	1	0.00%
28	JOHN RHEY OLLERO ALBAY	1	0.00%
	Total	7,266,573,061	100%

**includes 281,640,597 scrippless shares of Comclark Network and Technology Corp*

***less 281,640,597 scrippless shares of Comclark Network and Technology Corp*

****includes shares owned by Independent Director Justice Perlas-Bernabe*

Dividends

Converge did not make any dividend payments in 2023. The Board of Directors, may, at any time, modify such dividend policy depending upon the results of operations and future projects and plans and other considerations.

Dividends, if any, shall be declared and paid out of the Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of the outstanding stock held by them. Unless otherwise required by law, the Board, has sole discretion to determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of earnings, cash flow, return on equity and retained earnings;
- the results for and financial condition at the end of the year in respect of which the dividend is to be paid and expected financial performance;

- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on Converge by any current or future financing arrangements and current or prospective debt service requirements; and
- such other factors as the Board deems appropriate.
- the Company may also, in the future, enter into certain financing arrangements that would restrict its ability to pay dividends.

Please refer to Note 13 of Exhibit 1 for further details including appropriation of retained earnings.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Description of Key Line Items

The following discussion provides a description of the key line items of our consolidated statements of total comprehensive income for the years ended December 31, 2023 and 2022.

	For the years ended December 31			
	2023	2022	YoY change	YoY change %
In PHP millions				
Revenues	35,359	33,696	1,663	5%
<i>Residential</i>	30,282	29,462	820	3%
<i>Enterprise</i>	5,077	4,233	844	20%
Cost of services (COS)	(12,710)	(13,438)	728	-5%
Gross profit	22,649	20,258	2,391	12%
General and administrative expenses (GAE)	(6,947)	(6,601)	346	5%
Provision for impairment of trade and other receivables	(1,369)	(1,660)	(291)	-18%
Equity share in net income of joint ventures	248	51	197	387%
Unrealized fair value gain (loss) on financial asset at FVTPL	4	(6)	10	156%
Other expense, net	(384)	(454)	(70)	-15%
Profit from operations	14,201	11,588	2,613	23%
Finance costs	(2,079)	(1,732)	347	20%
Profit before income tax	12,122	9,856	2,266	23%
Income tax expense	(3,023)	(2,416)	607	25%
Profit after income tax for the year	9,099	7,439	1,660	22%
Other comprehensive (loss) income	(25)	1	(26)	N/M
Total comprehensive income for the year	9,074	7,441	1,633	22%
Profit after income tax	9,099	7,439	1,660	22%
Finance costs	2,079	1,732	347	20%
Income taxes	3,023	2,416	607	25%
Depreciation and amortization - COS	6,015	6,063	(48)	-1%
Depreciation and amortization - GAE	430	495	(65)	-13%
Amortization of deferred contract costs - SAQ	883	1,207	(324)	-27%
EBITDA	21,528	19,353	2,175	11%
EBITDA Margin	60.9%	57.4%		

Revenues

We operate two businesses: (i) our Residential Business, which primarily offers high-speed fixed broadband internet services to our residential customers; and (ii) our Enterprise Business, which offers high-speed fixed broadband internet services, private data network solutions, cloud and colocation services and other connectivity solutions to our enterprise customers of varying sizes, industries and types. Our Residential and Enterprise Business revenues also include installation revenue that we generate from each new subscriber or customer.

The table below summarizes the revenue contribution of each business to our total revenues for the periods indicated. Historically, the majority of our revenue has been derived from our Residential Business. For the year ended December 31, 2023, revenues from our Residential Business grew 2.8% to reach ₱30,282.1 million and revenues from our Enterprise Business registered a hefty increase of 19.9% to reach ₱5,077.3 million.

Revenues	For the years ended December 31,				Year-on- Year Growth
	2023		2022		
	(in millions)		(in millions)		%
	₱	U.S.\$	₱	U.S.\$	
	Residential Business	30,282	547	29,462	
Enterprise Business	5,077	92	4,233	76	20%
Total	35,359	639	33,696	604	5%

Revenues from both our Residential Business and our Enterprise Business are primarily generated from fixed-term contracts that we enter into with our customers to sell our high-speed fixed broadband internet services and other connectivity solutions. In addition, we generate revenue from the sale of additional connectivity solutions, such as our “speed boost” add-on for our residential subscribers and our “bandwidth on demand” add-on for our enterprise customers.

Revenue from our fixed term subscription contracts is recognized on a straight-line basis over the subscriber’s subscription period. Additional services are charged separately and recognized as provided or used. For more information on revenue recognition, see Notes 14 and 25.15 of our audited consolidated financial statements.

We also charge our residential customers a one-time installation fee at the time of sign-up. These up-front payments of installation fees are capitalized and recorded as deferred revenues in our consolidated statement of financial position and recognized as revenue on a straight-line basis over the term of the subscription contract.

Cost of Services

Cost of services comprises the following:

- Depreciation and amortization, primarily consist of (i) depreciation of property, plant and equipment, namely our fiber network infrastructure, (ii) amortization of right-of-use assets which relates to various network and co-located sites, office space, warehouses and transportation equipment that we lease, and (iii) amortization of intangible assets such as our customer list, telecommunication franchise, and software and licenses;
- Amortization of deferred contract costs relates to the straight-line amortization of the incremental costs incurred to obtain and fulfill our contracts with customers;
- Repairs and maintenance related to our fiber network, which do not qualify for capitalization;
- Rent pertains to pole rentals, co-location and short-term rentals of land and office spaces used for our network infrastructure;
- Bandwidth and leased line costs primarily relate to international bandwidth costs in connection with the transmission of data between the Philippines and an international location, to the extent that we do not have proprietary access to international bandwidth. In addition, we incur transit costs in connection with the transmission of data between one or more international locations. On occasion, we may also incur short-term bandwidth and leased line costs tied to providing domestic connectivity;
- Utilities pertain to costs of electricity and water used in various network and co-located sites;
- Service fees relate to charges of content providers whose services are included in some of our bundled cable TV services offered to Hybrid-Fiber Coaxial (HFC) subscribers;
- Personnel costs in the cost of services relate to salaries and other employee benefits of our network operations team;

- Cost of network materials and supplies used relates to various consumable installation materials which we use in providing our services to customers (e.g. cable wires, tapes, and connectors);
- Others include retirement benefit expense, meals and transportation and other incidental costs attributable to providing our services to customers.

The table below summarizes our cost of services for the periods indicated.

	For the years ended December 31,			
	2023	2022	YoY change	YoY change %
In PHP millions				
Depreciation and amortization	6,015	6,063	(48)	-1%
Amortization of deferred contract cost	2,135	2,823	(688)	-24%
Repairs and maintenance	1,585	1,004	581	58%
Rent	797	457	340	74%
Bandwidth and leased line costs	672	829	(157)	-19%
Utilities	451	240	211	88%
Service fees	444	493	(49)	-10%
Personnel costs	358	326	32	10%
Network materials and supplies used	188	1,172	(984)	-84%
Others	65	29	35	117%
Total cost of services	12,710	13,438	(727)	-5%
Gross profit	22,649	20,258	2,391	12%
Gross profit margin	64.1%	60.1%		

General and Administrative Expenses

General and administrative expenses primarily consist of the following:

- Managed service fees relate to fees paid to third-party service providers who handle sales and post-sales activities for the Company in local cities and municipalities;
- Personnel costs (other than personnel costs recorded as cost of services) primarily pertain to headquarter, general and administrative personnel;
- Outside services mainly relate to janitorial, security services and other business support functions used in the operations of the Company;
- Promotions pertain to our marketing and advertising costs to promote our brand and obtain more customers;
- Depreciation and amortization, primarily comprise of (i) depreciation of property, plant and equipment (other than those recorded as cost of services), (ii) amortization of right-of-use assets, which relates to office space, warehouses and transportation equipment that we lease (other than amortization expense recorded under cost of services), and (iii) amortization of intangible assets such as software and licenses (other than amortization expense recorded under cost of services);
- Taxes and license costs relate to business permits and local government taxes;
- Repairs and maintenance represent minor renovations in the upkeep of our facilities, in the ordinary course of business;
- Other components of general and administrative expenses include office supplies, meals and transportation, professional fees, utilities, insurance, rent, retirement benefit expense, provision (reversal) for probable losses and other expenses including representation, permits, trainings and seminars, membership dues, and miscellaneous expense.

The table below summarizes our general and administrative expenses for the periods indicated.

	For the years ended December 31,			
	2023	2022	YoY change	YoY change %
In PHP millions				
Managed service fees	2,168	1,186	982	83%
Personnel costs	1,418	1,435	(17)	-1%
Outside services	1,080	1,203	(123)	-10%
Promotions	439	594	(155)	-26%
Depreciation and amortization	430	495	(65)	-13%
Taxes and licenses	321	423	(102)	-24%
Other GAE	1,090	1,264	(174)	-14%
Total GAE	6,947	6,601	346	5%
Provision for impairment of trade and other receivables	1,369	1,660	(291)	-18%
Equity share in net income of joint ventures	(248)	(51)	197	387%
Unrealized fair value (gain) loss on financial asset at FVTPL	(4)	6	10	N/M
Other expense, net	384	454	(70)	-15%
Operating profit	14,201	11,588	2,613	23%
Operating profit margin	40.2%	34.4%		

Provision for Impairment of Trade and Other Receivables

Provision for impairment of trade and other receivables reflects expected credit losses (ECL) on such receivables.

ECL are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions. We used relevant historical information and loss experience to determine the probability of default of the receivables and due from related parties and incorporated forward-looking information, which involved significant estimates and judgements. For more information, see Note 3 to our audited consolidated financial statements.

Other Expense, Net

Other expense, net, primarily comprises net foreign exchange gain, interest income on cash and cash equivalents, interest income on finance lease receivable arising from our sale and leaseback agreement with our related parties, interest income on financial assets at FVTPL arising from the issuance of exchangeable bonds from the ultimate parent, and commensurate management fees from related parties in connection with the Company providing administrative and finance support. Other expense, net, also includes non-recurring items such as provision for impairment on property, plant and equipment, provision for inventory obsolescence, loss (gains) on disposal/retirement of property, plant and equipment and intangible assets, and miscellaneous income.

Finance Costs

Finance costs consist of borrowing costs for our long-term loans and bonds payable, and interest arising from the recognition of lease liabilities related to various network and co-located sites, office space, warehouses and transportation equipment that we lease.

Income Tax Expense

Income tax expense represents taxes on profit for the year. We are subject to the regular income tax rate of 25% imposed on corporations incorporated in the Philippines. For year 2023, the Company opted for an Itemized deduction as the method of deductibility in its income tax returns. For more information, see Note 18 to our audited consolidated financial statements.

Remeasurement Gain (Loss) on Retirement Benefit Obligation, Net of Tax

We provide retirement benefits for qualified employees under a defined benefit plan. An independent actuary conducts a periodic actuarial valuation of the defined benefit plan using the projected unit credit method.

Remeasurement represents changes in the retirement benefit obligation arising from experience adjustments and changes in actuarial assumptions.

RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenues

Revenues registered a year-on-year growth of 4.9% or an increase of ₱1,663.7 million from ₱33,695.6 million in 2022 to ₱35,359.3 million in 2023, mainly due to higher revenue contributions of our Residential and Enterprise Businesses.

Residential Business revenues, which accounts for 86% of total revenues, grew 2.8% or by ₱819.9 million, to ₱30,282.1 million in 2023 from the ₱29,462.2 million reported in 2022, on the back of 13.4% increase in residential subscribers or an additional 250,691 subscribers from 1,877,361 subscribers as of end-December 2022 to 2,128,052 subscribers as of end-December 2023. Fiber-to-the-Home (FTTH) subscribers grew 16.8% or by 284,295 subscribers, from 1,692,205 FTTH subscribers as of December 31, 2022 to 1,976,500 FTTH subscribers as of December 31, 2023. HFC subscribers decreased by 18.1%, or 33,604 subscribers, from 185,156 HFC subscribers as of December 31, 2022 to 151,552 HFC subscribers as of December 31, 2023. The residential subscriber increase was driven by our ability to deepen our presence in existing areas and expand our network to new areas, increasing our ports from 7,895,785 as of December 31, 2022 to 8,853,089 as of December 31, 2023 and attract new subscribers to take-up available ports. Our residential blended ARPU decreased by 7.2% from ₱1,275 as of December 31, 2022 to ₱1,183 as of December 31, 2023.

Enterprise Business full-year revenues posted an all-time high ₱5,077.3 million, up by 19.9% or ₱843.8 million higher than the ₱4,233.5 million revenues reported in 2022. The year-on-year robust growth was largely driven by the 28.2% increase in unique enterprise customers or an incremental 10,587 customers from the 37,563 as of end-December 2022 to 48,150 as of end-December 2023. Monthly ARPU decreased by 13.0% from ₱11,070 for the year ended December 31, 2022 to ₱9,636 for the year ended December 31, 2023, which reflects the significant growth of the SME segment, which has a relatively lower ARPU than large corporates and enterprises.

Cost of Services

Cost of services amounted to ₱12,710.4 million in 2023, a cost savings of 5.4% or ₱727.2 million, from ₱13,437.6 million recorded in 2022, due to the decrease in network materials and supplies used, lower amortization of deferred contract costs for active subscriber accounts, and savings on bandwidth and leased line costs and service fees, partially offset by higher repairs and maintenance, rent, utilities and personnel costs.

Network materials and supplies used in 2023 amounted to ₱187.6 million, lower by 84.0% or ₱984.8 million over last year's ₱1,172.4 million, due to capitalization of material costs under deferred contract costs of subscriber accounts. Improvements in the back office digital systems enabled Converge to improve accounting recognition to align with other subscriber contract costs. The remaining costs included in network materials and supplies used pertain to additional material costs beyond standard installation costs paid for by customers and installation materials for prepaid subscribers and enterprise customers.

Amortization of deferred contract cost decreased by 24.4% or ₱688.4 million, from ₱2,823.5 million in 2022 to ₱2,135.1 million in 2023, mainly due to the reduced base-balance of deferred contract costs from active subscribers, coupled with lower level of accelerated amortizations related to the acquisition and installation costs from disconnected subscribers.

Bandwidth and leased line costs dropped year-on-year by 18.9% or ₱156.8 million, from ₱828.8 million to ₱672.0 million, brought about by the activations of our long-term international bandwidth capacities with key partners, and as a result, contracts with existing providers were not renewed.

Service fees decreased by 10% or ₱49.3 million, from ₱493.3 million to ₱444.0 million due to decline in subscribers with bundled cable TV services.

Repairs and maintenance, meanwhile, increased by 57.8% or ₱580.9 million, from ₱1,004.3 million in 2022 to ₱1,585.2 million in 2023, primarily due to the normal repairs and maintenance activities done on our fiber network facilities and trouble ticket resolution with our subscribers.

Rent, likewise, increased by 74.2% or ₱339.6 million, from ₱457.6 million in 2022 to ₱797.2 million in 2023, mainly due to rentals related to the expansion of our network infrastructure.

Utilities increased by 88.4% or ₱211.7 million, from ₱239.6 million in 2022 to ₱451.3 million in 2023 due to higher electricity costs.

Personnel cost amounted to ₱358.3 million in 2023, up 9.9% from ₱326.0 million in 2022, on account mainly of higher headcount and salary rate for the year.

Gross Profit

Gross profit soared 11.8% to ₱22,648.9 million in 2023, or a ₱2,391.0 million increase from ₱20,258.0 million reported in 2022. Gross margin, or gross profit as a percentage of consolidated revenues, registered at 64.1% in 2023, higher than the gross profit margin of 60% a year ago, as a result of cost savings, as previously discussed in the preceding section.

General and Administrative Expenses

General and administrative expenses amounted to ₱6,946.9 million in 2023, up by 5.2% or ₱345.9 million, from ₱6,601.0 million reported in 2022, primarily due to higher managed service fees, partly cushioned by the decreases in promotions, outside services and taxes and licenses.

Managed service fees increased by 82.8% or ₱981.7 million, to ₱2,167.9 million in 2023 from ₱1,186.2 million in 2022, as we implemented low-cost support service models in additional provinces to serve our growing subscriber base.

Promotions, meanwhile, decreased by 26.1%, or ₱155.1 million, from ₱594.1 million reported in 2022 to ₱439.0 million in 2023 attributed to lower spend on brand building and trade marketing.

Outside services also decreased from ₱1,203.4 million in 2022 to ₱1,080.3 million in 2023, down by 10.2%, or ₱123.1 million, mainly on account of lower expenses incurred on outsourced services as we implemented low-cost support service models.

Taxes and licenses decreased by 24.2%, or ₱102.3 million, from ₱423.3 million in 2022 to ₱321.0 million in 2023, as a result of lower NTC supervision fees and local taxes.

Provision for Impairment of Trade and Other Receivables

Provision for impairment of trade and other receivables amounted to ₱1,369.1 million in 2023, 17.5% or ₱291.2 million lower than the ₱1,660.3 million recorded in 2022, mainly as a result of combined impact of provision recalculation and ECL rate updates. For more information, see Note 3 and Note 24.2 of our audited consolidated financial statements.

Equity Share in Net Income of Joint Ventures

Equity share in net income of joint ventures posted a rise of 386.7% or ₱197.1 million, from ₱51.0 million in 2022 to ₱248.1 million in 2023, ascribed mainly to the higher net income generated by the joint ventures. For more information, see Note 8, Investment in Associate and Joint ventures of our audited consolidated financial statements.

Other Expense, Net

Other expense, net, decreased by 15.4% or ₱69.7 million, from ₱453.7 million in 2022 to ₱384.0 million in 2023, due to higher interest income earned from cash in bank and short-term placements and increases in net foreign exchange gain, gain on disposal/retirement of property and equipment, and miscellaneous income, which altogether outpaced the increase in provision for impairment of property and equipment.

Profit from Operations

As a result of the foregoing, profit from operations climbed 22.6% to ₱14,200.6 million in 2023, higher by ₱2,613.1 million over the reported profit of ₱11,587.5 million in 2022. The robust growth in gross profit surpassed the increase in general and administrative expenses, and was further accompanied by lower provision for impairment of trade and other receivables and other expenses, and with a higher recognized share in net income of joint ventures.

Finance Costs

Finance costs increased by 20% to ₱2,078.8 million in 2023, or an incremental of ₱346.9 million from ₱1,731.9 million in previous year, which mainly came from the additional loan availments during the year.

Profit Before Income Tax

With higher profit generated in 2023 that outpaced the increase in financing costs, our profit before income tax in 2023, reached an all-time high of ₱12,121.8 million, posting a double-digit growth of 23.0% from ₱9,855.6 million in 2022.

Income Tax Expense

Income tax expense increased by 25.1% or ₱606.7 million, from ₱2,416.3 million in 2022 to ₱3,023.0 million in 2023, directly related to higher profit before income tax. The Company maintained our effective tax rate, which is income tax expense as a percentage of profit before income tax, at 25%, both in 2023 and 2022.

Profit for the Period

Converge ended 2023 with ₱9,098.8 profit, a rise of 22.3% or higher by ₱1,659.5 million over the ₱7,439.3 million profit in 2022.

Remeasurement (Loss) Gain on Retirement Benefit Obligation, Net of Tax

Remeasurement loss on retirement benefit obligation, net of tax, in 2023, amounted to ₱25.1 million, or a decrease of ₱26.5 million from the ₱1.4 million remeasurement gain in 2022, as a result mainly of experience adjustments and changes in economic and financial assumptions used in the actuarial valuations.

Total Comprehensive Income For the Period

Total comprehensive income increased to ₱9,073.7 million in 2023, up by 21.9% or ₱1,633.0 million from ₱7,440.8 million in 2022.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2023 compared to December 31, 2022

Total Assets

Total assets as of December 31, 2023 stood at ₱101,145.0 million, an increase of 3.1% or ₱3,046.7 million, compared to ₱98,098.3 million as of December 31, 2022.

Significant increase was noted in the following asset accounts:

Cash and cash equivalents increased by 34.1%, or ₱3,480.1 million to ₱13,694.1 million as of end-2023 from ₱10,214.1 million as of end of 2022 due to the net effect of cash flows generated from operations and additional loan availments, offset by the loan and interest payments and expenditures for our network expansion.

Trade and other receivables, net was higher by 3.6% or ₱118.9 million, to ₱3,456.0 million as of December 31, 2023 from ₱3,337.1 million as of December 31, 2022, mainly attributable to other receivables from sale of assets to partners, partially offset by lower level of net trade receivables on account of provision for doubtful accounts recorded for the period.

Property, plant and equipment, net reached ₱67,530.5 million as of December 31, 2023, an 8.0% or ₱4,996.4 million increase over the ₱62,534.0 million balance as of December 31, 2022 attributed to the additions of almost one million deployed ports, more than 20,000 kilometers of fiber network backbone, installation of CPEs, core equipment, office equipment and furniture, transportation equipment and leasehold improvements, heavy equipment and tools.

Investment in associate and joint ventures increased by 54.1% or ₱248.1 million to ₱706.4 million as at December 31, 2023 from ₱458.3 million as at December 31, 2022 ascribed mainly to the Company's share in the net profit of the joint ventures recognized for the current year.

The increase in asset accounts discussed above was offset by the following material movements:

Due from related parties, net (combined current and noncurrent) decreased by 52.7% or ₱404.2 million, to ₱362.3 million as of December 31, 2023 from ₱766.5 million as of December 31, 2022 primarily due to collections of long outstanding receivables.

Network materials and supplies decreased by 53.8% or ₱2,360.8 million, to ₱2,024.3 million as of December 31, 2023 from ₱4,385.1 million as of December 31, 2022 because of lower purchases made during the year, utilization in the ongoing network infrastructure build out, and allowance for inventory obsolescence recognized for HFC-related inventories.

Other current assets decreased by 41.3%, or ₱1,258.6 million, to ₱1,787.5 million as of December 31, 2023 from ₱3,046.1 million as of December 31, 2022 primarily due to the utilization of input VAT upon application against output VAT.

Right-of-use assets, net decreased by 13.4%, or ₱440.4 million, to ₱2,853.2 million as of December 31, 2023 from ₱3,293.6 million as of December 31, 2022 on account mainly of the amortization during the year, partly offset by additional network assets and co-located sites, office and warehouse spaces during the year.

Intangible assets, net ended at ₱2,144.8 million as of December 31, 2023, lower by 10.1%, or ₱239.8 million, from the balance of ₱2,384.6 million as of December 31, 2022 primarily due to amortization during the year, partly offset by purchase of software and licenses.

Advances to fixed asset suppliers, net of current portion, amounted to ₱3,604.8 million as of end of 2023, down by 16.5% or ₱712.5 million, from ₱4,317.3 million as of end-December 2022, as a result of application of advances to existing liabilities.

Deferred income tax assets, net reduced by 13.8%, or ₱246.9 million, at ₱1,545.8 million as of December 31, 2023 from ₱1,792.7 million as of December 31, 2022, due to the decrease in deferred tax pertaining to lower level of allowance for impairment of trade and other receivables from the write-off of some bad debts, coupled with higher deferred tax liabilities recognized for net unrealized forex gain and deferred contract costs.

Total Liabilities

Total liabilities as of December 31, 2023 was at ₱55,899.3 million, a decline of 9.8%, or ₱6,088.2 million, compared to ₱61,987.5 million as of December 31, 2022, with the following significant movements:

Borrowings (current and noncurrent) decreased by 7.8% or ₱2,996.2 million, to ₱35,243.6 million as of December 31, 2023 from ₱38,239.8 million as of December 31, 2022 due to principal payments on existing loans partially offset by the additional drawdown of ₱500.0 million from our loan facility during the year.

Deferred revenue (current and noncurrent) decreased by 35.4%, or ₱306.0 million, to ₱557.9 million as of December 31, 2023 from ₱863.9 million as of December 31, 2022 due to amortization of deferred revenues for active subscribers during the year.

Trade and other current liabilities decreased by 5.0%, or ₱856.3 million, to ₱16,199.0 million as of December 31, 2023 from ₱17,055.4 million as of December 31, 2022, on account of the application of long-term advances of suppliers against the existing liabilities, as previously mentioned.

Due to related parties decreased by 62.1% or ₱69.0 million, to ₱42.1 million as of December 31, 2023 from ₱111.1 million as of December 31, 2022, attributed to the payments made to related parties.

Liquidity and Capital Resources

Our principal liquidity requirements have primarily been for, and are projected to continue to be for, (i) capital expenditures to extend and augment our end-to-end fiber network and build digital capabilities through investments in IT platforms, (ii) operating and maintenance costs related to our existing fiber network, (iii) operating expenses for after sales support and administrative overhead to support the rapid expansion of our network and subscriber base and (iv) debt service payments.

Our principal sources of funding for our capital requirements have been (a) capital contributions from our shareholders, (b) cash flows generated from our operations, (c) bank financing, and (d) issuance of retail bonds. We maintain a strong and conservatively levered balance sheet. The Company's net debt position (as measured by total financial debt less cash and cash equivalents) is at ₱21,549.4 million as of December 31, 2023 compared to ₱28,025.7 million as of December 31, 2022. We believe that our strong balance sheet and conservative leverage position provide us with significant financial flexibility and sufficient leverage headroom to fund our growth plans.

Looking ahead, we expect to fund our capital requirements through a combination of (a) the available cash on our balance sheet (₱13,694.1 million as of December 31, 2023), (b) further cash to be generated from operations, (c) debt facilities of ₱5,500.0 million available for drawdown as of December 31, 2023, and (d) an available ₱10,000.0 million peso-denominated facility under the debt securities issuance program in 2022.

We believe that our sources of liquidity described above will be sufficient to fund our currently anticipated capital expenditures, working capital requirements, and debt service requirements for at least the next 12 months.

	December 31, 2023	December 31, 2022	YoY Change (%)
Balance Sheet Data (in P millions)			
Total Assets	101,145	98,098	3%
Total Debt ⁽¹⁾	35,244	38,240	-8%
Total Stockholders' Equity	45,246	36,111	25%
Financial Ratios			
Total Debt to EBITDA (gross)	1.64x	1.98x	
Total Debt to EBITDA (net)	1.00x	1.45x	
Debt Service Coverage ⁽²⁾	2.4x	3.9x	
Interest Coverage (gross) ⁽³⁾	10.4x	11.2x	
Debt to Equity (gross) ⁽⁴⁾	0.8x	1.1x	
Debt to Equity (net) ⁽⁵⁾	0.5x	0.8x	

Notes:

(1) Total Debt is the sum of current and noncurrent borrowings

(2) Debt Service Coverage is computed as Parent Company's LTM earnings before interest, taxes, depreciation and amortization / Parent Company's LTM annual debt service requirements due over the same corresponding period which are the interests, principal and lease payments

(3) Interest Coverage (gross) is computed as EBITDA divided by finance costs

(4) Debt to Equity (gross) is computed as total debt divided by total shareholders' equity

(5) Debt to Equity (net) is computed as the difference between total debt and cash and cash equivalents divided by total shareholders' equity

Cash Flows

The following discussion of our cash flows for the years ended December 31, 2023 and 2022 should be read in conjunction with the statements of cash flows included in the audited financial statements.

	For the years ended December 31			
	2023	2022	YoY change	YoY change %
In PHP millions				
Cash flow from operating activities				
Profit before income tax	12,122	9,856	2,266	23%
Adjustments for operating income	12,490	13,203	(713)	-5%
Adjustments for assets and liabilities	(3,765)	(8,101)	(4,336)	-54%
Cash from operations	20,847	14,958	5,889	39%
Interest received and income taxes paid	(3,218)	(3,353)	(135)	-4%
Net cash from operating activities	17,629	11,605	6,024	52%
Cash flow from investing activities				
Acquisition of property, plant, and equipment	(8,595)	(18,388)	(9,793)	-53%
Others	(208)	(1,009)	801	-79%
Net cash (used in) investing activities	(8,803)	(19,397)	10,594	-55%
Cash flow from financing activities				
Proceeds from borrowings	500	21,500	(21,000)	-98%
Payment of borrowings	(3,523)	(2,987)	536	18%
Others	(2,500)	(8,874)	(6,374)	-72%
Net cash from/(used in) financing activities	(5,523)	9,639	(15,162)	-157%
Net increase/(decrease) in cash and cash equivalents	3,303	1,848	1,455	79%
Cash and cash equivalents, beginning	10,214	8,084	2,130	26%
Effects of exchange rate changes in cash and cash equivalents	177	282	(105)	-37%
Cash and cash equivalents, ending	13,694	10,214	3,480	34%

Net cash flows from operating activities

Our cash from operations primarily comprises cash payments received from subscribers under the terms of their subscription plans.

Net cash from operating activities was ₱17,628.5 million for the year ended December 31, 2023. Our cash flows generated from operating activities for 2023 are calculated by adjusting our profit before income tax of ₱ 12,121.8 million, by (i) non-cash and other items, primarily comprising ₱6,445.0 million of depreciation and amortization, ₱2,135.1 million of amortization of deferred contract costs, ₱2,078.8 million in finance costs, ₱1,369.1 million in provision for impairment of trade and other receivables, and ₱1,059.1 million in provision for impairment of property, plant and equipment, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular decrease in due from related parties of ₱445.2 million, decrease in other current and noncurrent assets of ₱1,373.7 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular, the ₱1,049.1 million increase in trade and other receivable, a ₱2,119.8 million increase in deferred contract costs, a ₱1,007.5 million decrease in trade and other current liabilities, a ₱784.8 million decrease in subscribers' deposits, a ₱69.0 million decrease in due to related parties, a ₱305.9 million decrease in deferred revenue, and (iv) income taxes paid during the year amounting to ₱3,449.0 million.

Net cash from operating activities was ₱11,605.2 million for the year ended December 31, 2022. Our cash flows generated from operating activities for 2022 are calculated by adjusting our profit before income tax of ₱9,855.6 million, by (i) non-cash and other items, primarily comprising ₱6,557.9 million of depreciation and amortization, ₱1,660.3 million in provision for impairment of trade and other receivables, ₱2,823.5 million of amortization of deferred contract costs, ₱1,731.9 million in finance costs, and ₱543.6 million in provision for impairment of property, plant and equipment, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular decrease in due from related parties of ₱587.1 million, decrease in other current and noncurrent assets of ₱560.5 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,961.6 million increase in trade and other receivable, a ₱2,277.0 million increase in network materials and supplies, a ₱1,553.5 million increase in deferred contract costs, a ₱2,332.8 million decrease in trade and other current liabilities, a ₱444.2 million decrease in due to related parties, a ₱491.1 million decrease in deferred revenue, and (iv) income taxes paid during the year amounting to ₱3,392.0 million.

Net cash flows used in investing activities

Net cash used in investing activities was ₱8,802.8 million and ₱19,396.7 million for the year ended December 31, 2023 and 2022, respectively. During each such period, we made significant investments in capital expenditures to expand our network infrastructure and acquire software.

Cash used for acquisitions of property, plant and equipment was ₱8,595.4 million and ₱18,387.7 million for the year ended December 31, 2023 and 2022, respectively. Over that period, we made the following significant investments: (i) additions in outside plant equipment, which primarily consists of passive network equipment related to the construction of our end-to-end fiber network, (ii) additions in inside plant equipment, which primarily consists of active network equipment such as dense wavelength division multiplexing equipment and routers and (iii) additions in other property, plant and equipment, which primarily consists of customer premise equipment, transportation, leasehold improvements, and general IT related investments to build our digital capabilities and laptop computers and other office IT equipment.

Others include cash used for acquisitions of intangible assets was ₱259.6 million and ₱804.4 million for the year ended December 31, 2023 and 2022, respectively. Over that period, we made the following significant investments: (i) additions in software and licenses, (ii) additions in intangible assets relating to customer list acquisitions, and (iii) additional investments in intangible assets relating to the franchise of a professional basketball team.

Cash used for acquisition of right-of-use assets was ₱243.0 million for the year ended December 31, 2022 (nil in 2023) with significant investments in indefeasible right of use of international cable systems.

Net cash flows (used in) from financing activities

Net cash used in financing activities was ₱5,522.6 million during the year ended December 31, 2023. Cash flows used in financing activities primarily consisted of ₱3,522.8 million of repayments of borrowings, ₱1,937.5 million of payments for interests on borrowings, ₱385.7 million of payments on lease liabilities, and ₱176.5 million of payments for interests on lease liabilities, which were partially offset by the ₱500.0 million of proceeds from loan availments.

Net cash from financing activities was ₱9,639.5 million during the year ended December 31, 2022. Cash flows from financing activities primarily consisted of ₱11,500.0 million of proceeds from loans and the ₱10,000 million of proceeds from issuance of bonds, which were partially offset by ₱6,498.5 million of payments for treasury shares, ₱2,986.8 million of repayments of borrowings, ₱1,525.7 million of payments for interests on borrowings, ₱428.8 million of payments on lease liabilities, ₱188.1 million of payments for interests on lease liabilities and ₱232.5 million payments for bond issuance cost.

Contractual Obligations and Commitments

As of December 31, 2023, we have unused credit lines from local banks amounting to ₱5.5 billion (2022 - ₱8.5 billion) and ₱10.0 billion unissued retail bonds. Refer to Note 10 to our audited consolidated financial statements for further discussions. As of December 31, 2023, we have entered into agreements with various suppliers for the construction, delivery and installation of property and equipment. As of December 31, 2023, the Group has commitments amounting to ₱12.8 billion (2022 - ₱13.0 billion). See Note 9 to our audited consolidated financial statements for further discussions.

The following table summarizes our contractual obligations as of December 31, 2023:

	Within 12 Months	More than 12 months	Total
	(in ₱ millions)		
Trade and other liabilities	14,980.2	-	14,980.2
Subscribers' deposits	1,265.0	75.6	1,340.6
Due to related parties	42.1	-	42.1
Borrowings	5,258.2	29,985.4	35,243.6
Lease liabilities, gross of discount	496.6	1,985.0	2,481.6
Future interest payable	1,635.9	3,107.2	4,743.1
	23,678.0	35,153.2	58,831.2

Capital Expenditures

The Company has and is continuing to deploy capital expenditures to extend and augment our proprietary end-to-end fiber network, comprising of domestic backbone, distribution and last-mile networks, and international cable connectivity networks.

The Company categorize our capital expenditures as follows:

- Domestic backbone which connects the three major Philippine islands of Luzon, Visayas and Mindanao in a single continuous loop. The primary Luzon, Visayas, and Mindanao segments were already operational and completed last November 2021, supported by over 20 cable landing stations across the archipelago. The domestic backbone comprises of both outside plant equipment, or passive or not electrically powered network equipment (e.g. fiber), and inside plant equipment, or active or electrically powered network equipment (e.g. routers). We estimate our domestic backbone capital expenditures on a per kilometer basis according to the length of the network that we are planning to develop;
- Distribution network, which connects the domestic backbone with the network access points ("NAPs"), and the ports mounted on the NAPs. We construct poles to support our distribution network, particularly where NAPs are hoisted.;
- Customer premise equipment (CPE), which are the modems and routers provided to residential subscribers. The cost for each CPE for a FTTH subscriber is approximately U.S.\$55, and it is depreciated over three

years. The annual CPE cost that we incur is directly correlated to the volume of gross residential subscriber additions in a given year;

- International connectivity, which connects our domestic network with key international networks. We actively seek to form partnerships with global carriers in order to secure proprietary access to bandwidth capacity on certain key international network routes. For example, in August 2020, we entered into an agreement with Telstra International Limited to purchase 5Tbps of international bandwidth capacity, providing a 15-year IRU on two major intra-Asia networks at an attractive cost. This 5Tbps of bandwidth capacity is equivalent to approximately seven times our current leased bandwidth capacity, and has been priced at an aggregate unit cost that is meaningfully lower compared to our average contracted lease costs at present. This IRU is subject to certain conditions.

In May 2021, Converge secured its participation in the Bifrost Cable System with the signing of definitive agreements with Keppel Telecommunications & Transportation's wholly-owned subsidiary, Keppel Midgard Holdings Pte. Ltd. (KMH). The agreement aims to grant Converge an IRU for one fiber pair on the main trunk of Bifrost Cable System, which directly connects Singapore to the west coast of North America. KMH and Converge will also jointly develop a branch on the Bifrost Cable System that will land in Davao, Philippines, with Converge also being granted an IRU on the entire Davao branch. The additional branch will significantly increase internet speeds and network diversity for businesses and consumers in the Philippines.

In March 2022, Converge announced that it will participate in the South-East Asia Hainan-Hong Kong Express Cable System. This project is intended to address the tremendous growth of the telecommunications traffic between South East Asia and Hong Kong by building and implementing a state of the art fiber-optic submarine cable system connecting: Singapore, Thailand, Malaysia, Philippines, Hainan China and Hong Kong SAR.

Going forward, Converge intends to continue to secure proprietary access to international bandwidth capacity through similar agreements with other international carriers, which can provide us with significant cost savings; and

- Other property, plant and equipment and intangible assets, such as IT platforms and equipment.

In 2023, Converge's capital expenditures were allocated as follows (classified based on function):

- 45% to our proprietary backbone network that allows us to expand into new service areas nationwide, as well as redundancy backbone infrastructure to minimize subscriber impacts of isolated and localized cable disruptions.
- 35% to our access infrastructure which extends our end-to-end fiber network to individual homes. This includes the distribution network, optical distribution network, node facilities, and routers that deliver our services to our customers.
- 19% to other capital expenditures, which include Right-of-Use Assets, intangible assets (such as IT enhancements and platforms), transportation and heavy equipment, land, office equipment and furniture, leasehold improvements and tools and facility equipment.

The table below summarizes the balances and changes in these major capital expenditure items:

	For the years ended December 31			
	2023	2022	YoY Change	YoY Change %
	(in millions)			
Total capital expenditures⁽¹⁾	12,040	21,558	(9,518)	-44%
Total cash capital expenditures⁽¹⁾	8,995	19,415	(10,420)	-54%
Cash capital expenditures⁽¹⁾ / Revenue	25%	58%		

Notes: (1) Include property, plant and equipment, intangibles and indefeasible right-of-use assets, acquired as of report date

RESULTS OF OPERATIONS

Year ended December 31, 2022 compared to year ended December 31, 2021

Revenues

Revenues increased by 27.3%, or ₱7,216.9 million, from ₱26,478.8 million for the year ended December 31, 2021 to ₱33,695.6 million for the year ended December 31, 2022 due to increases in revenue from our Residential and Enterprise Businesses.

Residential Business revenue increased by 27.4%, or ₱6,333.1 million, from ₱23,129.1 million for the year ended December 31, 2021 to ₱29,462.2 million for the year ended December 31, 2022 primarily due to an increase in residential subscribers of 11.0%, or 185,811 subscribers, from 1,691,550 subscribers as of December 31, 2021 to 1,877,361 subscribers as of December 31, 2022. FTTH subscribers increased by 15%, or 215,982 subscribers, from 1,476,223 FTTH subscribers as of December 31, 2021 to 1,692,205 FTTH subscribers as of December 31, 2022. HFC subscribers decreased by 14%, or 30,171 subscribers, from 215,327 HFC subscribers as of December 31, 2021 to 185,156 HFC subscribers as of December 31, 2022. The residential subscriber increase was driven by our ability to deepen our presence in existing areas and expand our network to new areas, increasing our ports from 5,882,333 as of December 31, 2021 to 7,895,785 as of December 31, 2022 and attract new subscribers to take-up available ports. Our residential blended ARPU decreased by 6% from ₱1,353 as of December 31, 2021 to ₱1,275 as of December 31, 2022.

Enterprise Business revenue increased by 26.4%, or ₱883.8 million, from ₱3,349.7 million for the year ended December 31, 2021 to ₱4,233.5 million for the year ended December 31, 2022 primarily due to the 44.3% increase in unique enterprise customers, or 11,525 customers, from 26,038 customers as of December 31, 2021 to 37,563 customers as of December 31, 2022. Monthly ARPU decreased by 26.3% or ₱3,953, from ₱15,023 for the year ended December 31, 2021 to ₱11,070 for the year ended December 31, 2022, which reflects the significant growth of the SME segment, which has a relatively lower ARPU than large corporates and enterprises.

Cost of Services

Cost of services increased by 27.9%, or ₱2,930.2 million, from ₱10,507.4 million for the year ended December 31, 2021 to ₱13,437.6 million for the year ended December 31, 2022. The increase was primarily attributable to increases in depreciation and amortization costs, amortization of deferred contract cost, repairs and maintenance expenses, offset by the decreases in network materials and supplies used, and bandwidth and leased line costs.

Depreciation and amortization costs increased by 61.8%, or ₱2,314.8 million, from ₱3,748.5 million for the year ended December 31, 2021 to ₱6,063.3 million for the year ended December 31, 2022 primarily due to the expansion of our fiber network, additional issuances of modems or routers due to new subscriber installations, increase in our intangible assets and additional right-of-use assets.

Amortization of deferred contract cost increased by 60.4%, or ₱1,063.6 million, from ₱1,759.9 million for the year ended December 31, 2021 to ₱2,823.5 million for the year ended December 31, 2022 due to additional subscriber acquisition costs and installation costs reflecting our expanding and increasing residential subscriber base. The Company also recognized accelerated amortizations during the year for the unamortized acquisition and installation costs of disconnected subscribers.

Network materials and supplies used decreased by 34.8%, or ₱625.3 million, from ₱1,797.7 million for the year ended December 31, 2021 to ₱1,172.4 million for the year ended December 31, 2022 due to lower overall material costs used in subscriber installations during 2022.

Repairs and maintenance expenses increased by 55.2%, or ₱357.1 million, from ₱647.2 million for the year ended December 31, 2021 to ₱1,004.3 million for the year ended December 31, 2022 primarily due to the normal repairs

done on our fiber network facilities. Also, there is an increase in headcount for contracted services to support subscriber line repairs and maintenance for our expanded network infrastructure.

Bandwidth and leased line costs decreased by 17.7%, or ₱178.1 million, from ₱1,006.9 million for the year ended December 31, 2021 to ₱828.8 million for the year ended December 31, 2022 due to activations of our long term international bandwidth capacities with key partners.

Gross Profit

Gross profit increased by 26.8%, or ₱4,286.6 million, from ₱15,971.3 million for the year ended December 31, 2021 to ₱20,258.0 million for the year ended December 31, 2022. Gross margin, or gross profit as a percentage of consolidated revenue, is maintained at 60% for both years as the increase in revenue is matched with almost the same level of increase in costs in total, each as described above.

General and Administrative Expenses

General and administrative expenses increased by 38.4%, or ₱1,830.5 million, from ₱4,770.5 million for the year ended December 31, 2021 to ₱6,601.0 million for the year ended December 31, 2022. The increase was primarily attributable to an increase in personnel costs, outside services, managed service fees, depreciation and amortization, and repairs and maintenance.

Personnel costs increased by 14.4%, or ₱181.1 million, from ₱1,254.3 million for the year ended December 31, 2021 to ₱1,435.3 million for the year ended December 31, 2022 due to increase in headcount for general and administrative functions to support the business.

Outside services increased by 128.7%, or ₱677.3 million, from ₱526.1 million for the year ended December 31, 2021 to ₱1,203.4 million for the year ended December 31, 2022 primarily due to additional contact center seats to improve customer handling turnaround time and to better serve our growing subscriber base.

Managed service fees increased by 61.1%, or ₱450.0 million, from ₱736.2 million for the year ended December 31, 2021 to ₱1,186.2 million for the year ended December 31, 2022 primarily due to transitions of after sales services and repairs for key geographic areas to our managed service partners, to efficiently serve our growing subscriber base.

Depreciation and amortization increased by 46.9%, or ₱157.9 million, from ₱336.7 million for the year ended December 31, 2021 to ₱494.6 million for the year ended December 31, 2022 reflecting the increase in our right of use assets as the Company has additional leased areas.

Provision for Impairment of Trade and Other Receivables

Provision for impairment of trade and other receivables increased by 65.2%, or ₱655.2 million, from ₱1,005.1 million for the year ended December 31, 2021 to ₱1,660.3 million for the year ended December 31, 2022. The increase in provisions in 2022 was driven by the higher level of outstanding trade receivables as at December 2022 stemming from the higher subscriber base. Also, higher expected loss rates were used in provisioning for bad debts for the year due to the lower reconnection experience with defaulting subscribers in the first half of the year.

Equity share in net income of joint ventures

Equity share in net income of joint ventures increased by 32.1%, or ₱12.4 million, from ₱38.6 million for the year ended December 31, 2021 to ₱51.0 million for the year ended December 31, 2022, due to the higher net income recognized by the joint ventures. For more information, see Note 8, Investment in Associate and Joint ventures of our audited consolidated financial statements.

Other expense, net

Other expense, net increased by 157.7%, or ₱277.6 million, from ₱176.0 million for the year ended December 31, 2021 to ₱453.7 million for the year ended December 31, 2022, mainly from the recognition of impairment of modems or routers which are deemed unrecoverable from subscribers. This was offset by the net foreign exchange gain which the Group registered from the natural hedge it had against the strengthening dollar by accumulating over USD\$ 100 million from the proceeds of its maiden peso-bond issuance that was converted to USD\$ in May 2022. Also, the group recognized gain on the reversals of long outstanding accruals, interest income, and management fees.

Profit from Operations

Profit from operations increased by 15.4%, or ₱1,548.9 million, from ₱10,038.7 million for the year ended December 31, 2021 to ₱11,587.5 million for the year ended December 31, 2022 for the reasons described above, in particular the increase in gross profit, offset by the increases in general and administrative expenses, provision for impairment of trade and other receivables and other expense, net.

Finance Costs

Finance costs increased by 256.7%, or ₱1,246.4 million, from ₱485.5 million for the year ended December 31, 2021 to ₱1,731.9 million for the year ended December 31, 2022, due to the additional loan availments during the year and the issuance of the ₱10 billion bonds.

Profit Before Income Tax

Profit before income tax increased by 3.2%, or ₱302.5 million, from ₱9,553.2 million for the year ended December 31, 2021 to ₱9,855.6 million for the year ended December 31, 2022 for the reasons described above, in particular the increase in profit from operations in 2022, offset by the increase in our financing costs.

Income Tax Expense

Income tax expense increased by 0.9%, or ₱21.3 million, from ₱2,395.0 million for the year ended December 31, 2021 to ₱2,416.3 million for the year ended December 31, 2022 due to the slight increase in the profit before tax. The Company maintained our effective tax rate, which is our income tax expenses as a percentage of profit before income tax at 25% for the years ended December 31, 2021 and 2022.

Profit for the Period

For the reasons discussed above, profit for the year increased by 3.9%, or ₱281.2 million, from ₱7,158.1 million for the year ended December 31, 2021 to ₱7,439.3 million for the year ended December 31, 2022.

Remeasurement gain (loss) on retirement benefit obligation, net of tax

Remeasurement gain on retirement benefit obligation, net of tax decreased by 96%, or ₱34.4 million, from ₱35.8 million for the year ended December 31, 2021 to ₱1.4 million for the year ended December 31, 2022 due to experience adjustments and changes in economic and financial assumptions used in the actuarial valuations.

Total comprehensive income for the period

Total comprehensive income for the period increased by 3.4%, or ₱246.8 million, from ₱7,194.0 million for the year ended December 31, 2021 to ₱7,440.8 million for the year ended December 31, 2022.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2022 compared to December 31, 2021

Total Assets

Total assets as of December 31, 2021 stood at ₱98,098.3 million, an increase of 19.8%, or ₱16,234.3 million, compared to ₱81,864.0 million as of December 31, 2021. This increase was due to the following:

- Cash and cash equivalents increased by 26.4%, or ₱2,130.2 million, to ₱10,214.1 million as of December 31, 2022 from ₱8,083.9 million as of December 31, 2021 primarily due to cash from operations and the additional loan availments and the issuance of the ₱10 billion bonds during the year, offset by the purchase of treasury shares and expenditures for our network expansion.
- Trade and other receivables, net increased by 10.0%, or ₱304.3 million, to ₱3,337.1 million as of December 31, 2022 from ₱3,032.8 million as of December 31, 2021 primarily due to the increase in revenues brought about by the higher subscriber base, offset by the increase in allowance for doubtful accounts.
- Network materials and supplies increased by 25.8%, or ₱900.3 million, to ₱4,385.1 million as of December 31, 2022 from ₱3,484.9 million as of December 31, 2021 significantly because of the expected increase in the demand for materials to serve expansion areas and cater to new target segments.
- Property, plant and equipment, net increased by 29.4%, or ₱14,193.1 million, to ₱62,534.0 million as of December 31, 2022 from ₱48,341.0 million as of December 31, 2021 primarily due to addition of two million deployed ports, 40,000 kilometers of fiber network backbone, installation of CPEs, core equipment, office equipment and furniture, transportation equipment and leasehold improvements, heavy equipment and tools.
- Intangible assets, net increased by 21.1%, or ₱416.0 million, to ₱2,384.6 million as of December 31, 2022 from ₱1,968.6 million as of December 31, 2021 primarily due to additional IT and network software and licenses, customer lists acquired during the year, and the franchise of a professional basketball team.
- Investment in associates and joint ventures increased by 14.0% or ₱56.3 million to ₱458.3 million in December 31, 2022 from ₱402.1 million in December 31, 2021 due to the Company's share in the net profit of the joint ventures for the current year.
- Deferred income tax assets, net increased by 79.7%, or ₱795.0 million, to ₱1,792.7 million as of December 31, 2022 from ₱997.6 million as of December 31, 2021 from the additional deferred taxes on temporary differences during the year such as provisions for impairment of accounts receivable and property plant and equipment.

The increases in assets were offset by the decreases in the following:

- Amounts due from related parties (current and noncurrent) decreased by 42.95%, or ₱577.1 million, to ₱766.5 million as of December 31, 2022 from ₱1,343.6 million as of December 31, 2021 primarily due to collections of long outstanding receivables.
- Deferred contract costs (current and noncurrent) decreased by 50%, or ₱1,269.9 million, to ₱1,270.4 million as of December 31, 2022 from ₱2,540.4 million as of December 31, 2021 primarily due to the accelerated amortizations of contract costs of the disconnected subscribers.
- Other current assets decreased by 10.1%, or ₱342.5 million, to ₱3,046.1 million as of December 31, 2022 from ₱3,388.6 million as of December 31, 2021 primarily due to the applications of advances to suppliers to existing liabilities.
- Right-of-use assets, net decreased by 4.4%, or ₱152.6 million, to ₱3,293.6 million as of December 31, 2022 from ₱3,446.2 million as of December 31, 2021 primarily due to the higher amortization amounts offset by additions in network assets and co-located sites, office and warehouse spaces added during the period.
- Deferred input VAT (net of current portion) decreased by 47.8%, or ₱191.1 million, to ₱209.0 million as of December 31, 2022 from ₱400.1 million as of December 31, 2021 primarily due to amortization of deferred input VAT for network equipment purchased in previous years.

Total Liabilities

Total liabilities as of December 31, 2022 stood at ₱61,987.5 million, an increase of 32.6%, or ₱15,234.5 million, compared to ₱46,753.0 million as of December 31, 2021. This increase was due to the following:

Borrowings (current and noncurrent) increased by 92.7%, or ₱18,393.5 million, to ₱38,239.8 million as of December 31, 2022 from ₱19,846.2 million as of December 31, 2021 due to additional drawdowns from our loan facilities during the period and the issuance of the Parent Company's ₱10 billion retail bonds.

The increases in liabilities were offset by the decreases in the following:

- Deferred revenue (current and noncurrent) decreased by 36.2%, or ₱491.1 million, to ₱863.9 million as of December 31, 2022 from ₱1,355.0 million as of December 31, 2021 due to the accelerated amortization of deferred revenues for disconnected subscribers.
- Trade and other current liabilities decreased by 8.3%, or ₱1,543.0 million, to ₱17,055.4 million as of December 31, 2022 from ₱18,598.4 million as of December 31, 2021. The decrease is primarily related to the application of long-term advances to suppliers to the existing liabilities.
- Amounts due to related parties decreased by 80.0% or ₱444.2 million, to ₱111.1 million as of December 31, 2022 from ₱555.3 million as of December 31, 2021, mainly from the payments made to related parties.

Liquidity and Capital Resources

Our principal liquidity requirements have primarily been for, and are projected to continue to be for, (i) capital expenditures to extend and augment our end-to-end fiber network and build digital capabilities through investments in IT platforms, (ii) operating and maintenance costs related to our existing fiber network, (iii) operating expenses for after sales support and administrative overhead to support the rapid expansion of our network and subscriber base and (iv) debt service payments.

Our principal sources of funding for our capital requirements have been (a) capital contributions from our shareholders, (b) cash flows generated from our operations, (c) bank financings, and (d) issuance of retail bonds. We maintain a strong and conservatively levered balance sheet. The Company's net debt position (as measured by total financial debt less cash and cash equivalents) is at ₱28,025.7 million as of December 31, 2022 compared to ₱11,762.3 million as of December 31, 2021. We believe that our strong balance sheet and conservative leverage position provide us with significant financial flexibility and sufficient leverage headroom to fund our growth plans.

Looking ahead, we expect to fund our capital requirements through a combination of (a) the available cash on our balance sheet (₱10,214 million as of December 31, 2022), (b) further cash to be generated from operations, (c) debt facilities of ₱8,500 million available for drawdown as of December 31, 2022, and (d) an available ₱10,000 million peso-denominated facility under the debt securities issuance program in 2022.

Cash Flows

Net cash flows from operating activities

Our cash from operations primarily comprises cash payments received from subscribers under the terms of their subscription plans.

Net cash from operating activities was ₱11,605 million for the year ended December 31, 2022. Our cash flows generated from operating activities for 2022 are calculated by adjusting our profit before income tax of ₱9,855.6 million, by (i) non-cash and other items, primarily comprising ₱6,557.9 million of depreciation and amortization, ₱1,660.3 million in provision for impairment of trade and other receivables, ₱2,823.5 million of amortization of deferred contract costs, ₱1,731.9 million in finance costs, and ₱543.6 million in provision for impairment of property, plant and equipment, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular decreases in due from related parties of ₱587.1 million, decrease in other current and noncurrent assets of ₱369.4 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,961.6 million increase in trade and other receivable, a ₱2,277.0 million increase in network materials and supplies, a ₱1,553.5 million increase in deferred contract costs, a ₱2,332.8 million decrease in trade and other current liabilities, a ₱444.2 million decrease in due to related parties, a ₱491.1 million decrease in deferred revenue, and (iv) income taxes paid during the year amounting to ₱3,392.0 million.

Net cash from operating activities was ₱7,648.5 million for the year ended December 31, 2021. Our cash flows generated from operating activities for 2021 are calculated by adjusting our profit before income tax of ₱9,553.2 million by (i) non-cash and other items, primarily comprising ₱4,085.2 million of depreciation and amortization, ₱1,005.1 million in provision for impairment of trade and other receivables, ₱1,759.9 million of amortization of deferred contract costs, and ₱485.5 million in finance costs, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular increases in trade and other payables of ₱1,500.3 million, increase in subscriber deposits of ₱290.0 million, increase in deferred revenues of ₱686.2 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,861.7 million increase in trade and other receivable, a ₱4,082.3 increase in network materials and supplies, a ₱2,647.4 million increase in deferred contract costs, a ₱1,775.7 million increase in other current and non-current assets, and (iv) income taxes paid during the year amounting to ₱2,006.8 million.

Net cash flows used in investing activities

Net cash used in investing activities was ₱19,879.3 million and ₱19,396.7 million for the year ended December 31, 2021 and 2022, respectively. During each such period, we made significant investments in capital expenditures to expand our network and acquire key intangible assets (our customer list and software and licenses).

Cash used for acquisitions of property, plant and equipment was ₱18,146.8 million and ₱18,387.7 million for the year ended December 31, 2021 and 2022, respectively. Over that period, we made the following significant investments: (i) additions in outside plant equipment, which primarily consists of passive network equipment related to the construction of our end-to-end fiber network, (ii) additions in inside plant equipment, which primarily consists of active network equipment such as dense wavelength division multiplexing equipment and routers and (iii) additions in other property, plant and equipment, which primarily consists of customer premise equipment, transportation and heavy equipment, leasehold improvements, and general IT related investments to build our digital capabilities and laptop computers and other office IT equipment.

Cash used for acquisitions of intangible assets was ₱1,102.3 million and ₱804.4 million for the year ended December 31, 2021 and 2022, respectively. Over that period, we made the following significant investments: (i) additions in software and licenses, (ii) additions in intangible assets relating to customer list acquisitions, and (iii) additional investments in intangible assets relating to the franchise of a professional basketball team.

Cash used for acquisition of right-of-use assets was ₱272.2 million and ₱243.0 million for the year ended December 31, 2021 and 2022, respectively, with significant investments in indefeasible right of use of international cable systems.

Net cash flows from financing activities

Net cash from financing activities was ₱9,639.5 million during the year ended December 31, 2022. Cash flows from financing activities primarily consisted of ₱11,500.0 million of proceeds from loans and the ₱10,000 million of proceeds from issuance of bonds, which were partially offset by ₱6,498.5 million of payments for treasury shares, ₱2,986.8 million of repayments of borrowings, ₱1,525.7 million of payments for interests on borrowings, ₱428.8 million of payments on lease liabilities, ₱188.1 million of payments for interests on lease liabilities and ₱232 million payments for bond issuance cost.

Net cash from financing activities was ₱7,324.6 million during the year ended December 31, 2021. Cash flows from financing activities primarily consisted of ₱10,818.3 million of proceeds from borrowings, which were partially offset by ₱622.0 million of payments for interests on borrowings, ₱451.5 million of payments on lease liabilities and ₱134.3 million of payments for interests on lease liabilities.

Off-Balance Sheet Arrangements

We did not have any other off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISK

The Company is exposed to financial risks in the course of its normal business activities. These financial risks principally involve the possibility of adverse consequences on its results of operations due to factors that are generally beyond its control. The most important types of risk the Company manages are credit risk, market risk and liquidity risk.

For a detailed discussion, see Note 24 of our consolidated financial statements included in this Report.

Information on Independent Accountant and Other Related Matters

The principal accountants and external auditors of the Company is the accounting firm of Isla Lipana & Co., the Philippine member firm of the PwC network. Isla Lipana & Co. has been the Company's Independent Public Accountants since the last eight (8) years. There was no event in the past eight (8) years where Isla Lipana & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Isla Lipana & Co. was re-elected at the Annual Stockholders' Meeting held on May 26, 2023.

The Company has engaged Isla Lipana & Co., with Nelson Charsegun L. Aquino as the engagement partner, for the audit of the Company's books in 2023. The Company has complied with the revised SRC Rule 68, paragraph 3(b)(iv). In addition, pursuant to the revised SRC Rule 68, paragraph 3(b)(ix), and the Company's Manual on Corporate Governance, the engagement partner shall be rotated after every five (5) years. In view thereof, Jan Michael L. Reyes was replaced by Nelson Charsegun L. Aquino as the engagement partner for 2023.

Representatives of Isla Lipana & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Group's aggregate fees for each of the last two (2) fiscal years for professional services rendered by the external auditor are as follows:

	2023	2022
Audit and Audit Related Fees	Php3,280,000	Php3,700,000.0
Non-Audit Fees	-	Php1,400,000.0 ¹

¹These non-audit fees are for services rendered by the external auditor in relation to the Company's Annual Stockholders' Meeting and issuance of fixed-rate bonds

The Audit Committee's approval on policies and procedures from Isla Lipana & Co., the external auditors are discussed in page 13 of the Company's Manual of Corporate Governance dated October 2021.

The Audit Committee is composed of Mr. Roman Felipe S. Reyes as Chairman, Mr. Amando M. Tetangco, Jr., and Ms. Estela M. Perlas-Bernabe.



Item 7. FINANCIAL STATEMENTS

The Company's full year 2023 consolidated financial statements are filed in Exhibit 1 of this Report.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Converge had no disagreements with its independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

Board of Directors

The following table sets forth the Company's Board of Directors:

Name	Gender	Position	Citizenship	Board Member Since*	Stakeholder Represented
Dennis Anthony H. Uy	Male	CEO, Founder & Executive Director	Filipino	2013	Majority shareholder
Maria Grace Y. Uy	Female	President, Chief Resources Officer, Chief Risk Officer, Founder & Executive Director	Filipino	2013	Majority shareholder
Jose P. de Jesus	Male	Chairman, Independent Non-Executive Director	Filipino	2020	
Amando M. Tetangco, Jr.	Male	Independent Non-Executive Director	Filipino	2020	
Roman Felipe S. Reyes	Male	Independent Non-Executive Director	Filipino	2020	
Francisco Ed. Lim	Male	Non-Executive Director	Filipino	2020	
Estela M. Perlas-Bernabe	Female	Independent Non-Executive Director	Filipino	2023	

*Board members are subject to re-election annually during the Company's Annual Stockholders Meeting

The Board is composed of experienced individuals with different and complementing knowledge, skills, experiences, perspectives, and backgrounds. They actively assess, approve, monitor, and oversee the Company's key objectives and projects that will drive long term value to all stakeholders. In 2023, the Board assessed and approved the key projects and the corresponding expected budgetary requirements presented by the management team, including the following:

- Launch of new plans to cater to a broader segment of the residential market
- Enhancing enterprise product portfolio to further empower customers' digitalization efforts
- Improve customer service initiatives to reduce churn
- Continue with network digitalization programs

The following states the business experience of our incumbent directors for the last five years:

Mr. Dennis Anthony H. Uy, aged 57, co-founded Converge with Ms. Maria Grace Y. Uy in 2007 and currently serves as CEO and Executive Director. A self-made industrialist, Mr. Uy started doing business in his teens with a Betamax and VHS rental shop with his family in Angeles City that eventually evolved into cable television which he founded right after the Mount Pinatubo eruption in his home province Pampanga. He founded Comclark Network and Technology Corporation, the controlling shareholder of Converge, in Pampanga in 1997 and remains the CEO and President of Comclark. Mr. Uy also serves on the boards of several companies in the technology, media, power, and real estate sectors.

Recognized as a game-changer and a futurist in his field, Mr. Uy was named as the Entrepreneur of the Year and Master Entrepreneur at the prestigious Entrepreneur of the Year Philippines 2022 Awards organized by EY Philippines through the SGV Foundation. He represented the country during the June 2023 World Entrepreneur Awards held in Monaco.

Mr. Uy holds a Bachelor of Science degree in Electrical Engineering from Holy Angels University, Pampanga.

Expertise: General Management, Economics, Technology, Media and Telecommunications Industries, Information Technology, Risk Management, Regulatory, Strategy

Ms. Maria Grace Y. Uy, aged 56, co-founded Converge with Mr. Dennis Anthony H. Uy in 2007 and currently serves as our President, Chief Resources Officer, Chief Risk Officer and Executive Director. Prior to that, Ms. Uy secured a management role at IBM Philippines. Following seven years under her belt at IBM, Ms. Uy served as CFO and VP at Savers Mall in Pampanga. Already with a foot in the IT industry, Ms. Uy founded ComClark Network and Technology Corp. with Dennis Anthony Uy. Currently she is also the Chief Financial Officer and Executive Vice President of ComClark Network and Technology Corp. and the Angeles City Cable Television Network.

In 2022, Ms. Uy garnered the Woman in Telecoms award from the World Communication Awards for her outstanding leadership in the field of telecommunications. She is the only Filipina leader to receive the award. In that same year, she landed a spot in Forbes Asia's 50 Over 50 Asia edition. In 2023, she gained further renown as she won the Stevie Awards for Women in Business, winning the Gold Stevie for Woman of the Year – Technology category.

Ms. Uy graduated from De La Salle University in 1988 where she obtained her Bachelor of Science in Accountancy and notched 16th place in the Certified Public Accountant (CPA) Licensure Board Examination in 1989.

Expertise: General Management, Technology, Media and Telecommunications Industries, Accounting and Financial Reporting, Corporate Finance, Risk Management, Human Resource Management, Strategy

Mr. Jose Pamintuan de Jesus, aged 89, was appointed as Chairman and an Independent Director in June 2020. Mr. de Jesus is also a Director of AirAsia, Inc., Philippines AirAsia, Inc., Petron Corporation, SMC Skyway Corporation, SMC TPLEX Corporation, SMC SLEX, Inc., Comstech Integration Alliance as well as an Independent Director of Alviera Country Club. He is a Trustee of the Kapampangan Development Foundation and Holy Angel University, a Member of the Board of Advisors of *Bantayog ng mga Bayani* Foundation, an Eisenhower Exchange Fellow since 1977, and a Member of the Management Association of the Philippines.

Throughout his executive career Mr. de Jesus held senior positions in Manila Waterworks & Sewerage System (MWSS), Philippine Long Distance Telephone Co. (PLDT), Manila North Tollways Corporation, Meralco (Manila Electric Company), Clark Development Corporation, to name a few. Mr. de Jesus brought his expertise in strategic management to the government sector when he was appointed to the helm of two major agencies, the Department of Public Works and Highways (1991-1993), and the Department of Transportation and Communications (2010-2011). Prior to this, his government service included leading the Development Academy of the Philippines and serving as Cabinet Secretary during the administration of President Corazon C. Aquino. Mr. de Jesus was a former Trustee of the UP Foundation and a Member of the Board of Regents, University of the Philippines from 2001 to 2003. In recognition of his leadership and management excellence, he was awarded the IABC CEO Excel Awards in Leadership Communication, and the Lux in Domino (Most Outstanding Alumnus) Award from alma mater Ateneo de Manila University. He was conferred the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon Aquino.

Mr. de Jesus completed his graduate studies in Human Development from the University of Chicago under university scholarship and Fulbright grant. He holds a Master of Arts degree in Psychology from the Ateneo de Manila University where he also obtained his Bachelor of Arts degree in Economics.

Expertise: General Management, Technology, Media and Telecommunications Industries, Corporate Governance, Risk Management, Regulatory, Human Resource Management

Mr. Amando M. Tetangco, Jr., aged 71, was elected as an Independent Non-Executive Director of the company in June 2020. He is Independent Director and Chairman of the Board of SM Investments Corporation since June 16, 2023. Concurrently, he is Independent Director and Vice Chairman of SM Prime Holdings, Inc. and Independent Director of Belle Corporation, and Shell Pilipinas Corporation. He also sits on the boards of Toyota

Motor Corporation, CIBI Information, Inc., and The Manila Hotel. Additionally, Mr. Tetangco is a Trustee of St. Luke's Medical Center, Tan Yan Kee Foundation, Inc., and Foundation for Liberty and Prosperity. He also sits as member of international advisory boards of the Graduate Institute for Policy Studies in Tokyo, Japan and of the Asia School of Business in Kuala Lumpur, Malaysia. Mr. Tetangco's banking career includes serving as Governor of the Bangko Sentral ng Pilipinas and Chairman of the Monetary Board for two consecutive terms from July 2005 to July 2017, where he also held various official positions and chaired international groups. He was conferred the Order of Lakandula with the rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He was voted MAP Management Man of the Year in 2015. Mr. Tetangco also received multiple recognition from global organizations as one of the best central bank governors.

He holds an AB Economics degree from the Ateneo de Manila University and a Master's in Public Policy and Administration (Development Economics) from the University of Wisconsin-Madison. Mr. Tetangco was conferred the Honorary Doctorate in Management by the Asian Institute of Management in 2023. He has attended various training programs at prestigious institutions like Harvard Business School and the New York Institute of Finance.

Expertise: Corporate Finance, Economics, Accounting and Financial Reporting, Risk Management, Legal, Regulatory, Corporate Governance

Mr. Roman Felipe S. Reyes, aged 71, was appointed as an Independent Non-Executive Director in June 2020. Mr. Reyes is the Founding Partner & Chairman of Reyes Tacandong & Co. Prior to founding Reyes Tacandong & Co., he was with Sycip Gorres Velayo & Co, the Philippine practice of Ernst & Young Global Limited (E&Y Philippines), for 35 years, 25 of which as the Senior Partner of the firm. He was also Vice Chairman for Client Services and Accounts, Head of the Japan Business Services, Head of E&Y Philippines' highest revenue generating business unit, and member of the Management and Operations Committees of E&Y Philippines. He served as a Director of the Bank of Commerce, and the National Reinsurance Corporation of the Philippines, and Pakistan International Container Terminal Ltd., and Premium Leisure Corporation. He likewise served as a Trustee of the Government Service Insurance System. In 2024, Mr. Reyes was appointed as Independent Director of the Maharlika Investment Corporation. He is also currently a member of the board of directors of the Philippine Geothermal Production Company, RPN 9, Pasudeco, All-Asian Countertrade, Rockwell Club, and a member of the board of trustees in San Beda University, Manila, San Beda College Alabang, and the San Beda College Alumni Association Foundation. He is currently the Chairman of the Board of the Nicanor Reyes Memorial Foundation.

Mr. Reyes is a Certified Public Accountant. He graduated from San Beda College in 1972, where he obtained his Bachelor's degree in Commerce, major in Accounting. He received his Master's degree in Business Administration, concentration in Finance from the University of Detroit, Michigan, USA in 1975.

Expertise: Accounting and Financial Reporting, Risk Management, Corporate Governance

Mr. Francisco Ed. Lim, aged 68, was elected as Non-Executive Director in May 2021. Atty. Lim is a Senior Legal Counsel of the Angara Abello Concepcion Regala & Cruz Law Offices. He is presently the Chairman of Air Asia, Inc., Philippines Air Asia Philippines, Inc., Justice Reform Initiative (JRI) and Co-Chairman (together with Finance Secretary Ralph Recto) of the Capital Market Development Council. He also currently serves as a Director/Trustee of several Philippine stock and non-stock corporations, among which are the AirAsia Aviation Group Limited (Malaysian company), Alphaland Corporation, First Philippine Holdings Corporation, The Insular Life Assurance Co., Ltd., and Union Bank of the Philippines.

Atty. Lim served as President and Chief Executive Officer of the Philippine Stock Exchange (PSE) from 2004 to 2010. During his time in the PSE, he also held key positions in various institutions such as the Securities Clearing Corporation of the Philippines, Capital Market Development Center, Inc., Philippine Stock Exchange Foundation,

Inc., Philippine Dealing and Exchange Corporation, Philippine Dealing System Holdings, Inc., Capital Market Development Council, and Securities Investors Protection Fund.

He is also a law professor of the Ateneo Law School and the San Beda College Graduate School of Law. He is the Chairman of the Commercial Law Department and Professional Lecturer of the Philippine Judicial Academy (PHILJA) and a member of PHILJA's Academic Council and the Rules Committee of the Supreme Court. He is also a Fellow of the Institute of Corporate Directors and a Columnist in Rappler.

Atty. Lim graduated from University of Sto. Tomas, Manila, Philippines in 1975, where he obtained a Bachelor of Philosophy (Magna Cum Laude) and a Bachelor of Arts (Cum Laude). He received a Bachelor of Laws (Second Honors) from the Ateneo de Manila University, Quezon City, Philippines in 1981. He received his Master of Laws from the University of Pennsylvania, USA in 1987. He is currently a member of the Philippine Bar and the New York State Bar.

Expertise: Corporate Finance, Legal, Regulatory, Labor Law, Human Rights Law, Risk Management, Corporate Governance

Ms. Estela M. Perlas-Bernabe, aged 71, is an independent director of the Company and she has more than 40 years' experience in public and private legal practice. Justice Bernabe was Senior Associate Justice of the Supreme Court of the Philippines until her retirement in May 2022. She was appointed to the Supreme Court in 2011 after serving the Philippine judiciary in various capacities: as Associate Justice of the Court of Appeals, Regional Trial Court Judge of Makati City, Metropolitan Trial Court Judge of the same city, and as Technical Assistant in the Office of the Court Administrator. She also worked in both private and government offices, and for various financial institutions, including China Banking Corporation, Paramount Finance Corporation, National Home Mortgage and Finance Corporation, and Bernabe Perlas Morte and Associates. She is presently an Independent Director of BDO Unibank, Inc., San Miguel Food and Beverage, Inc., Petrogen Insurance Corporation, and PHILJA Development Center Inc. She is also a member of the Board of Trustees of the Foundation for Liberty and Prosperity.

She earned her Bachelor of Science in Commerce degree, magna cum laude, from St. Paul College of Manila, and her law degree from the Ateneo de Manila University College of Law, graduating as Class Salutatorian in 1976.

Expertise: Accounting and Financial Reporting, Legal, Regulatory, Corporate Governance, Human Resource Management

i. Senior Management

The following table sets forth the Company's incumbent executive officers (Senior Management) and corporate officers:

Name	Position	Citizenship
Dennis Anthony H. Uy	Chief Executive Officer, Founder & Executive Director	Filipino
Maria Grace Y. Uy	President, Chief Resources Officer, Chief Risk Officer, Founder and Executive Director	Filipino
Jesus C. Romero	Senior Executive VP, Chief Operations Officer	Filipino
Benjamin Rex Emilio B. Azada	Executive VP, Chief Commercial Officer* and Chief Sustainability Officer	Filipino
Paolo Martin G. Santos	Executive VP, Chief Network Transformation Officer	Filipino
Christine Renee R. Blabagno	Senior VP, Treasurer and Deputy Chief Financial Officer	Filipino
Elvira C. Oquendo	Senior VP, Corporate Secretary, Head of Legal Services	Filipino

Name	Position	Citizenship
Maria Grace C. De Jesus	Senior VP, Assistant Corporate Secretary, Head of Corporate Affairs	Filipino
Laurice P. Esteban-Tuason	Senior VP, Corporate Compliance Officer and Data Protection Officer	Filipino
Anthony Vergel B. Velasco	VP, Head of Internal Audit	Filipino
Owen Kieffer D. Ocampo	VP, Head of Investor Relations	Filipino

**Mr. Azada was appointed as the Chief Commercial Officer on February 1, 2024, concurrent to his role as Chief Sustainability Officer. Prior to this, Mr. Azada held the position of Chief Strategy Officer and Chief Sustainability Officer.*

Mr. Jesus C. Romero, aged 60, was appointed as Chief Operating Officer in February 2016. He oversees and manages our day-to-day operations, covering revenue generation, customer experience, product development, and organic growth initiatives through partnerships. Prior to joining Converge, Mr. Romero held senior leadership positions spanning all aspects of operation from Globe Telecom, DTSI Group, ComStream Corporation and Hughes Network systems. He has close to 40 years of industry experience to date and has led market entry, growth and transformation in the areas of Telecommunications, Systems Integration and IT services.

Mr. Romero received a Bachelor's degree in Electronics and Communications Engineering (B.S.E.E.) from the De La Salle University in Manila, the Philippines in 1984.

Mr. Benjamin Rex Emilio B. Azada, aged 50, was appointed as Chief Commercial Officer in February 2024 concurrent to his Chief Sustainability Officer role for which he was appointed to in February 2023. Prior to his role as Chief Commercial Officer, he was Converge's Chief Strategy Officer since April 2020. Prior to joining Converge, Mr. Azada was a Partner with PwC's Southeast Asia Consulting practice, with P&L responsibility for operations in the Philippines. His clients included top enterprises in the telecommunications, media, technology and financial services sectors. He spent over a decade of his career with PwC Hong Kong, where he helped clients in Hong Kong and China transform their operations, comply with new regulations, and enter new markets. He has over 25 years of industry experience to date.

Mr. Azada holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines Diliman, and a PgDip in Business Administration (with Merit) from the University of Durham, UK. He has attended executive education courses at INSEAD and is currently pursuing an MSc in Sustainable Development at the University of Sussex. He is a Global Reporting Initiative (GRI) Certified Sustainability Professional, and an IFRS Fundamentals of Sustainability Accounting (FSA) credential holder.

Mr. Paolo Martin G. Santos, aged 34, was appointed as the Chief Network Transformation Officer in May 2022. He brings to Converge a wealth of experience from the Government, Telecom & Network, and Banking industries, specializing and leading organizations in Digital Transformation, Information Technology, and Network Innovation.

He held various key leadership roles in Globe Telecom, Wifi Nation, Smart Communications Inc., and PLDT. In 2017, he also led the overall digital transformation of the Food and Drug Administration (FDA). Prior to joining Converge, Mr. Santos was part of Unionbank of the Philippines as Vice President and Head of Enterprise Communications, Collaboration and Security, where he steered the transformation of Unionbank's IT arm and built its capabilities that helped transform the bank's network infrastructure to a cloud ready Software Defined Network (SDN).

Mr. Santos earned his bachelor's degree in Materials Engineering from the University of the Philippines Diliman.

Ms. Christine Renee R. Blabagno, aged 51, was appointed as Treasurer in March 2021. Prior to joining Converge, Ms. Blabagno was the Vice President for Consolidated Core Business Controllershship of Globe Telecom and most recently held the position as CFO of the Philippine Business for Social Progress, a corporate

membership non-profit organization. She also worked for 10 years with SGV's assurance practice and has over 30 years of experience to date.

Ms. Blabagno graduated from the Notre Dame University, Cotabato City with a degree of Bachelor of Science in Commerce, Major in Accounting. She is a Certified Public Accountant, a Certified Management Accountant and a Certified Enterprise Risk Manager. She completed her Master of Business Management Major in Finance at the Asian Institute of Management.

Ms. Elvira C. Oquendo, aged 57, was appointed as Corporate Secretary in June 2020 and is our Senior Vice President & Head of Legal Services. After graduation from law school in 1992, she joined Carpio Villaraza & Cruz Law Office where she specialized in Litigation, Commercial and Banking Law, Intellectual Property Law, Telecommunications Law, and Labor Law. In 2001, she joined the government as Solicitor III in the Office of the Solicitor General, and in 2002, she became the Chief of Staff/Head Executive Assistant of the Office of the Ombudsman. Prior to joining Converge, Ms. Oquendo served as Legal Director and Corporate Secretary of various corporations under the Cemex Philippines Group of Companies and was also a Board member of the CEMEX Philippines Foundation. Ms. Oquendo also participated in the Management Development Program of the Asian Institute of Management.

Ms. Oquendo holds a double degree in Physics and Computer Engineering from the Ateneo de Manila University, where she also later went on to receive her Juris Doctor degree. She was admitted to the Philippine Bar in 1992.

Ms. Maria Grace C. De Jesus, aged 53, was appointed as Assistant Corporate Secretary in May 2023. She is Senior Vice President for Corporate Affairs of the Company. She started her law practice at Carpio Villaraza & Cruz Law Offices where she specialized in Corporate and Business Law, Corporate Restructuring and Reorganization, Mergers and Acquisitions, and Project Development. Prior to joining Converge, Atty. De Jesus served as Senior Legal Manager, Assistant Corporate Secretary, and a Board member of various corporations under the Cemex Philippines Group of Companies. She also participated in the Management Development Program of the Asian Institute of Management.

Atty. de Jesus obtained her Bachelor of Arts degree in Political Science and her Bachelor of Laws from the University of the Philippines (Diliman) in 1991 and 1995, respectively. She was admitted to the Philippine Bar in 1996 (ranking 9th place in the Philippine Bar Examination).

Ms. Laurice P. Esteban-Tuason, aged 42, was appointed as Corporate Compliance Officer in April 2021. She has fourteen (14) years of corporate experience in the legal and compliance space. She started her career in 2007 with highly reputable law firms as Junior Associate, then embarked in Government service with the Bangko Sentral ng Pilipinas in 2011 as Legal Officer II. In 2016, Atty. Tuason joined ABS-CBN Corporation and held leadership roles in legal and compliance with its various subsidiaries such as ABS-CBN E-Money Plus Inc., ABS-CBN Global Ltd., and U-Pay Digital Technologies, Inc. Prior to joining Converge, Atty. Tuason was the Compliance Officer-Director of ABS-CBN Corporation.

Atty. Tuason graduated from Ateneo de Manila University with a degree in BS Legal Management in 2002. She went on to obtain her Juris Doctor degree from the Ateneo School of Law in 2006 and was admitted to the Philippine Bar in 2007. She recently completed her degree in Master in Cybersecurity at the Asian Institute of Management.

Mr. Anthony Vergel B. Velasco, aged 48, was appointed as Internal Audit Director in the organizational meeting of the Board of Directors in May 2021, and is now our Vice President & Head of Internal Audit. Mr. Velasco has over 20 years of solid internal auditing experience from different industries. He worked for various reputable institutions where he obtained exposure in data analytics, risk management, operations, financial, and IT audits. He started his career in 1997 with Punongbayan and Araullo, then went to government service for more than 10-

years at Philippine Health Insurance Corporation as Senior Auditing Systems Specialist. In 2012, Mr. Velasco joined 2GO Group, Inc., a publicly listed and largest end-to-end supply chain group of companies to lead its Internal Audit Group for more than six (6) years. He also became the Group Chief Audit Executive of Megawide, another listed company, for more than two (2) years. He also served as a Board of Trustee of the Institute of Internal Auditors - Philippines (IIAP) from 2015 to 2019 and has been an active resource speaker and lecturer since.

Mr. Velasco graduated from San Beda College with a degree in BS Accountancy in 1997. He is a Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and a Certified ISO 31000 Lead Risk Manager.

Mr. Owen Kieffer D. Ocampo, aged 33, was appointed as Investor Relations Officer in January 2021. He started his career with J.P. Morgan & Chase before moving to KPMG in the Philippines where he was part of the Deal Advisory Group for almost four years, specializing in transaction advisory and corporate finance. Immediately prior to joining Converge, he was the Investor Relations Manager of Metro Pacific Investments Corporation for more than three years.

Mr. Ocampo graduated from De La Salle University – Manila and holds a double degree in Applied Economics and Commerce.

Involvement of Directors and Officers in Certain Legal Proceedings

To the best of the Company's knowledge, in the last five years, none of the above-named directors or members of senior management has been subject to the following:

- (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (ii) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (iii) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities, commodities, or banking activities; or
- (iv) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Significant Employees

Converge considers all employees as significant contributors to its success. Everyone works together as a team to successfully meet the Company's goals and objectives.

Family Relationships

Dennis Anthony H. Uy, CEO, Founder & Executive Director, is married to Maria Grace Y. Uy, President, Chief Resources Officer, Chief Risk Officer, Founder & Executive Director.

Item 10. EXECUTIVE COMPENSATION

The compensation for our executive officers for the years ended December 31, 2020, 2021, 2022, 2023, and 2024 (estimated) are shown below:

Names	Position	Year	Salary	Bonus
Aggregate executive compensation for the following key management officers:				
Mr. Dennis Anthony H. Uy	Chief Executive Officer			
Ms. Maria Grace Y. Uy	President			
Mr. Jesus C. Romero	Chief Operating Officer			
Mr. Benjamin Rex Emilio B. Azada	Chief Commercial Officer** and	2020	₱60.2 million	₱242.3 million*
	Chief Sustainability Officer	2021	₱72.1 million	₱151.7 million
Mr. Ronald G. Brusola (retired in 2023)	Chief Technology Officer	2022	₱83.9 million	₱31.8 million
		2023	₱92.0 million	₱73.9 million
Mr. Alberto L. Santos (resigned in 2024)	Chief Customer Experience Officer	2024-E	₱72.8 million	₱36.4 million
Mr. Ulysses C. Naguit (resigned in 2023)	Chief Information Officer			
Mr. Paolo Martin G. Santos (starting 2022 only)	Chief Network Transformation Officer			
Aggregate executive compensation of all other Officers and Directors, unnamed		2020	₱17.4 million	₱5.0 million
		2021	₱26.6 million	₱21.9 million
		2022	₱25.6 million	₱3.9 million
		2023	₱26.0 million	₱4.6 million
		2024-E	₱10.7 million	₱2.3 million

*Majority was awarded for the completion of the IPO.

**Mr. Azada was appointed as the Chief Commercial Officer on February 1, 2024, concurrent to his role as Chief Sustainability Officer. Prior to this, Mr. Azada held the position of Chief Strategy Officer and Chief Sustainability Officer.

Compensation of Directors

Directors' Arrangement:

Except for the executive directors, who do not receive compensation as directors, the following is the remuneration arrangement for the directors:

Board Meetings: Per diem of ₱50,000.00 every meeting

Committee Meetings: Per diem of ₱30,000.00 per meeting.

Stockholders Meeting: Per Diem of ₱50,000.00 per stockholders meeting

Variable remuneration: Minimum bonus of ₱2,000,000.00, subject to the performance of the company at year-end

The directors do not participate in discussions and/or deliberations involving their own remuneration.

Pursuant to the provisions of the Revised Corporation Code on the annual compensation of the directors, the table below indicates the gross compensation for the following non-executive and independent directors for FY 2023 – both paid and unpaid. Executive Directors do not receive compensation as directors.

Director	Per Diem		Variable Director Remuneration	Total
	Board Meetings	Committee Meetings		
Jose P. de Jesus	600,000.00	420,000.00	3,000,000.00	4,020,000.00
Francisco Ed. Lim	600,000.00	450,000.00	3,000,000.00	4,050,000.00
Amando M. Tetangco, Jr.	500,000.00	510,000.00	3,000,000.00	4,010,000.00

Director	Per Diem		Variable Director Remuneration	Total
	Board Meetings	Committee Meetings		
Roman Felipe S. Reyes	550,000.00	570,000.00	3,000,000.00	4,010,000.00
Estela M. Perlas-Bernabe*	400,000.00	330,000.00	1,333,333.33	2,063,333.33
Dennis Anthony H. Uy	-	-	-	-
Maria Grace Y. Uy	-	-	-	-

*Justice Perlas-Bernabe was elected to the Board on May 26, 2023

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS, AND EXECUTIVE OFFICERS

The following table sets forth the record owners and, to the best knowledge of the Board of Directors and Management of the Company, the beneficial owners of more than five percent of the Company's outstanding shares of Common Stock, the number of shares owned by, and percentage of shareholdings of, each of them, as at March 31, 2024.

Title of Class	Name of Record Owner	Name of Beneficial Owner	Citizenship	Number of Shared held	Percentage of Ownership
Common Shares	Comclark Network and Technology Corp.	Dennis Anthony H. Uy and Grace Y. Uy	Filipino	4,515,776,677	62.14%
Common Shares	PCD Nominee Corporation *	Comclark Network and Technology Corp**	Filipino	281,640,597	3.88%
Common Shares	PCD Nominee Filipino	Public Ownership	Filipino	1,213,171,907	17.00%
Common Shares	PCD Nominee Corporation	Cloud Gateway Limited	Foreign	222,757,739***	3.07%
Common Shares	PCD Nominee Non-Filipino	Public Ownership	Foreign	1,255,221,373	17.27%

*PCD Nominee Corporation is not related to the Company

**These shares of Comclark Network and Technology Corp. in the amount of 281,640,597 are scripless shares. The ultimate Beneficial Owners are Dennis Anthony H. Uy and Grace Y. Uy

***Dennis Anthony H. Uy and Grace Y. Uy are the ultimate beneficial owners of shares registered under Cloud Gateway Limited

The following table sets forth the beneficial ownership of individual directors and executive officers as of March 31, 2024. The following are the shareholdings of our Board of Directors and Senior Management. Under the Revised Corporation Code, each director is required to hold at least one share in his/her name in the books of the corporation to qualify as a member of the board of directors:

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership ¹⁴	Percentage of Total Outstanding Shares
Common	Jose P. de Jesus	Chairman of the Board	Filipino	1 common share (Direct)	0.0%
Common	Dennis Anthony H. Uy*	CEO	Filipino	1 common share (Direct) 2,158,837,773* (Indirect) 111,378,869** (Indirect)	31.2%
Common	Maria Grace Y. Uy*	President, Chief Risk Officer and Chief Resource Officer	Filipino	1 common share (Direct) 2,638,579,501* (Indirect) 111,378,870** (Indirect)	37.8%
Common	Amando M. Tetangco, Jr.	Independent Director	Filipino	1 common share (Direct)	0.0%

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership ¹⁴	Percentage of Total Outstanding Shares
Common	Roman Felipe S. Reyes	Independent Director	Filipino	1 common share (Direct)	0.0%
Common	Francisco Ed. Lim	Director	Filipino	1 common share (Direct)	0.0%
Common	Estela M. Perlas-Bernabe	Independent Director	Filipino	3,000 common share (Direct)	0.0%
Common	Jesus C. Romero	Chief Operations Officer	Filipino	0	0.0%
Common	Benjamin Rex Emilio Azada	Chief Commercial Officer*** and Chief Sustainability Officer	Filipino	25,100 common shares (Direct)	0.0%
Common	Paolo Martin Santos	Chief Network Transformation Officer	Filipino	0	0.0%
Common	Christine Renee R. Blabagno	Treasurer	Filipino	0	0.0%
Common	Elvira C. Oquendo	Corporate Secretary	Filipino	0	0.0%
Common	Maria Grace C. De Jesus	Assistant Corporate Secretary	Filipino	0	0.0%
Common	Laurice P. Esteban-Tuason	Compliance Officer	Filipino	0	0.0%
Common	Owen Kieffer D. Ocampo	Investor Relations Officer	Filipino	3,200	0.0%
Common	Anthony Vergel B. Velasco	Head of Internal Audit	Filipino	0	0.0%

* Dennis Anthony H. Uy and Maria Grace Y. Uy, beneficially own 4,797,417,274 shares of the Company through Comclark Network and Technology Corp.

** Dennis Anthony H. Uy and Maria Grace Y. Uy are the ultimate beneficial owners of 222,757,739 shares registered under Cloud Gateway Limited.

***Mr. Azada was appointed as the Chief Commercial Officer on February 1, 2024, concurrent to his role as Chief Sustainability Officer. Prior to this, Mr. Azada held the position of Chief Strategy Officer and Chief Sustainability Officer.

The following table lists down the net purchases/sale made by each director during the preceding year:

Director	Total shares (direct and indirect) held as of Jan	Net Purchase/(Sale) for FY2023	Total shares (direct and indirect) held as of Dec
Jose P. de Jesus	1	-	1
Francisco Ed. Lim	1	-	1
Amando M. Tetangco, Jr.	1	-	1
Roman Felipe S. Reyes	1	-	1
Estela M. Perlas-Bernabe	3,000*	-	3,000
Dennis Anthony H. Uy**	111,378,870**	-	111,378,870**
Maria Grace Y. Uy**	111,378,871**	-	111,378,871**

*Justice Perlas-Bernabe held these shares upon her election to the Board on May 26, 2023

** These exclude shares beneficially owned through Comclark Network and Technology Corp.

Options Outstanding

For further details, please refer to Note 12 of our Audited Financial Statements.

Voting Trust Holders of 5% or More

There are no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

Changes in Control

There have been no changes in control in the Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the ordinary course of business, Converge enters into transactions with related parties and affiliates, principally consisting of construction, lease and services arrangements. The Company's policy with respect to related party transactions is to ensure that these transactions are entered on an arm's length basis and entered into on terms comparable to those available from or to unrelated third parties, as the case may be. Converge has established an Audit and Related Parties Transactions Committee to comply with the Board and shareholder voting mechanisms provided under the Philippine Corporation Code and the relevant regulations of the Philippine SEC for related party transactions.

The related party transactions we have entered into with the Founders or entities controlled by the Founders include the following:

1. Converge-Metroworks Frame Supply Agreement

In the ordinary course of business, Converge engages Metroworks for the supply of materials and services related to the construction its optical distribution network and terrestrial backbone from 2013 up until 2022. The construction and management contract was entered into under arm's length commercial terms.

2. Real Estate Lease Agreements

We have lease agreements with our controlling shareholder, Comclark, pursuant to which Comclark leased to us (and certain of our affiliates and our subsidiary) selected real estate assets, including office premises and warehouse space (the "Lease Agreements"). These Lease Agreements were entered into on arm's length commercial terms and conditions.

3. Comclark Services Agreement

In connection with Warburg Pincus' investment, on August 14, 2019, we entered into a services agreement pursuant to which Comclark and Converge agreed to, among other things, provide certain services, including the provision of broadband and related services, to each other (the "Comclark Services Agreement"). The Comclark Services Agreement were entered into on arm's length commercial terms and will expire on August 14, 2049.

4. Converge-PKN Agreement

We do not hold and do not intend to obtain a license for the provision of cable TV services, noting that under Philippine law, cable TV companies must be 100% owned and controlled by Philippine Nationals.

We entered into a services agreement with Pacific Kabelnet Holding Co. Inc. (PKN), an entity 100% owned and controlled by our Founders, who are Philippine Nationals, pursuant to which Converge and PKN agreed to provide certain services to each other, including our respective affiliates, in connection with offering bundled and value added services, back office shared services, facilities sharing and other business support services (the "Converge-PKN Agreement"). The Converge-PKN Agreement was entered under arm's length commercial terms.

5. Converge-Metroworks Service Agreement

In 2021, Converge entered into a service agreement with its subsidiary Metroworks, wherein Metroworks will provide outside plant management services and operation and maintenance services of existing infrastructure. Metroworks is fully owned by the Company's subsidiary Pentagon Holding Co., Inc. The service agreement was made in arms-length commercial terms.

6. Converge-Myriad Service Agreement

Myriad primarily engages in the business of providing consultancy, administrative, technical and managed services. In July 2022, Metroworks acquired 99.96% equity interest in Myriad. The service agreement between Converge and Myriad were made in arms-length commercial terms.

7. Converge-Converge HK Service Agreement

Converge entered into a service agreement with its own subsidiary, Converge ICT Solutions (Global) Limited (Converge HK), wherein Converge HK will be providing corporate finance advisory services, capital markets related advisory services, and business planning and development services to Converge. The service agreement was made in arms-length commercial terms.

Summary of Related Party Transactions

For more information of our transactions and outstanding balances with related parties, see Note 19 to our audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023.

Transfer Pricing Regulations

Under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses. On January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the "Transfer Pricing Regulations") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines. The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Regulations defines related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises. The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR can make the necessary adjustments to the taxable profits of the related parties so as to reflect the true value that would otherwise be derived on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

In compliance with pertinent regulations, the Integrated Annual Corporate Governance Report (iACGR) will replace the Corporate Governance section of this Report, the previous SEC Form ACGR and PSE's CGR-1, and shall be submitted by the Company to pertinent regulatory agencies on or before May 30 of every year. The iACGR will be available on the Company website upon completion and submission to the regulatory agencies.

On October 8, 2021, the Board amended the Manual on Corporate Governance (Manual), to cover compliance of requirements under SEC Memorandum Circular No. 19, Series of 2016, which institutionalizes the principles of good corporate governance in the entire organization. We believe that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization.

In 2023, the Board made additional amendments to the Manual to reflect the separation of the Audit and Related Party Transactions (ARPT) Committee to be standalone committees. The Company now has a separate Audit Committee and Related Party Transactions Committee. This separation enables the organization to ensure that the board's oversight responsibilities are well executed. Following this, the amended manual was made available publicly in February 2024. We strive and commit to improving the Company's corporate governance practices to align with industry and global best standards (such as the OECD Principles of Corporate Governance, ICGN Global Governance Principles, and ASEAN Corporate Governance Scorecard), as evidenced by our continued efforts in enhancing our processes and procedures. In 2023, the Institute of Corporate Directors awarded Converge with a Three-Arrow rating for its as it improved its adherence to corporate governance best practices and aligned its business operations to global standards.

The Manual provides that it is the Board that has the primary responsibility for the governance of the corporation. In addition to setting the policies for the accomplishment of corporate objectives, it has the duty to provide an independent check on the Management. The Board is mandated to hold its regular and special meetings in person or through teleconferencing.

In adopting the Manual and its revisions, we understand the responsibilities of the Board and its members, in governing the conduct of our business, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices. The Manual establishes, among others, the composition of the board committees, and principles on adequate and timely information, accountability and audit, stockholders' rights and protection of minority stockholders' interests, communication process, training, disclosures, self-assessment, and sustainability. An evaluation process of compliance with Manual has likewise been established.

The Company's Amended Manual on Corporate Governance and other governance documents may be found here: <https://corporate.convergeict.com/corporate-governance/>.

For further details on the Company's Corporate Governance initiatives, please refer to Exhibit 2 Sustainability Report – Sustainability at Converge section.

Independent Directors

In compliance with Section 22 of Republic Act No. 11232 or the Revised Corporation Code, which requires, among others, that the board of corporations vested with public interest shall have independent directors constituting at least twenty percent (20%) of such board, the Company's Board of Directors includes four independent directors (representing almost **57%** of total board representation), all of whom have the necessary qualifications and without any disqualifications. The Board is composed of experienced individuals with different

and complementing skills, experiences, perspectives, and backgrounds. Under the Board Charter, each independent director shall serve for a maximum of nine (9) years. For FY2023, Messrs. de Jesus, Tetangco, and Reyes have served for three (3) years since 2020, while Ms. Perlas-Bernabe is within her first year.

The Independent Directors, Mr. de Jesus, Mr. Tetangco, Mr. Reyes, and Ms. Perlas-Bernabe are independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company.

Specifically, Mr. de Jesus, Mr. Tetangco, Mr. Reyes, and Ms. Perlas-Bernabe: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two (2) years; (v) are not retained as professional advisers by the Company or with any of its related companies or with any of its substantial shareholders within the last two (2) years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arm's length and are immaterial; (vii) do not own more than two percent of the shares of the Company and/or its related companies or any of its substantial shareholders; (viii) are not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and (ix) are not employed as executive officers of another company where any of the Company's executives serve as directors.

The Board is composed of experienced individuals with different and complementing skills, experiences, perspectives, and backgrounds. Said directors were elected in the Annual Stockholders' Meeting (ASM) on May 26, 2023. Results of the said ASM were validated by SGV&Co. and published and disclosed on the same day via a submission to the SEC and PSE. Minutes of the Meeting were published the following day and posted in the website.

Board Performance for FY 2023

At the start of FY2023, the Corporate Secretary sets the meeting for the entire year in advance. Regular board meetings are held on the second Tuesday every other month with Special Board meetings set in between. Moreover, board committee meetings are likewise set at the start of each year. The board and committee meetings are set in the directors' calendars.

For FY2023, these are the board meetings attended by the directors.

Name	Meetings Attended	Percentage
Dennis Anthony H. Uy	10 out of 10	100%
Maria Grace Y. Uy	10 out of 10	100%
Jose P. de Jesus	10 out of 10	100%
Amando M. Tetangco, Jr.	8 out of 10	80%
Roman Felipe S. Reyes	9 out of 10	90%
Francisco Ed. Lim	10 out of 10	100%
Estela M. Perlas-Bernabe <i>*(first elected on May 26, 2023)</i>	6 out of 6*	100%

Board Committees

The Board has established board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities:

Audit Committee

Chairman	:	Roman Felipe S. Reyes
Members	:	Amando M. Tetangco, Jr. Estela M. Perlas-Bernabe

Related Party Transactions Committee

Chairman	:	Estela M. Perlas-Bernabe
Members	:	Roman Felipe S. Reyes Francisco Ed. Lim

Corporate Governance and Nominations Committee

Chairman	:	Jose P. de Jesus
Members	:	Amando M. Tetangco, Jr. Roman Felipe S. Reyes Francisco Ed. Lim Estela M. Perlas-Bernabe

Board Risk Oversight Committee

Chairman	:	Amando M. Tetangco, Jr.
Members	:	Roman Felipe S. Reyes Francisco Ed. Lim Jose P. de Jesus

Remuneration Committee

Chairman	:	Francisco Ed. Lim
Members	:	Dennis Anthony H. Uy Maria Grace Y. Uy Jose P. de Jesus Estela M. Perlas-Bernabe

Each committee is governed by its own charter to govern each Committee's roles and responsibilities. Committee charters are available through the following link: <https://corporate.convergeict.com/corporate-governance/>

Committee Meetings for FY 2023

The respective committees conducted the required number of meetings under the Code of Corporate Governance:

Name	Meetings Held
Audit Committee	7*
Related Party Transactions Committee	3**
Corporate Governance Committee	5
Board Risk Oversight Committee	5
Remuneration Committee	2

*3 meetings were held as Audit and RPT Committee prior to the separation of the committees

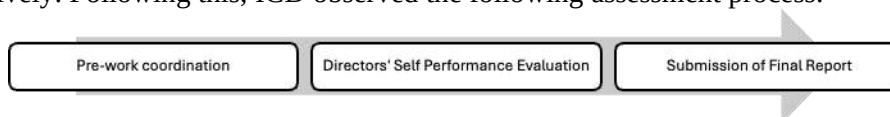
** Stand-alone meetings post Organizational Meeting

Performance Appraisal for FY 2023

The Company's Manual on Corporate Governance provides that the Board shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, Board members, committees, and key control officers. Pursuant to the Code of Corporate Governance for Publicly Listed Companies (SEC Memorandum Circular No. 19-2016), the Company follows the recommendation that every three (3) years, an external facilitator shall support the assessment.

For FY 2023, the Company enlisted the assistance of the Institute of Corporate Directors (ICD) to be its external facilitator in conducting the assessment of the board, its directors, and its committees. The assessment also covered the evaluation of the performance of the Company's key officers: the Chairman, Chief Executive Officer, and the President.

In the conduct of its assessment, ICD benchmarked on multiple principles, notably the ASEAN Corporate Governance Scorecard (ACGS) which scopes on a) structure and composition, highlighting diversity and competencies b) responsibilities and duties, which include strategy, oversight, and accountability c) board processes, that highlights internal processes and d) dynamics and relationships, which shows how the board functions collectively. Following this, ICD observed the following assessment process:



In the above process, the Directors' Self Performance Evaluation of ICD employed a survey questionnaire designed by ICD and accomplished by every member of the Board. This allowed the directors to share their impressions on various aspects of the Board's performance and to express the extent of their agreement on various issues.

The evaluation used a quantitative mechanism whereby a 4-point Likert scale was used to identify board functions that may need further attention. Relatedly, qualitative questions were included to allow each participating director a window for sharing his/her position on key issues.

The Corporate Compliance Officer provided the directors with the results of the external facilitator assessment which outlines the methodology of evaluation, criteria and metrics, and the process of the assessment. Said assessment was discussed with the board's Corporate Governance Committee and the Board of Directors.

Orientation and Continuing Education Programs and Trainings for Directors

The Company has prepared a Directors' Handbook as an onboarding guide for the board of directors compiling all the key governance policies of Converge.

Pursuant to the Code of Corporate Governance, the directors and senior management attended at least four (4) hours of training for FY 2023.

Name	Position/Designation	Date/s and No. of Hours
Jose P. de Jesus	Chairman of the Board / Independent Director	September 20, 2023 / 4 hours
Dennis Anthony H. Uy	Executive Director, Chief Executive Officer	November 17, 2023 / 4 hours
Maria Grace Y. Uy	Executive Director, President, Chief Risk Officer, Chief Resource Officer	November 17, 2023 / 4 hours
Estela M. Perlas-Bernabe	Independent Director	August 2, 2023 / 4.5 hours
Francisco Ed. Lim	Non-Executive Director	November 17, 2023 / 4 hours
Roman Felipe S. Reyes	Independent Director	November 17, 2023 / 4 hours
Amando M. Tetangco, Jr.	Independent Director	October 16, 2023 / 4 hours
Jesus C. Romero	Chief Operations Officer	November 17, 2023 / 4 hours

Name	Position/Designation	Date/s and No. of Hours
Benjamin Rex Emilio Azada	Chief Commercial Officer*, Chief Sustainability Officer	November 17, 2023 / 4 hours
Paulo Martin G. Santos	Chief Network Transformation Officer	November 17, 2023 / 4 hours
Christine R. Blabagno	Treasurer	November 17, 2023 / 4 hours
Elvira C. Oquendo	Corporate Secretary	November 17, 2023 / 4 hours
Maria Grace De Jesus	Assistant Corporate Secretary	November 17, 2023 / 4 hours
Owen Kieffer D. Ocampo	Investor Relations Officer	November 17, 2023 / 4 hours
Laurice P. Esteban-Tuason	Corporate Compliance Officer and Data Protection Officer	November 17, 2023 / 4 hours
Anthony Vergel B. Velasco	Internal Audit Director	November 17, 2023 / 4 hours

*Mr. Azada was appointed as the Chief Commercial Officer on February 1, 2024, concurrent to his role as Chief Sustainability Officer. Prior to this, Mr. Azada held the position of Chief Strategy Officer and Chief Sustainability Officer.

Directorship in Other Listed Companies

In accordance with the Code of Corporate Governance, non-executive directors concurrently serve in a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the Company.

None of the executive directors serve as directors in any other publicly listed company (PLC).

The following non-executive directors of the Board are also directors of the PLCs below:

Name	Directorship in other PLCs
Jose P. de Jesus	Petron Corporation (PSE:PCOR)
Amando M. Tetangco, Jr.	SM Investments Corporation (PSE:SM) Belle Corporation (PSE:BEL) SM Prime Holdings, Inc. (PSE:SMPH) Pilipinas Shell Petroleum Corporation (PSE:SHLPH)
Francisco Ed. Lim	Unionbank of the Philippines (PSE:UBP) First Philippine Holdings Corporation (PSE:FPH)
Estela M. Perlas-Bernabe	BDO Unibank (PSE:BDO) San Miguel Food and Beverage, Inc. (PSE:FB)

Nomination and Election Policy

The Company has in place its nomination and election policy to ensure transparency of the nomination process to the board. The policy likewise ensures that there is an alignment between the qualification of the nominees with the strategic direction of the Company.

Relatedly, the policy also states that the Company shall endeavor to use professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors. In FY2023, new nominees were sought for the board of directors. To this end, the Company has reached out to ICD to provide a list of directorial candidates that align with the strategic goals and objectives of the Company.

For FY 2023, the Converge shareholders elected Justice Estela M. Perlas – Bernabe to be its new independent director, adding to the mix of highly competent and esteemed professionals in the industry.

Board Diversity Policy

The Company adopts a Board Diversity Policy. The Company recognizes the importance of adhering with globally competitive governance frameworks. This includes being at the forefront of implementing a fair and diverse culture, particularly, in selecting the members of its Board. The Company eliminates barriers of age, gender, race, and of nationality, with the clear intention of uniting highly skilled and capable individuals to lead. The conglomeration of diverse directors promotes and empowers appropriate representation. Women are given equal opportunity and footing without any sense of discrimination or belittlement. The same principle likewise applies to those of different race, nationality, and gender. The Company realizes that encompassing diversity will yield better sustainability and a stable corporate governance framework. Metrics on the achievements on board diversity will be reported to the Board annually.

For FY 2023, the Company has published its Board Diversity Progress Report. The report includes a provision on the diversity of skills and competencies of the directors as well as other factors that we deem material to ensure that diversity will translate into better governance practices. The Board Diversity policy and report may be found here: <https://corporate.convergeict.com/wp-content/uploads/2022/09/ITEM-VII-A.1-Board-Diversity-Policy.pdf> and <https://corporate.convergeict.com/wp-content/uploads/2024/02/Board-Diversity-Compliance-Progress-Report-2023.pdf>.

Insider Trading Policy

The Company also adopts an Insider Trading Policy. The purpose of the Insider Trading Policy is to safeguard material non-public information of the Company and ensure that Insiders while in possession of such information shall not gain an unfair advantage in dealing and trading of the Company's securities. Under the said policy, trading activities by directors and officers must be reported within three (3) trading days from date of transaction.

Related Party Transactions Policy

The Board of Directors also adopted a Related Party Transactions Policy pursuant to SEC Memorandum Circular No. 10, Series of 2019. This Related Party Transactions Policy aims to ensure the integrity, arms' length status, and transparency of all Related Party Transactions of the Company, its subsidiaries, affiliates, and related parties. Related Party Transactions shall be reviewed, approved, ratified, and disclosed as required under relevant laws, rules, and regulations. The RPT policy outlines and defines material RPTs and how this should be reviewed and approved.

The decision to have a standalone board committee on Related Party Transactions shows the Company's adherence and governance in implementing the RPT policy. The RPT Committee is in charge of reviewing related party transactions.

Retirement Plan and Performance Incentive Framework

The Company has in place a Retirement Plan which is aligned with the market in order to attract and retain the best talents in the long-term perspective. The Company has also in place the Performance Incentive Framework (PIF) which specifically identifies the relationship between remuneration and performance. The Company recognizes the significance of linking performance and pay and in order to create and foster a "Pay for Performance" culture across the organization. Hence, it strives to create a rewards system that is directly proportional to the performance contribution and achievement levels. This PIF is created to drive the Company's goal to improve performance and retention with a competitive annual incentive strategy that is based on clear performance metrics in order to motivate and reward to achieve high levels of performance on an annual basis. Notwithstanding this, management may reserve the right to impose claw back and bonus deferral mechanisms, subject to internal deliberations and considerations.

Succession Planning Policy

In 2022, the Board approved the Succession Planning Policy which aims to ensure that the business of the Company will not be affected on account of voluntary or involuntary cessation from office or position of any member of the Board and Senior Management. To address the foregoing, the Company shall identify and create a talent pool of candidates and high performing personnel who can be considered for nomination, election, or appointment at the Board and Senior Management Level positions and to equip them to assume such leadership roles.

In 2023, the Company further strengthened its Succession Planning Policy by specifically recognizing the importance of benefitting from the expertise, experience, and wisdom of its Board of Directors. As a policy, directors may continue to serve based on their ability to perform and discharge their duties effectively and willingness to serve regardless of age. Any change in the Board of Directors (particularly relating to resignation and/or retirement) shall call for the implementation of this policy at the board of directors' level. The new succession planning policy was then approved by the board in February 2024.

Whistleblower Mechanisms, Conflict of Interest Policy, and Anti-Bribery and Anti-Corruption Policy

The Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance. The Company is committed to ensuring that the principles of integrity, fair dealing, and honesty are incorporated in all its policies and processes. Thus, in 2022, the Company strengthened its resolve to fight bribery and corruption, deal with conflicts of interest, and empowered all its stakeholders to speak up and report any instance of wrongdoing by adopting the Whistleblowing Platform. The Whistleblowing Platform is managed by an external party – Grant Thornton Solutions. The Board likewise amended its Anti-Bribery and Anti-Corruption (ABAC) Policy to signify the Company's commitments in prohibiting acts related to bribery or corruption, as a participant to the United Nations Global Compact (UNGC). The amended ABAC Policy also re-affirms our compliance with all applicable ABAC laws, including ESG standards enabling the Company to act with the highest standards of integrity and ethics. Through the ABAC policy, we aim to further guide our employees, stakeholders, and business partners on how to act in accordance with our Company values and understand how bribery and corruption greatly affects our organization, the industry, and the nation.

For FY 2023, the Company has improved its grievance channels by expanding its Whistleblowing Platform to cover concerns on ESG matters. This is aligned its objective to ensure that stakeholders are engaged and are able to communicate any concerns they might have.

To know more about the Company's Whistleblowing Platform, you may access this link:

<https://corporate.convergeict.com/whistleblowing-platform/>

Human Rights Policy and Child Online Safeguarding Policy

For 2022, the Board has likewise adopted key policies such as the Human Rights Policy and Child Online Safeguarding Policy, pursuant to the United Nations key principles. The Human Rights Policy was created in order to show the Company's effort to elevate its operational standards to adhere to the best practices of ethics and integrity, particularly in ensuring that we observe and respect Human Rights pursuant to the United Nations (UN) Guiding Principles on Business and Human Rights, International Bill of Human Rights, and International Labor Organization's declaration on fundamental principles and rights at work. The Child Online Safeguarding Policy represents the Company's mandate to promote and foster a safer internet experience for its customers and end-users, particularly children who are vulnerable to malicious content, cyberattacks, and online exploitation. Converge established this policy to combat threats targeting children and build effective prevention and control measures within Converge's network. Through the implementation of this policy, the

Company aims to uphold the rights of children and protect them against OSAEC/CSAEM, cyberattacks (including financial fraud) or online schemes targeting children. This policy signifies the Company's commitment to act on negative impacts brought about by the misuse and abuse of digital space, specifically targeting children.

The Company's policies and corporate governance initiatives can be found here:

<https://corporate.convergeict.com/corporate-governance/>

Item 14. AUDIT

Internal Audit

The Internal Audit function was formally established in February 2021 and follows the purpose, authority, and responsibility defined in the Internal Audit Charter. The Charter determines the internal audit activity's position within the organization, including the head of internal audit's reporting lines, access to records, people and property, and the scope of its activities. The Charter is periodically reviewed and presented to the Board of Director for approval if there are changes in scope of work.

The direct functional reporting line to the Audit Committee ensures that the Internal Audit is free to work independently and objectively and has the necessary access to resources and information to fulfill its mandate including providing independent assurance and consulting activities designed to add value to improve the company's operations. Guided by the Institute of Internal Auditors (IIA), the function follows a global standard for planning and performing the audit function and ensure that auditors have adequate skill set to perform its responsibilities. Internal Audit maintain integrity by strictly complying to the IIA Code of Ethics set by our profession and affiliations. In adhering to the IIA standard, Internal Audit establish its credibility and value as audit professionals to gain trust from our stakeholders through our issued audit reports and recommendations.

February 28, 2024

Report of the Audit Committee for the Year-Ended December 31, 2023

To the Board of Directors

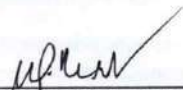
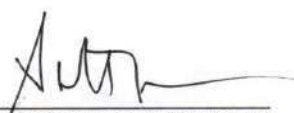
The Audit Committee (the "Committee") represents and assists the Board of Directors of Converge Information and Communications Technology Solutions, Inc. (the "Company") in fulfilling its oversight responsibilities by reviewing the following:

- Reasonableness of the Company's financial statements, efficiency of the financial reporting process, and soundness of internal control environment and risk management systems;
- Objectivity, independence, and effectiveness of internal audit function and processes;
- Qualifications, independence, objectivity, and fees of the Company's external auditors with regard to the annual review of the Company's financial statements; and
- Compliance of the Company with legal and regulatory requirements with respect to financial reporting.

The roles and responsibilities of the Committee are embodied in the Audit Charter to conform to Securities and Exchange Commission Memorandum Circular No. 4 Series of 2012. In compliance with the said Charter, the Committee confirms that:

- All Committee members are independent directors, including the Chairman.
- Quarterly meetings were held and attended by the Chairman and members of the Committee.
- Special meeting was held and attended by the external auditor and internal audit director, compliance officer, and risk officer without anyone from Management present.
- The Committee reviewed and approved the internal audit scope, manpower resources, and competencies necessary to carry out the risk-based audit plan.
- The Committee reviewed the reports of the internal audit and discussed necessary corrective actions with Management
- The Committee reviewed the Company's internal control environment and significant risks, through the External Auditor's Management Letter and Internal Audit's reports on the completed audit engagements and found them to be adequate.
- The Committee reviewed the audited consolidated annual financial statements of the Company and its Subsidiaries and discussed it with Management and external auditors taking into consideration that:
 - Management is responsible for the Company's financial statements and the related statements of financial condition and results of operations, and
 - Isla Lipana & Co., the external auditor, is responsible for expressing an opinion on the conformity of the Company's audited financial statements with the Philippine Financial Reporting Standards.
 - Based on the results of review and evaluation, recommended the approval of the audited financial statements to the Board of Directors as of and for the year ended December 31, 2023.

Based on the foregoing and the related discussions undertaken, and subject to the limitations of our roles and responsibilities, the Audit Committee presents this report to the Board of Directors.


ROMAN FELIPE S. REYES
Chairman
HON. ESTELA PERLAS-BERNABE
Member
GOV. AMANDO M. TETANGCO, JR.
Member



March 05, 2024

To the Chairman and Members of the Audit Committee of Converge Information and Communications Technology Solutions, Inc.

ATTESTATION OF INTERNAL CONTROL SYSTEMS
For the Year Ended 31 December 2023

***Pursuant to Securities and Exchange Commission's MC No. 15
Integrated Annual Corporate Governance Report (I-ACGR)***

The corporate governance system of Converge ICT Solutions, Inc. (the "Company") includes a combination of external and internal processes involving the structure of the Board of Directors and Committees, its oversight function over Management, and the establishment of sound controls and policies.

- The Board of Directors is responsible for providing governance and oversee the implementation of adequate internal control mechanisms and risk management processes.
- The Audit Committee assists the Board of Directors and Management by exercising oversight responsibility over the Company's financial reporting, internal control, internal and external audit activities, and compliance with applicable laws and regulations.
- Management has the prime responsibility for designing and implementing adequate risk management, internal control, and compliance processes, and evaluating its adequacy and effectiveness. Further, Management is responsible for developing a system to monitor and manage risks. Considering the inherent nature, risk management, and internal control systems/processes will only provide reasonable assurance as to the adequacy of controls in mitigating the risks.
- PwC Philippines, the Company's external auditor, is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process.
- The Chief Audit Executive reports functionally to the Audit Committee to ensure independence and objectivity, allowing Internal Audit to fulfill its responsibilities.
- Internal Audit (IA) function conforms with the International Standards for the Professional Practice of Internal Auditing. The IA adopts a risk-based approach in developing the annual audit plan and in conducting its reviews in assessing the Company's governance, risk management, control, and compliance processes.
- The results of the IA engagements/reviews were communicated to the Audit Committee and Management and were acted upon accordingly.

Based on the results of our reviews covering the period January 1 to December 31, 2023, as well as the assurance provided by external auditors, we attest to the overall adequacy and effectiveness of the internal control, risk management, compliance and governance systems of the Company.


Maria Grace Y. Uy
President


Anthony Vergel B. Velasco
Chief Audit Executive

Item 15. INVESTOR RELATIONS

Investor Relations Office

Converge is committed to conducting business in an open and transparent manner. The Investor Relations Program aims to provide timely and relevant information to the Company's shareholders and the broader investor community. The program aims to articulate the Company's investment propositions, strategic objectives and financial and operational results.

The Investor Relations office was inaugurated in preparation for the listing of Converge in 2020. The Investor Relations team is responsible for keeping the Company's investors up to date with financial and operational affairs. As such, the team conducts/attends the following activities beyond the annual stockholders meeting:

- 1) Quarterly analyst and investor briefings
- 2) Quarterly non-deal roadshows
- 3) Adhoc conferences organized by third party financial institutions
- 4) Adhoc one-on-one meetings and asset tours with investors

The extensive disclosures of Converge are compiled within the investor relations page of the Company's website (<https://corporate.convergeict.com/investor-relations/>). These are appropriately categorized for ease of reference.

Investor Relations Contact Information

Owen Kieffer D. Ocampo – Investor Relations Officer

Email: investors.relations@convergeict.com

PART V – EXHIBITS AND SCHEDULES

Item 15. EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

Exhibit 1 – Converge Full Year 2023 Consolidated Financial Statements – Audited

Exhibit 2 – Sustainability Report

Reports on SEC Form 17-C

The Company files various reports on SEC Form 17-C for various company disclosures. For the last 6 months of 2023, the Company filed various forms via 17-C:

Date	Title
November 13, 2023	Material Information / Transactions – 9M/3Q 2023 Results Briefing Presentation Material
November 10, 2023	Press release on the Company's 9M/3Q 2023 Results
October 27, 2023	Notice of 9M/3Q 2022 Analysts/Investors Briefing
October 2, 2023	Press Release – Hitting 2M Residential Subscribers
September 29, 2023	Press Release – Three Arrows in ASEAN Corporate Governance Scorecard
August 14, 2023	Reply to Exchange's Query relating to the Company's interest in e-sports and other value-added services
August 11, 2022	Material Information / Transactions – 1H/2Q 2023 Results Briefing Presentation Material
August 10, 2023	Material Information / Transactions – Company's 1H/2Q 2023 Results
August 10, 2023	Press Release – Company's 1H/2Q 2023 Results
August 7, 2023	Reply to Exchange's Query relating to plans to build data centers
August 3, 2023	Material Information / Transactions – Clarification of August 2, 2023 Market Rumors
July 24, 2024	Notice of 1H/2Q 2023 Analysts/Investors Briefing
July 17, 2023	Material Information / Transactions – Quarterly Update on the Use of Proceeds of the Fixed Rate Bonds
July 5, 2023	Reply to Exchange's Query relating to customer contract with CARD Mutually Reinforcing Institutions (CARD MRI)

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of PASIG CITY on APR 12 2024.

By:



Dennis Anthony H. Uy
Chief Executive Officer

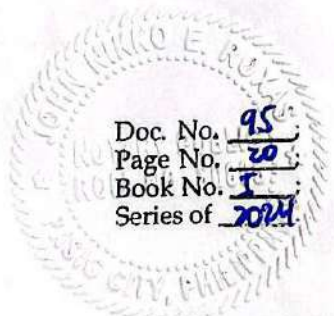
Christine Renee R. Blabagno
Treasurer

Maria Grace Y. Uy
President

Maria Grace C. De Jesus
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 12 2024 day of 20 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	ID. NO.	DATE OF ISSUE	PLACE OF ISSUE
Dennis Anthony H. Uy	Pass No. P4803645C	26 July 2023	DFA Manila
Maria Grace Y. Uy	Pass No. P6033137B	04 January 2021	DFA Manila
Maria Grace C. De Jesus	Pass No. P1123912C	30 July 2022	DFA Manila
Christine Renee R. Blabagno	Pass No. P0151233B	08 January 2019	DFA Cotabato

Notary Public
JOHN NICKO ROXAS
Appointment No. 119 (2024-2025)
Notary Public for Pasig City
Until December 31, 2025
11/F Tektite Towers, East
Exchange Road, Ortigas Center, Pasig City
S.C. Roll of Attorney No. 80805
PTR No. 1607905/01.03.2024/Pasig
IBP No. 398106/01.04.2024/RSM
Admitted to the Bar in 2022

Doc. No. 95
Page No. 20
Book No. I
Series of 2024

SEC Form 17A -2023

SEC Form 17A -2023



Exhibit 1

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Financial Statements

As at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



The following document has been received:

Receiving: Mark Jason Orcine

Receipt Date and Time: April 01, 2024 10:57:58 AM

Company Information

SEC Registration No.: CS200716094

Company Name: CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC.

Industry Classification: I64201

Company Type: Stock Corporation

Document Information

Document ID: OST10401202482163963

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Consolidated

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	1	6	0	9	4

Company Name

C	O	N	V	E	R	G	E		I	N	F	O	R	M	A	T	I	O	N		A	N	D					
C	O	M	M	U	N	I	C	A	T	I	O	N	S		T	E	C	H	N	O	L	O	G	Y				
S	O	L	U	T	I	O	N	S	,		I	N	C	.														

Principal Office (No./Street/Barangay/City/Town/Province)

N	E	W		S	T	R	E	E	T		B	L	D	G	.		M	C	A	R	T	H	U	R				
H	I	G	H	W	A	Y	,		B	A	L	I	B	A	G	O	,		A	N	G	E	L	E	S			
C	I	T	Y	,		P	A	M	P	A	N	G	A															

Form Type

A	F	S	

Department requiring the report

C	R	M	D

Secondary License Type, If Applicable

N	/	A	

COMPANY INFORMATION

Company's Email Address

converge.sec@convergeict.com

Company's Telephone Number/s

N/A

Mobile Number

09175774586

No. of Stockholders

Twenty-Six (26)

Annual Meeting
Month/Day

Last Friday of May of each Year

Fiscal Year
Month/Day

Dec-31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Christine Renee R. Blabagno

Email Address

crrblabagno@convergeict.com

Telephone Number/s

N/A

Mobile Number

09178186955

CONTACT PERSON'S ADDRESS

Reliance IT Center Bldg., Annex 1, No. 99, E. Rodriguez Jr. Ave., Brgy. Ugong, 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 deficiencies

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

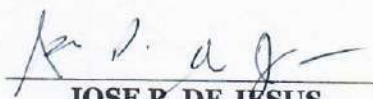
The management of **CONVERGE INFORMATION & COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. & SUBSIDIARIES** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2022 and 2023, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group 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.


JOSE P. DE JESUS
Chairman of the Board


DENNIS ANTHONY H. UY
Chief Executive Officer


CHRISTINE RENEE R. BLABAGNO
Treasurer

Signed this 17th day of March 2024

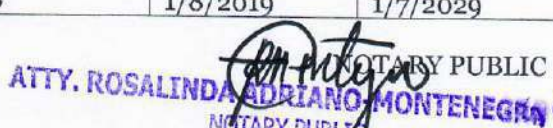
MAR 22 2024

QUEZON CITY

SUBSCRIBED AND SWORN to before me this _____ at _____, by
affiants who are personally known to me or identified through competent evidence of identity,
to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Jose P. De Jesus	CRN-0003-0057051-1	N/A	N/A
Dennis Anthony H. Uy	PO373454B	1/23/2019	1/22/2029
Christine Renee R. Blabagno	PO151233B	1/8/2019	1/7/2029

Doc No. 186
Page No. 38
Book No. VI
Series of 2024.


ATTY. ROSALINDA ADRIANO MONTENEGRO
NOTARY PUBLIC
My Commission expire on Dec. 31, 2025
Admin. Matter No. NP-067(2024-2025)
PTR No. 5555358 01/03/2024-Q.C.
IBP OR No. 397268 01/05/2024-Q.C.
ROLL No. 60467



Independent Auditor's Report

To the Board of Directors and Shareholders of
Converge Information and Communications Technology Solutions, Inc.
New Street Bldg., Mc Arthur Highway,
Balibago, Angeles City, Pampanga

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Converge Information and Communications Technology Solutions, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2023 and 2022, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2023;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2023;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the consolidated financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group 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 consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Converge Information and Communications Technology Solutions, Inc.
Page 2

Our Audit Approach

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

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

Key Audit Matters

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

Key audit matter identified in our audit is revenue recognition.



Independent Auditor's Report
 To the Board of Directors and Shareholders of
 Converge Information and Communications Technology Solutions, Inc.
 Page 3

Revenue recognition	How the matter was addressed in our audit
Refer to Note 14 and accounting policies in Note 25.15 to the consolidated financial statements. The Group recognized revenues amounting to P35,359 million for the year ended December 31, 2023. The Group's revenue comprises income from fixed broadband services. Revenue recognition has been identified as a key audit matter primarily due to the large volume of data and transactions processed through various complex systems.	Our audit procedures to address relevant assertions over revenue recognition included the following: • We obtained an understanding of the revenue recognition policy in accordance with PFRS 15 and the related business processes, including an understanding of the related Information and Technology (IT) environment and relevant IT systems. • With the assistance of our IT specialists, we evaluated the design and tested the operating effectiveness of the IT general controls over the relevant IT systems, as well as the related automated and manual controls surrounding revenue recognition. In particular, we tested controls from account activation to termination, provisioning, billing and revenue recording covering all assertions with respect to revenue. • We tested the reliability of key system-generated reports and reconciliations of revenues recognized in the business support systems to the general ledger. • We performed substantive audit procedures over revenues, which include inspection of subscriber agreements and billings and independent recalculation of revenue on a sampling basis. • We evaluated journal entries posted to revenue accounts, on a specific risk-based sample basis, and compared the details of these journal entries with relevant underlying documentation.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Converge Information and Communications Technology Solutions, Inc.
Page 4

Other Information

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

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group 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 or to cease operations of the Group, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Converge Information and Communications Technology Solutions, Inc.
Page 5

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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, actions taken to eliminate threats or safeguards applied..



Independent Auditor's Report

To the Board of Directors and Shareholders of

Converge Information and Communications Technology Solutions, Inc.

Page 6

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Nelson Charsegun L. Aquino.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to be "N. Aquino", written over a horizontal line.

Nelson Charsegun L. Aquino

Partner

CPA Cert. No. 0102077

P.T.R. No. 0011078, issued on January 12, 2024, Makati City

TIN 211-507-088

BIR A.N. 08-000745-127-2021, issued on December 9, 2021; effective until December 8, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City

March 17, 2024



**Statement Required by Rule 68,
Securities Regulation Code (SRC)**

To the Board of Directors and Shareholders of
Converge Information and Communications Technology Solutions, Inc.
New Street Bldg., Mc Arthur Highway,
Balibago, Angeles City, Pampanga

We have audited the accompanying consolidated financial statements of Converge Information and Communications Technology Solutions, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated March 17, 2024.

In compliance with the Revised SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of our work done, the Parent Company has nineteen (19) shareholders owning one hundred (100) or more shares each as at December 31, 2023.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "NCA", written over a horizontal line.

Nelson Charsegun L. Aquino
Partner

CPA Cert. No. 0102077

P.T.R. No. 0011078, issued on January 12, 2024, Makati City

TIN 211-507-088

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BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 17, 2024



**Statement Required by Rule 68,
Securities Regulation Code (SRC)**

To the Board of Directors and Shareholders of
Converge Information and Communications Technology Solutions, Inc.
New Street Bldg., Mc Arthur Highway,
Balibago, Angeles City, Pampanga

We have audited the accompanying consolidated financial statements of Converge Information and Communications Technology Solutions, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated March 17, 2024. The supplementary information shown in the *Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration, Conglomerate Map and Schedules A, B, C, D, E, F and G*, as additional components required by the Revised Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic consolidated financial statements. Such supplementary information is the responsibility of the Group's management and has been subjected to auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised Rule 68 of the SRC.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "NCA", written over a horizontal line.

Nelson Charsegun L. Aquino
Partner

CPA Cert. No. 0102077

P.T.R. No. 0011078, issued on January 12, 2024, Makati City

TIN 211-507-088

BIR A.N. 08-000745-127-2021, issued on December 9, 2021; effective until December 8, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 17, 2024



**Statement Required by Rule 68,
Securities Regulation Code (SRC)**

To the Board of Directors and Shareholders of
Converge Information and Communications Technology Solutions, Inc.
New Street Bldg., Mc Arthur Highway,
Balibago, Angeles City, Pampanga

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Converge Information and Communications Technology Solutions, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 17, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The *Supplementary Schedule on Financial Soundness Indicators*, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

Isla Lipana & Co.

Nelson Charsegun L. Aquino
Partner

CPA Cert. No. 0102077

P.T.R. No. 0011078, issued on January 12, 2024, Makati City

TIN 211-507-088

BIR A.N. 08-000745-127-2021, issued on December 9, 2021; effective until December 8, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 17, 2024

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Financial Position

As at December 31, 2023 and 2022

(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	2	13,694,146,438	10,214,065,832
Trade and other receivables, net	3	3,456,033,681	3,337,086,807
Due from related parties, net, current portion	19	208,826,337	609,474,295
Network materials and supplies, net	4	2,024,306,899	4,385,141,938
Deferred contract costs, current portion	14	984,137,068	1,006,635,118
Other current assets	5	1,787,508,625	3,046,106,952
Total current assets		22,154,959,048	22,598,510,942
Non-current assets			
Property, plant and equipment, net	6	67,530,453,203	62,534,015,908
Right-of-use assets, net	20	2,853,200,305	3,293,570,678
Intangible assets, net	7	2,144,828,845	2,384,612,202
Advances to fixed asset suppliers, net of current portion	5	3,604,811,224	4,317,314,821
Due from related parties, net of current portion	19	153,511,427	157,017,606
Deferred contract costs, net of current portion	14	271,013,411	263,810,800
Deferred income tax assets, net	18	1,545,774,996	1,792,658,901
Financial asset at fair value through profit or loss (FVTPL)	24.1	53,404,739	56,757,340
Investment in associate and joint ventures	8	706,388,781	458,303,302
Other non-current assets	5	126,679,587	241,764,853
Total non-current assets		78,990,066,518	75,499,826,411
Total assets		101,145,025,566	98,098,337,353
Liabilities and Equity			
Current liabilities			
Trade and other current liabilities	9	16,199,040,539	17,055,361,194
Due to related parties	19	42,054,912	111,090,994
Subscribers' deposits, current portion	14	1,265,006,828	2,064,852,500
Deferred revenue, current portion	14	557,939,207	815,226,352
Borrowings, current portion	10	5,258,188,019	3,239,562,775
Lease liabilities, current portion	20	460,388,134	615,765,230
Income tax payable		135,309,283	821,343,264
Total current liabilities		23,917,926,922	24,723,202,309
Non-current liabilities			
Borrowings, net of current portion	10	29,985,396,190	35,000,207,710
Lease liabilities, net of current portion	20	1,908,201,413	2,001,846,291
Retirement benefit obligation	11	12,199,590	153,027,875
Subscribers' deposits, net of current portion	14	75,613,115	60,602,199
Deferred revenue, net of current portion	14	-	48,631,750
Total non-current liabilities		31,981,410,308	37,264,315,825
Total liabilities		55,899,337,230	61,987,518,134
Equity			
Attributable to owners of the Parent Company			
Share capital	13	1,881,573,615	1,881,573,615
Additional paid-in capital	13	18,746,088,245	18,746,088,245
Treasury shares	13	(6,498,544,185)	(6,498,544,185)
Retained earnings	13		
Unappropriated		16,833,317,171	21,736,512,003
Appropriated		14,000,000,000	-
Share-based compensation reserve	12	262,622,659	199,463,422
Reserve for remeasurements of retirement benefit obligation, net of tax	11	20,318,331	45,413,619
		45,245,375,836	36,110,506,719
Non-controlling interest		312,500	312,500
Total equity		45,245,688,336	36,110,819,219
Total liabilities and equity		101,145,025,566	98,098,337,353

(The notes on pages 1 to 63 are integral part of these consolidated financial statements)

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Revenues	14	35,359,344,078	33,695,628,358	26,478,774,386
Cost of services	15	(12,710,404,401)	(13,437,644,340)	(10,507,427,671)
Gross profit		22,648,939,677	20,257,984,018	15,971,346,715
General and administrative expenses	16	(6,946,911,067)	(6,601,012,294)	(4,770,512,186)
Provision for impairment of trade and other receivables	3	(1,369,116,943)	(1,660,327,091)	(1,005,100,394)
Equity share in net income of joint ventures	8	248,085,479	50,969,004	38,585,965
Unrealized fair value gain (loss) on financial asset at FVTPL	24.1	3,601,853	(6,404,519)	(19,614,667)
Other expense, net	17	(383,957,822)	(453,665,249)	(176,021,996)
Profit from operations		14,200,641,177	11,587,543,869	10,038,683,437
Finance costs	10,20	(2,078,827,899)	(1,731,899,699)	(485,518,412)
Profit before income tax		12,121,813,278	9,855,644,170	9,553,165,025
Income tax expense	18	(3,022,979,047)	(2,416,309,394)	(2,395,037,412)
Profit for the year		9,098,834,231	7,439,334,776	7,158,127,613
Other comprehensive (loss) income				
<i>Item that will not be reclassified to profit or loss</i>				
Remeasurement (loss) gain on retirement benefit obligation, net of tax	11	(25,095,288)	1,449,803	35,833,497
Total comprehensive income for the year		9,073,738,943	7,440,784,579	7,193,961,110
Profit attributable to:				
Owners of the Parent Company		9,096,805,168	7,439,334,776	7,158,127,613
Non-controlling interest		2,029,063	-	-
		9,098,834,231	7,439,334,776	7,158,127,613
Total comprehensive income attributable to:				
Owners of the Parent Company		9,071,709,880	7,440,784,579	7,193,961,110
Non-controlling interest		2,029,063	-	-
		9,073,738,943	7,440,784,579	7,193,961,110
Earnings per share	21			
Basic		1.25	1.01	0.95
Diluted		1.25	1.01	0.95

(The notes on pages 1 to 63 are integral part of these consolidated financial statements)

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Share capital (Note 13)	Additional paid-in capital (Note 13)	Treasury shares (Note 13)	Retained earnings (Note 13)	Reserve for remeasurements of retirement benefit obligation, net of tax (Note 11)	Share-based compensation reserve (Note 12)	Non-controlling interest	Total
Balances at January 1, 2021	1,881,573,615	18,746,088,245	-	7,139,049,614	8,130,319	-	312,500	27,775,154,293
Comprehensive income								
Profit for the year	-	-	-	7,158,127,613	-	-	-	7,158,127,613
Other comprehensive income for the year	-	-	-	-	35,833,497	-	-	35,833,497
Total comprehensive income for the year	-	-	-	7,158,127,613	35,833,497	-	-	7,193,961,110
Share-based compensation (Note 12)	-	-	-	-	-	141,843,597	-	141,843,597
Balances at December 31, 2021	1,881,573,615	18,746,088,245	-	14,297,177,227	43,963,816	141,843,597	312,500	35,110,568,000
Comprehensive income								
Profit for the year	-	-	-	7,439,334,776	-	-	-	7,439,334,776
Other comprehensive income for the year	-	-	-	-	1,449,803	-	-	1,449,803
Total comprehensive income for the year	-	-	-	7,439,334,776	1,449,803	-	-	7,440,784,579
Share-based compensation (Note 12)	-	-	-	-	-	57,619,825	-	57,619,825
Transaction with owners								
Acquisition of treasury shares	-	-	(6,498,544,185)	-	-	-	-	(6,498,544,185)
Balances at December 31, 2022	1,881,573,615	18,746,088,245	(6,498,544,185)	21,736,512,003	45,413,619	199,463,422	312,500	36,110,819,219

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity (continued)

For each of the three years in the period ended December 31, 2023

(All amounts in Philippine Peso)

	Share capital (Note 13)	Additional paid-in capital (Note 13)	Treasury shares (Note 13)	Retained earnings (Note 13)	Reserve for remeasurements of retirement benefit obligation, net of tax (Note 11)	Share-based compensation reserve (Note 12)	Non- controlling interest	Total
Balances at January 1, 2023	1,881,573,615	18,746,088,245	(6,498,544,185)	21,736,512,003	45,413,619	199,463,422	312,500	36,110,819,219
Comprehensive Income	-	-	-	9,096,805,168	-	-	2,029,063	9,098,834,231
Profit for the year	-	-	-	-	(25,095,288)	-	-	(25,095,288)
Other comprehensive loss for the year	-	-	-	9,096,805,168	(25,095,288)	-	2,029,063	9,073,738,943
Total comprehensive income for the year	-	-	-	-	-	-	-	63,159,237
Share-based compensation (Note 12)	-	-	-	-	-	63,159,237	-	63,159,237
Transaction with owners	-	-	-	-	-	-	(2,029,063)	(2,029,063)
Declaration of dividends by Pentagon	-	-	-	-	-	-	-	-
Appropriation of retained earnings (Note 13)	-	-	-	(14,000,000,000)	14,000,000,000	-	-	-
Balances at December 31, 2023	1,881,573,615	18,746,088,245	(6,498,544,185)	16,833,317,171	20,318,331	262,622,659	312,500	45,245,688,336

(The notes on pages 1 to 63 are integral part of these consolidated financial statements)

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Cash flows from operating activities				
Profit before income tax		12,121,813,276	9,855,644,170	9,553,165,025
Adjustments for:				
Depreciation and amortization	15,16	6,444,987,127	6,557,895,271	4,085,160,072
Finance costs	10,20	2,078,827,899	1,731,899,699	485,518,412
Amortization of deferred contract costs	14	2,135,076,483	2,823,468,773	1,759,860,945
Provision for impairment of property, plant and equipment	17	1,059,096,781	543,586,332	-
Provision for impairment of trade and other receivables	3	1,369,116,943	1,660,327,091	1,005,100,394
Provision for inventory obsolescence	17	145,456,521	-	-
Share-based compensation expense	12	63,159,237	57,619,825	141,843,597
Unrealized (gain) loss on FVTPL	24.1	(3,601,853)	6,404,519	19,614,667
Interest income on financial asset at FVTPL	17	(4,018,990)	(3,656,500)	(3,491,219)
Interest income on finance lease receivable	17	(9,830,872)	(10,037,460)	(10,231,874)
(Gain) loss on disposal of property, plant and equipment	17	(52,690,297)	163,598,622	673,860
Unrealized foreign exchange (gain) loss, net	22	(113,507,867)	(238,102,720)	164,671,773
Equity share in net income of joint venture	8	(248,085,479)	(50,969,004)	(38,585,965)
Interest income on cash and cash equivalents	17	(374,187,513)	(38,986,327)	(30,770,432)
Gain on lease terminations	17	-	-	(12,491,353)
Operating income before changes in assets and liabilities		24,611,611,398	23,058,692,291	17,120,037,902
(Increase) decrease in assets:				
Trade and other receivables		(1,049,081,611)	(1,961,584,807)	(1,861,708,536)
Due from related parties		445,192,965	587,138,375	238,320,857
Network materials and supplies		(73,668,648)	(2,276,974,391)	(4,082,261,648)
Deferred contract costs		(2,119,781,044)	(1,553,521,911)	(2,647,375,870)
Other current assets and non-current assets		1,373,683,593	560,530,699	(2,036,942,183)
(Decrease) increase in liabilities:				
Trade and other current liabilities		(1,007,469,228)	(2,332,836,617)	1,542,222,822
Subscribers' deposits		(784,834,756)	(207,700,396)	289,973,245
Due to related parties		(69,036,082)	(444,221,540)	336,962,074
Retirement benefit obligation		(173,797,922)	19,744,167	39,027,127
Deferred revenue		(305,918,895)	(491,108,093)	686,241,702
Cash from operations		20,846,999,770	14,958,157,777	9,624,497,492
Interest received		230,569,075	38,986,327	30,770,432
Income taxes paid		(3,449,043,847)	(3,391,969,862)	(2,006,798,278)
Net cash from operating activities		17,628,524,998	11,605,174,242	7,648,469,646
Cash flows from investing activities				
Acquisitions of property plant, and equipment	6	(8,595,436,675)	(16,387,721,961)	(18,146,811,312)
Acquisitions of intangible assets	7	(259,619,032)	(804,432,401)	(1,102,274,964)
Proceeds from disposals of property, plant and equipment and intangible assets		52,305,531	43,078,518	-
Acquisitions of right-of-use assets	20	-	(243,007,375)	(272,237,895)
Acquisitions of investment in associates	8	-	(5,283,333)	(363,465,000)
Cash from acquisition of a subsidiary	1.6	-	619,345	-
Proceeds from sale of investment in short-term government securities		-	-	5,500,000
Net cash used in investing activities		(8,802,750,176)	(19,396,747,207)	(19,879,289,171)
Cash flows from financing activities				
Proceeds from borrowings	10	500,000,000	21,500,000,000	10,818,250,000
Payments of borrowings	10	(3,522,840,475)	(2,986,848,218)	(2,285,838,629)
Interest paid on borrowings	10	(1,937,540,541)	(1,525,677,307)	(621,996,106)
Payments on lease liabilities	20	(385,747,545)	(428,798,689)	(451,485,520)
Interest paid on lease liabilities	20	(176,475,867)	(188,146,259)	(134,343,664)
Payment of debt issuance costs	10	-	(232,472,589)	-
Acquisition of treasury shares	13	-	(6,498,544,185)	-
Net cash (used in) from financing activities		(5,522,604,428)	9,639,512,753	7,324,606,081
Net increase (decrease) in cash and cash equivalents		3,303,170,394	1,847,939,788	(4,906,213,444)
Cash and cash equivalents, beginning		10,214,065,832	8,083,906,349	12,957,408,688
Effects of exchange rate changes in cash and cash equivalents		176,910,212	282,219,695	32,711,105
Cash and cash equivalents, ending	2	13,694,146,438	10,214,065,832	8,083,906,349

(The notes on pages 1 to 63 are integral part of these consolidated financial statements)

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

1.1 Business information

Converge Information and Communications Technology Solutions, Inc. (the "Parent Company") is a domestic corporation registered with the Securities and Exchange Commissions (SEC) on October 17, 2007 to construct, install, maintain and operate in the Philippines information and communications system, information and communications technology network and associated equipment and facilities for the purpose of supplying at competitive and reasonable cost and without discrimination information and communications services within the Philippines to government agencies including all its instrumentalities, to corporations and consumers and all other entities and utilities that might use such information and communications services. The Parent Company is a grantee of a congressional franchise (under Republic Act No. 9707) to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines and between the Philippines and other countries and territories. The term of the franchise is twenty-five (25) years effective until August 2034.

On September 24, 2020 and September 30, 2020, the Philippine SEC and Philippine Stock Exchange (PSE), respectively, approved the Parent Company's application for its initial public offering. The Parent Company attained its status as "public company" on October 26, 2020 when it listed its shares in the main board of the PSE. As a public company, it is covered by the Securities Regulation Code (SRC) Rule 68.

As at December 31, 2023 and 2022, there has been no follow-on offering after the initial public offering.

As at December 31, 2023 and 2022, the Parent Company is 66.02% owned by Comclark Network and Technology Corp. (Comclark), a company organized and existing under the laws of the Philippines. Its ultimate parent company is Pentastar Holding Co. Inc. (Pentastar), a company organized and existing under the laws of the Philippines to, among others, purchase or otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, without however engaging as an investment company under the Investment Company Act or a finance company or as a dealer in securities or stocks or as real estate broker or a real estate development company but only holds the foregoing assets for purely investment purposes. Pentastar's ultimate beneficial owners are Dennis Anthony H. Uy and Maria Grace Y. Uy.

The total shares outstanding of the Parent Company are held by the following shareholders as at December 31:

	2023	2022
Comclark Network and Technology Corp. and Founders	69.09%	69.09%
Publicly held	30.91%	30.91%
	100.00%	100.00%

Refer to Note 13 for details of changes in shares outstanding as at December 31, 2023 and 2022.

The Parent Company's registered office address, which is also its principal place of business, is located at New Street Bldg., Mc Arthur Highway, Balibago, Angeles City, Pampanga. The Parent Company has 1,950 employees as at December 31, 2023 (2022 - 2,271).

1.2 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Parent Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services and the type or class of customers. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Parent Company's most senior executive management assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily the operation of telecommunications systems throughout the Philippines. Therefore, the Parent Company's most senior executive management considers there is only one operating segment under the requirements of Philippine Financial Reporting Standards (PFRS) 8, Operating Segments.

The Parent Company's most senior executive management uses a measure of revenue and earnings before interest, tax, depreciation and amortization and amortization of subscriber acquisition costs (EBITDA) to assess the performance of the operating segment. The balances reported to the Parent Company's most senior executive management are consistent with the consolidated financial statements. Total segment assets and liabilities are not measures used by the Parent Company's most senior executive management since total assets and liabilities are managed on a group consolidated basis.

The Group has only one geographical operating segment. The Group derives all its operating revenue in the Philippines. Thus, geographical business information is not required.

Revenue

Information about segment revenue is disclosed in Note 14.

EBITDA

The following are the segment EBITDA for the years ended December 31:

	Notes	2023	2022	2021
Profit for the year		9,098,834,231	7,439,334,776	7,158,127,613
Adjustments:				
Depreciation and amortization	15,16	6,444,987,127	6,557,895,271	4,085,160,072
Amortization of subscriber acquisition costs	15	882,515,805	1,207,489,292	678,821,989
Finance costs		2,078,827,899	1,731,899,699	485,518,412
Income tax expense		3,022,979,047	2,416,309,394	2,395,037,412
Segment EBITDA		21,528,144,109	19,352,928,432	14,802,665,498
Segment EBITDA margin		61%	57%	56%

1.3 Approval of the consolidated financial statements

The consolidated financial statements of the Group as at December 31, 2023 have been approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on March 17, 2024.

1.4 Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries namely, Pentagon Holding Co., Inc. (Pentagon), Converge ICT Solutions (Global) Limited (Converge Global), Converge ICT Singapore Pte. Ltd. (Converge Singapore) and Cyan Azurite Properties and Development Corp. (Cyan). These consolidated financial statements also include Pentagon's subsidiary, Metroworks ICT Construction Inc. (Metroworks) as well as Metroworks' subsidiary, Myriad ICT Services, Inc. (Myriad). The Parent Company and its subsidiaries are collectively referred to here as the "Group".

The Group's subsidiaries as at December 31 are set out below. Unless otherwise stated, these have share capital consisting solely of ordinary shares that are held directly or indirectly by the Parent Company, and the proportion of ownership interests held equals the voting rights held by the Group.

	Ownership interest held by the Group			Ownership interest held by non-controlling interest			Country of Incorporation	Main activity
	2023	2022	2021	2023	2022	2021		
Subsidiaries								
- Acquired by the Parent Company in 2019	99%	99%	99%	1%	1%	1%	Philippines	Pentagon was incorporated and registered with the SEC on July 7, 2011. Its primary purpose is to acquire by purchase, otherwise, and to invest, own, use, hold, administer, obtain an interest in, sell, pledge, mortgage, assign, deposit, hypothecate, create trust with respect to real and personal properties of every kind and description including all kinds of shares, stocks, voting trust certificates, bonds, mortgages, debentures, trust receipts, notes and other certificates. Pentagon's registered office address and place of business is at New Street Business Center, Barangay Balibago, Angeles City.
- Incorporated by the Parent Company in 2020	100%	100%	100%	-	-	-	Hong Kong	Converge Global was incorporated in Hong Kong on March 3, 2020. Converge Global was organized primarily to provide internet and investor relations services for customers outside the Philippines. Converge Global's registered office address and place of business is at 27/F Alexandra HSE 18 Charter Road Central, Hong Kong.
								On March 31, 2023, Converge Global ceased its operations and subsequently applied tax clearance from Hong Kong's Inland Revenue Department on November 13, 2023. The tax clearance is pending approval as at December 31, 2023.
								Converge Global does not meet the definition by the Philippine SEC of a significant subsidiary as at December 31, 2023 and 2022 due to the following:
								a. The Parent Company's investment in and advances to Converge Global amounting to P65,489 and P3,269,032, respectively, do not exceed 20% of the consolidated assets as at December 31, 2023 (2022 - P65,489 and P79,798,820); and
								b. Converge Global's net loss (after intragroup eliminations) amounting to P11,503,494 does not exceed 20% of the total consolidated net income for the year ended December 31, 2023 (2022 - 29,874,828 net loss). Converge Global's assets and revenues (after intragroup eliminations) as at and for the year ended December 31, 2023 amounting to P526,543 and nil, respectively, do not exceed 20% of the consolidated assets and revenues (2022 - P5,213,202 and nil)

On March 31, 2023, Converge Global ceased its operations and subsequently applied tax clearance from Hong Kong's Inland Revenue Department on November 13, 2023. The tax clearance is pending approval as at December 31, 2023.

Converge Global does not meet the definition by the Philippine SEC of a significant subsidiary as at December 31, 2023 and 2022 due to the following:

- The Parent Company's investment in and advances to Converge Global amounting to P65,489 and P3,269,032, respectively, do not exceed 20% of the consolidated assets as at December 31, 2023 (2022 - P65,489 and P79,798,820); and
- Converge Global's net loss (after intragroup eliminations) amounting to P11,503,494 does not exceed 20% of the total consolidated net income for the year ended December 31, 2023 (2022 - 29,874,828 net loss). Converge Global's assets and revenues (after intragroup eliminations) as at and for the year ended December 31, 2023 amounting to P526,543 and nil, respectively, do not exceed 20% of the consolidated assets and revenues (2022 - P5,213,202 and nil).

Subsidiaries	Ownership interest held by the Group					Ownership interest held by non-controlling interest			Country of incorporation	Main activity
	2023	2022	2021	2023	2022	2021	2023	2022		
- Converge Singapore Incorporated by the Parent Company in 2021	100%	100%	100%	-	-	-	-	-	Singapore	Converge Singapore was incorporated in Singapore on August 23, 2021. Converge Singapore was organized primarily to provide telecommunications solutions, including reselling of capacity. Converge Singapore's registered office address and place of business is at 8 Marina Boulevard, #05-02 Marina Bay Financial Centre, Singapore.
On January 3, 2023, Converge Singapore was granted the facilities-based operations license to provide telecommunications service in Singapore. Converge Singapore does not meet the definition by the Philippine SEC of a significant subsidiary as at December 31, 2023 and 2022 due to the following: a. The Parent Company's investment in and advances to Converge Singapore amounting to P290,451,300 and P220,568,090, respectively, do not exceed 20% of the consolidated assets as at December 31, 2023 (2022 - P290,451,300 and nil); and b. Converge Singapore's net income (after intragroup eliminations) amounting to P9,220,341 does not exceed 20% of the total consolidated net income for the year ended December 31, 2023 (2022 - nil). Converge Singapore's assets and revenues (after intragroup eliminations) as at and for the year ended December 31, 2023 amounted only to P369,250,923 and P32,011,372, respectively, do not exceed 20% of the consolidated assets and revenues (2022 - nil).										
- Metroworks	99.9%	99.99%	99.99%	0.01%	.01%	.01%			Philippines	Metroworks was incorporated and registered with the SEC on June 10, 2013. Metroworks was organized primarily to construct, install, maintain, operate and manage in the Philippines a broadband information and communications system, information communication technology (ICT) network and associated equipment and outside plant facilities for the purpose of supplying at competitive reasonable cost and without discrimination broadband information and communication facilities, products and services within the Philippines to government agencies including all its instrumentalities, to corporations and consumers and all other entities and utilities that might use broadband information and communications facility and/or other services. Metroworks' registered office address and place of business is at New Street Building, Mc Arthur Highway, Balibago, Angeles City, Pampanga.
- Indirectly owned through Pentagon										
- 99.99% owned by Pentagon for all years presented										

Subsidiaries	Ownership interest held by the Group			Ownership interest held by non-controlling interest			Country of incorporation	Main activity
	2023	2022	2021	2023	2022	2021		
Myriad	99.99%	99.99%	-	.01%	.01%	-	Philippines	Myriad (formerly Myriad Properties Unlimited, Inc.) was incorporated and registered with the SEC on July 7, 2011 and became primarily engaged in the business of providing consultancy, administrative, technical and managed services beginning 2021.
- Indirectly owned through Metroworks								
- 99.99% owned by Metroworks beginning 2022								
- Entity under common control prior to 2022								Myriad's registered office address, which is also its principal place of business at #99 E. Rodriguez Jr. Ave., Ugong, Pasig City.
Cyan	100%	-	-	-	-	-	Philippines	Cyan was incorporated and registered with the SEC on May 17, 2023 primarily to engage in real estate activities.
- Acquired by the Parent Company in 2023								Cyan's principal office address and place of business is at New Street Building, Mc Arthur Highway, Balibago, Angeles City, Pampanga.
- Entity under common control prior to acquisition								

1.5 Acquisition of Myriad

In July 2022, Metroworks acquired 99.99% equity interest in Myriad for a total cash consideration of P312,200. Accordingly, Myriad became a subsidiary of the Group.

The Group has assessed that the acquisition of Myriad qualifies as a 'common control business combination' as the combining entities are collectively controlled by the spouses Dennis Anthony H. Uy and Maria Grace Y. Uy, acting in concert in exercising the voting rights of the Group, both before and after the business combination.

Accordingly, the Group has applied the pooling of interests method in accounting for the acquisition consistent with the method used for the acquisitions of Pentagon and Metroworks which also qualified as common control business combinations.

The assets and liabilities are brought into the consolidated financial statements at the existing carrying amounts reported in the separate financial statements of Myriad. The deficit recognized in the consolidated financial statements is the deficit of Myriad immediately before the combination.

1.6 Acquisition of Cyan

On June 22, 2023, the Parent Company acquired 100% equity interest in Cyan from an entity under common control. Accordingly, Cyan became a subsidiary of the Group.

The Group has assessed that the acquisition of Cyan qualifies as a 'common control business combination' as the combining entities are collectively controlled by the spouses Dennis Anthony H. Uy and Maria Grace Y. Uy, acting in concert in exercising the voting rights of the Group, both before and after the business combination.

Accordingly, the Group has applied the pooling of interest method in accounting for the acquisition consistent with the method used for the acquisitions of Pentagon, Metroworks and Myriad which also qualified as common control business combinations.

The assets and liabilities are brought into the consolidated financial statements at the existing carrying amounts reported in the separate financial statements of Cyan. The deficit recognized in the consolidated financial statements is the deficit of Cyan immediately before the combination.

2 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Short-term money market placements	6,877,751,288	6,391,100,782
Cash in banks	6,807,424,343	3,815,209,966
Cash on hand	8,970,807	7,755,084
	13,694,146,438	10,214,065,832

Cash in banks earn interest at the respective bank deposit rates. Short-term money market placements earn at annual interest rates ranging from 4.30% to 6.10% in 2023 (2022 - 1.57% to 3.50%).

Interest income earned from cash in banks and short-term money market placements for the year ended December 31, 2023 amounted to P374,187,513 (2022 - P38,986,327; 2021 - P30,770,432) (Note 17).

3 Trade and other receivables, net

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

	2023	2022
Trade receivables	5,062,949,865	6,573,343,781
Less: Allowance for impairment	(2,511,644,305)	(3,553,319,991)
Trade receivables, net	2,551,305,560	3,020,023,790
Receivables from partners	228,424,214	-
Interest receivable	142,949,400	-
Receivable from employees	42,322,319	14,758,991
Advances to employees	27,677,915	15,765,991
Others	463,354,273	286,538,035
Total trade and other receivables, net	3,456,033,681	3,337,086,807

Trade receivables consist of amounts due from residential and enterprise subscribers. These are short-term, unguaranteed, unsecured, non-interest bearing and collectible in cash with usual credit terms of 30 to 90 days.

Receivable from partners consists of amounts due from the sale of various assets such as transportation equipment and office equipment and furniture.

Interest receivable represents accrued interest on short-term money market placements.

Receivable from employees represent advances to employees for car and emergency loans which are subject to salary deductions.

Advances to employees pertain to advances used in operations which are subject to liquidation within 30 to 60 days.

Other receivables mainly consist of construction bonds and rental deposits recoverable within the next twelve months.

The movements in allowance for impairment of trade and other receivables for the years ended December 31 are as follows:

	2023	2022
Beginning of the year	3,553,319,991	1,892,992,900
Provision for trade receivables	1,369,116,943	1,660,327,091
Write-off	(2,410,792,629)	-
End of the year	2,511,644,305	3,553,319,991

Provision for trade receivables recognized in profit or loss for the year ended December 31, 2023 amounted to P1,369,116,943 (2022 - P1,660,327,091; 2021 - P1,005,100,394).

Trade receivables written-off for the year ended December 31, 2023 represent accounts deemed not recoverable by management after all collection efforts have been exhausted.

Critical accounting estimates and assumptions and judgment: Recoverability of trade and other receivables and due from related parties

Allowances for impairment of trade and other receivables and due from related parties (Note 19) are calculated using expected credit losses (ECL). ECL are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the receivables and due from related parties and incorporated forward-looking information, which involved significant estimates and judgements.

Any change in the Group's assessment of the collectability of trade and other receivables and amounts due from related parties could impact the recorded carrying amounts of trade and other receivables, due from related parties and related allowance for impairment.

4 Network materials and supplies, net

Network materials and supplies, net as at December 31 consist of:

	2023	2022
Installation materials	1,635,689,233	3,345,801,273
Cable wires	563,839,799	1,069,106,277
	2,199,529,032	4,414,907,550
Less: Allowance for obsolescence	(175,222,133)	(29,765,612)
Network materials and supplies, net	2,024,306,899	4,385,141,938

The cost of network materials and supplies capitalized as part of property, plant and equipment and recognized in profit or loss within cost of services are as follows:

	Notes	2023	2022	2021
Capitalized as part of property, plant and equipment	6	2,288,947,166	1,376,718,444	2,628,733,829
Cost of services	15	187,635,814	1,172,410,485	1,797,680,895

No network materials and supplies are pledged as collateral for the Group's liabilities as at December 31, 2023 and 2022.

The movements in allowance for networks materials and supplies obsolescence for the years ended December 31 are as follows:

	Note	2023	2022
Beginning of the year		29,765,612	29,765,612
Provision for obsolescence	17	145,456,521	-
End of the year		175,222,133	29,765,612

Critical accounting judgment: Recoverability of network materials and supplies

Provision for network materials and supplies obsolescence is maintained at a level considered adequate to provide for potential losses. The level of provision is based on past experience and other factors affecting the recoverability and obsolescence of network materials and supplies.

An evaluation of network materials and supplies, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period.

Management uses judgment based on the best available facts and circumstances, including but not limited to nature of network materials and supplies and technology trends which would affect the network materials and supplies' future recoverability and utilization. The amount and timing of recorded expenses for any period would therefore differ based on the judgments made. A change in provision for network materials and supplies obsolescence would impact the Group's recorded expenses and current assets.

5 Other current and non-current assets

Other current assets as at December 31 consist of:

	2023	2022
Advances to suppliers	1,436,247,179	1,259,585,165
Deferred input value-added tax (VAT)	196,809,883	216,787,682
Prepaid software and licenses	28,507,946	36,555,053
Prepaid rent	19,374,579	-
Prepaid maintenance costs	18,760,716	31,908,609
Prepaid insurance	16,997,286	-
Input VAT, net	2,320,135	1,466,971,632
Others	68,490,901	34,298,811
	1,787,508,625	3,046,106,952

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

	2023	2022
Deferred input VAT, net of current portion	116,259,976	208,975,509
Prepaid maintenance costs, net of current portion	5,872,069	32,789,344
Others	4,547,542	-
	126,679,587	241,764,853

Current portion of advances to suppliers represents advances that will be applied as payments for inventory purchases within the next twelve months.

Advances to fixed asset suppliers presented as part of non-current assets in the consolidated statement of financial position as at December 31, 2023 amounted to P3,604,811,224 (2022 - P4,317,314,821).

Deferred input VAT relates to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities, pursuant to existing VAT rules and regulations. Deferred input VAT as at December 31 which can be applied against future output VAT liabilities are as follows:

	2023	2022
Due for credit within 12 months	196,809,883	216,787,682
Due for credit beyond 12 months	116,259,976	208,975,509
	313,069,859	425,763,191

Prepaid maintenance costs represent upfront fee paid in relation to a long-term software maintenance and support contract.

6 Property, plant and equipment, net

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

	Land	Outside plant	Inside plant and facilities	Customer premises equipment	Transportation and heavy equipment	Office equipment and furniture	Leasehold improvements	Tools and facility equipment	Assets under construction	Total
At January 1, 2022										
Cost	1,262,257,601	33,826,217,832	11,646,932,324	5,963,397,036	599,644,179	490,366,012	102,610,352	134,344,672	3,387,684,241	57,413,454,249
Accumulated depreciation and impairment	-	(2,936,502,550)	(3,628,721,029)	(1,962,748,255)	(331,782,834)	(155,220,646)	(19,267,079)	(38,260,507)	-	(9,072,502,900)
Net carrying amount	1,262,257,601	30,889,715,282	8,018,211,295	4,000,648,781	267,861,345	335,145,366	83,343,273	96,084,165	3,387,684,241	48,340,951,349
For the year ended December 31, 2022										
Opening net carrying amount	1,262,257,601	30,889,715,282	8,018,211,295	4,000,648,781	267,861,345	335,145,366	83,343,273	96,084,165	3,387,684,241	48,340,951,349
Additions	2,460,014	-	3,892,057,956	3,412,807,184	358,763,287	214,748,977	342,089,997	81,462,205	12,404,242,071	20,708,631,691
Transfers	-	10,749,122,498	-	-	-	-	-	-	-	(10,749,122,498)
Disposals/Write-off	-	(232,732,660)	(761,871,247)	-	-	(50,445,603)	(937,500)	(19,833,487)	-	(1,065,820,497)
Cost	-	221,382,676	651,395,974	-	-	36,044,854	248,479	7,867,783	-	915,940,866
Accumulated depreciation and impairment	-	(1,519,304,927)	(2,347,240,190)	(1,579,024,644)	(160,365,902)	(138,740,893)	(42,345,589)	(35,059,025)	-	(543,586,332)
Impairment (Note 17)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	40,108,182,869	9,452,553,788	5,290,844,989	466,238,730	395,752,801	382,399,661	130,521,641	-	62,534,015,908
Closing net carrying amount	1,264,717,615	44,342,607,670	14,777,119,033	9,376,204,220	958,407,466	654,669,386	443,762,849	195,973,390	5,042,803,814	77,056,285,443
At December 31, 2022										
Cost	1,264,717,615	44,342,607,670	14,777,119,033	9,376,204,220	958,407,466	654,669,386	443,762,849	195,973,390	5,042,803,814	77,056,285,443
Accumulated depreciation and impairment	-	(4,234,424,801)	(5,324,565,245)	(4,085,359,231)	(492,168,736)	(258,916,585)	(61,363,189)	(65,451,749)	-	(14,522,249,535)
Net carrying amount	1,264,717,615	40,108,182,869	9,452,553,788	5,290,844,989	466,238,730	395,752,801	382,399,661	130,521,641	5,042,803,814	62,534,015,908
For the year ended December 31, 2023										
Opening net carrying amount	1,264,717,615	40,108,182,869	9,452,553,788	5,290,844,989	466,238,730	395,752,801	382,399,661	130,521,641	5,042,803,814	62,534,015,908
Additions	645,148,491	-	2,032,851,992	835,255,201	236,073,687	74,723,360	163,030,135	-	7,757,111,561	11,746,194,427
Transfers	-	9,736,904,453	-	-	-	-	-	-	-	(9,736,904,453)
Disposals/Write-off	-	(878,048)	(163,772,673)	(1,453,665,523)	(377,792,293)	(34,610,131)	(31,472,180)	(60,161,499)	-	(2,122,352,347)
Cost	-	725,632	83,332,538	1,447,945,328	198,661,727	23,980,296	8,268,060	36,401,759	-	1,799,515,340
Accumulated depreciation and impairment	-	(625,986,408)	-	(433,170,373)	-	-	-	-	-	(1,059,096,781)
Impairment (Note 17)	-	(2,107,977,647)	(1,570,826,977)	(1,396,277,302)	(35,035,412)	(155,362,924)	(66,643,388)	(35,699,694)	-	(5,367,823,344)
Depreciation	-	47,110,970,851	9,834,138,668	4,290,992,320	490,346,439	304,483,402	455,582,288	71,082,207	3,063,010,922	67,530,453,203
Closing net carrying amount	1,909,866,106	54,078,634,075	16,646,198,352	8,757,793,898	818,688,860	694,782,615	575,320,804	135,811,891	3,063,010,922	86,680,107,523
At December 31, 2023										
Cost	1,909,866,106	54,078,634,075	16,646,198,352	8,757,793,898	818,688,860	694,782,615	575,320,804	135,811,891	3,063,010,922	86,680,107,523
Accumulated depreciation and impairment	-	(6,967,663,224)	(6,812,059,684)	(4,466,801,578)	(328,342,421)	(390,299,213)	(119,738,516)	(64,749,684)	-	(19,149,654,320)
Net carrying amount	1,909,866,106	47,110,970,851	9,834,138,668	4,290,992,320	490,346,439	304,483,402	455,582,288	71,082,207	3,063,010,922	67,530,453,203

None of these properties are used as collateral for the Group's liabilities as at December 31, 2023 and 2022.

Assets under construction includes the Group's network equipment, fiber optic cabling projects, and ongoing network upgrade which are reclassified to depreciable outside plant when the assets become available for use, which are normally between six months to three years after the balance sheet date.

As at December 31, 2023, the Group's unpaid property, plant and equipment amounted to P9,445,231,789 (2022 - P9,413,881,869). These are presented within trade payables and accruals for contracted services under trade and other current liabilities (Note 9) in the consolidated statements of financial position.

Acquisitions of property, plant and equipment as shown in the consolidated statements of cash flows for the years ended December 31 were determined as follows:

	Notes	2023	2022	2021
Acquisitions of property, plant and equipment		11,746,194,427	20,708,631,691	23,816,737,537
Network materials and supplies capitalized as part of property, plant and equipment	4	(2,288,947,166)	(1,376,718,444)	(2,628,733,829)
Movement in unpaid portion of property, plant and equipment		(31,349,920)	(564,910,679)	(4,474,960,352)
Movement in advances to fixed asset suppliers		(712,503,597)	(65,086)	1,809,500,746
Capitalized borrowing costs	10	(84,421,533)	(165,247,143)	(281,444,286)
Capitalized costs for self-constructed assets by a subsidiary	6,11, 20	(33,535,536)	(155,935,400)	(94,288,504)
Availment of car loans	10	-	(58,032,978)	-
Acquisitions of property, plant and equipment per consolidated statements of cash flows		8,595,436,675	18,387,721,961	18,146,811,312

Self-constructed assets represent outside plant constructed by the Group or under management by the Group's in-house construction management company, Metroworks.

Capitalized borrowing costs are presented as part of financing activities in the consolidated statements of cash flows. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Group's general borrowings during the year ended December 31, 2023 of 4.85% (2022 - 4.84%).

Network materials and supplies capitalized as part of property, plant and equipment are considered as non-cash movements for operating and investing activities in the consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021.

Depreciation expense for the years ended December 31 are recorded as follows:

	Notes	2023	2022	2021
Cost of services	15	5,182,248,795	5,536,906,246	3,364,630,492
General and administrative expenses	16	185,574,549	176,001,904	169,369,519
Capitalized as part of self-constructed property, plant and equipment		-	109,193,019	68,145,560
		5,367,823,344	5,822,101,169	3,602,145,571

During the year ended December 31, 2023, various items of property, plant and equipment with carrying amount of P322,837,007 were disposed for a total cash consideration of P375,527,303 (2022 - P149,879,631; P43,078,518). This resulted in a gain on disposal amounting to P52,690,297 (2022 - P106,801,113 loss) (Note 17). Outstanding receivables from the sale of property and equipment at December 31, 2023 amounted to P323,221,772 (2022 - nil).

Critical accounting estimates and assumptions: Estimated useful lives of property, plant and equipment, intangible assets, and right-of-use assets

The useful lives of each of the Group's property, plant and equipment, intangible assets (Note 7) and right-of-use assets (Note 20) are estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property, plant and equipment, intangible assets and right-of-use assets would increase the recorded expenses and decrease non-current assets.

On January 1, 2023, management has assessed, based on internal technical evaluation, that they will be able to utilize inside plant assets for up to 8 years which is also aligned with industry practice. As such, management has approved the change in estimated useful life of outside plant from 5 to 8 years. The change in estimated useful life is considered a change in accounting estimate accounted for prospectively by recognizing the effect of the change in the period of change and future periods until the end of the useful life.

The effect of this change on depreciation expense in current and future periods on assets currently held are as follows:

	Year ended December 31, 2023	Year ending December 31, 2024	Year ending December 31, 2025	Year ending December 31, 2026	Year ending December 31, 2027 - Onwards
(Decrease) increase in depreciation expense	(1,259,658,713)	(1,089,924,218)	(686,343,796)	96,753,138	2,939,173,589

The movements in allowance for impairment of property, plant and equipment for the years ended December 31 are as follows:

	Note	2023	2022
Beginning of the year		543,586,332	-
Provision	17	1,059,096,781	543,586,332
Write-off		(543,586,332)	-
End of the year		1,059,096,781	543,586,332

The Group recognized allowance for impairment loss on specifically identified outside plant and customer premises equipment amounting to P1,059,096,781 for the year ended December 31, 2023 (2022 - P543,586,332; 2021 - nil). The provision mainly pertains to the Hybrid Fiber Coaxial (HFC)-related equipment due to its expected technical and commercial obsolescence. As a result of the global technological advancement through the advent of Fiber-powered connectivity, the HFC Cable Network has become a sunset technology with its deployment already halted. The Group has been upgrading the connection of its current HFC-based subscribers to FTTH (Fiber to the Home) Technology to enhance their total customer experience. Portion of the provision is attributable to customer premises equipment deployed to customers who have been permanently disconnected from the network. The Group exerts all efforts to recover the deployed equipment from disconnected subscribers in accordance with the terms of their subscription agreements. The net carrying amount was recognized as provision for impairment of property, plant and equipment within other expenses in profit or loss (Note 17).

Property, plant and equipment written-off for the year ended December 31, 2023 represent customer premises equipment deemed not recoverable by management after all retrieval efforts have been exhausted.

Critical accounting judgment: Recoverability of property, plant and equipment, intangible assets, and right-of-use assets

Property, plant and equipment, intangible assets (Note 7) and right-of-use assets (Note 20) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.

Management believes that the remaining carrying amount of its property, plant and equipment, intangible assets and right-of-use assets are recoverable as at December 31, 2023 and 2022.

7 Intangible assets, net

Intangible assets, net as at December 31 consist of:

	Customer list (Note 19)	Telecommunication franchise	Software and licenses	Others	Total
At January 1, 2022					
Cost	695,400,746	50,152,368	1,824,024,908	-	2,569,578,022
Accumulated amortization	(101,201,058)	(20,060,947)	(479,671,665)	-	(600,933,670)
Net carrying amount	594,199,688	30,091,421	1,344,353,243	-	1,968,644,352
For the year ended December 31, 2022					
Opening net carrying amount	594,199,688	30,091,421	1,344,353,243	-	1,968,644,352
Additions	44,297,250	-	715,316,579	90,000,000	849,613,829
Retirement	-	-	-	-	-
Cost	-	-	(147,773,474)	-	(147,773,474)
Accumulated amortization	-	-	90,975,965	-	90,975,965
Amortization	(72,020,845)	(2,006,094)	(302,821,531)	-	(376,848,470)
Closing net carrying amount	566,476,093	28,085,327	1,700,050,782	90,000,000	2,384,612,202
At December 31, 2022					
Cost	739,697,996	50,152,368	2,391,568,013	90,000,000	3,271,418,377
Accumulated amortization	(173,221,903)	(22,067,041)	(691,517,231)	-	(886,806,175)
Net carrying amount	566,476,093	28,085,327	1,700,050,782	90,000,000	2,384,612,202
For the year ended December 31, 2023					
Opening net carrying amount	566,476,093	28,085,327	1,700,050,782	90,000,000	2,384,612,202
Additions	-	-	293,820,018	-	293,820,018
Amortization	(70,647,996)	(2,006,095)	(460,949,284)	-	(533,603,375)
Closing net carrying amount	495,828,097	26,079,232	1,532,921,516	90,000,000	2,144,828,845
At December 31, 2023					
Cost	739,697,996	50,152,368	2,685,388,031	90,000,000	3,565,238,395
Accumulated amortization	(243,869,899)	(24,073,136)	(1,152,466,515)	-	(1,420,409,550)
Net carrying amount	495,828,097	26,079,232	1,532,921,516	90,000,000	2,144,828,845

Customer list represents a list of known, identifiable subscribers that contains information about these subscribers, such as name and contact information. Costs of acquiring customer list are capitalized as intangible assets given the expected future cash flows from subscriptions.

Telecommunication franchise represents costs to obtain its franchise to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines, which includes direct lawyers' fees, registration fees, application fees and other direct costs incurred by the Group.

Other intangible asset relates to a franchise over a local professional basketball team.

As at December 31, 2023, the Group's unpaid software and licenses amounting to P94,580,093 is presented as part of trade and other current liabilities (Note 9) (2022 - P60,379,107) in the consolidated statements of financial position.

Acquisitions of intangible assets as shown in the consolidated statements of cash flows for the years ended December 31 were determined as follows:

	2023	2022	2021
Acquisitions of intangible assets	293,820,018	849,613,829	1,106,475,573
Movement in unpaid portion of intangible assets	(34,200,986)	(45,181,428)	(4,200,609)
Acquisitions of intangible assets per consolidated statements of cash flows	259,619,032	804,432,401	1,102,274,964

Amortization expense for the years ended December 31 recognized in profit or loss are as follows:

	Notes	2023	2022	2021
Cost of services	15	531,597,279	290,106,529	205,735,830
General and administrative expenses	16	2,006,096	86,741,941	86,741,941
		533,603,375	376,848,470	292,477,771

During the year ended December 31, 2022, the Group recognized loss on retirement of intangible assets of P56,797,509 (Note 17).

8 Investment in associate and joint ventures

Investment in associate and joint ventures as at December 31 consist of:

	Nature of operations	Percentage ownership by the Company	No. of shares	Amount	
				2023	2022
Joint venture Telstra Converge Inc. (formerly Digital Crossing, Inc.) (TCI)	TCI was incorporated in the Philippines and registered with the Philippine SEC on June 28, 2001 primarily to own, maintain, operate and manage or lease commercial telecommunications systems and equipment within and outside the Philippines. TCI's principal place of business is at B2 Robinsons Summit Center, 6738 Ayala Avenue, Salcedo Village, Makati City.	40%	10,000,000	493,745,694	303,424,347
Joint venture Asia Netcom Philippines Corporation (ANPC)	ANPC was incorporated in the Philippines and registered with the Philippine SEC on April 19, 2001 as Philippine Crossing Land Corporation primarily to invest, hold, purchase, acquire, lease, contract and generally engage in any commerce relating to any and all kinds and description of real and personal properties. On March 19, 2003, the corporate name was amended to Asia Netcom Philippines Corporation. ANPC's principal place of business 30/F, Citibank Tower, 8741 Paseo de Roxas, Makati City.	60%	300,000	207,359,754	149,595,622

	Nature of operations	Percentage ownership by the Company	No. of shares	Amount	
				2023	2022
Associate PBA Properties, Inc. (PBA)	PBA was incorporated in the Philippines and registered with the Philippine SEC on February 14, 2001 to market, license and distribute programs for entities or enter into licensing and sub-licensing agreements. PBA's principal place of business is at 186 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City.	25%	3,333,332	5,283,333	5,283,333
				706,388,781	458,303,302

The Group exercises joint control over TCI and ANPC with other venturers. The investments are accounted using the equity method in the consolidated financial statements.

The movements in investment in associate and joint ventures for the years ended December 31 are as follows:

	TCI	ANPC	PBA	Total
2023				
Beginning of the year	303,424,347	149,595,622	5,283,333	458,303,302
Equity in the net profit of the joint ventures and associate for the year	190,321,347	57,764,132	-	248,085,479
	493,745,694	207,359,754	5,283,333	706,388,781
2022				
Beginning of the year	264,111,677	137,939,288	-	402,050,965
Acquisitions during the year	-	-	5,283,333	5,283,333
Equity in the net profit of the joint ventures for the year	39,312,670	11,656,334	-	50,969,004
End of the year	303,424,347	149,595,622	5,283,333	458,303,302

There are no dividends received from the associate and joint ventures for the years ended December 31, 2023 and 2022.

No summarized financial information are presented as the associate and joint ventures are not considered material to the Group.

9 Trade and other current liabilities

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

	Notes	2023	2022
Trade payables		12,965,662,396	13,785,113,080
Accruals for:			
Bandwidth and leased line		369,114,627	444,667,559
Pole rental		256,425,403	291,070,255
Contracted services		324,519,248	284,412,467
Interest payable	10	195,742,418	173,163,593
Commissions and installation costs		172,254,882	143,380,789
Payroll and employee benefits		130,291,981	75,311,889
Leases		37,706,654	-
Service fees	19	35,980,980	76,194,861
Repairs and maintenance		33,427,183	85,171,229
Others		363,705,463	204,723,905
Deferred output VAT		664,809,444	957,353,093
Payable to government agencies		553,988,121	182,081,769
Provision for employee benefits		95,411,739	199,941,712
Provision for probable losses		-	152,774,993
		16,199,040,539	17,055,361,194

Trade payables are non-interest bearing and are normally settled within 30 days to 90 days.

The carrying amounts of trade and other current liabilities as at December 31, 2023 and 2022 approximate its fair values due to its short-term maturities.

Accruals for contracted services mainly pertain to accruals for unbilled contracted projects completed as at reporting date. Accruals for leases represent accruals for short-term leases. Other accrued expenses mainly pertain to accruals for promotions and advertising, outside services, professional fees and utilities.

Deferred output VAT represents the VAT portion of the uncollected invoices.

Provision for employee benefits pertains to estimated amounts of bonuses and other incentives for employees, the final amount of which, including specific qualified employees will be determined in the following year. The movements in provision for employee benefits for the years ended December 31 are as follows:

	2023	2022
Beginning of the year	199,941,712	315,663,228
(Reversal) provision during the year	(10,219,571)	111,130,603
Payout	(94,310,402)	(226,852,119)
End of the year	95,411,739	199,941,712

Reversal of employee benefits recognized in profit or loss as part of personnel costs under cost of services and general and administrative expenses for the year ended December 31, 2023 amounted to P10,219,571 (2022: P111,130,603 provision; 2021 - P266,718,116 provision) (Notes 15 and 16).

Provision for probable losses represents the Group's best estimate of the probable cost that may arise from certain ongoing operational contingencies in the ordinary course of business.

The movements in provision for probable losses for the years ended December 31 are as follows:

	Note	2023	2022
Beginning of the year		152,774,993	152,774,993
Reversal during the year	16	(152,774,993)	-
End of the year		-	152,774,993

During the year ended December 31, 2023, the Company has assessed that the anticipated loss is no longer probable based on management's reassessment of the specific circumstances associated with the previously recognized loss. As such, the Company has reversed the provision for probable losses amounting to P152,774,993.

The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position. Thus, as allowed by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, only a general description is provided.

Commitments

The Group has entered into agreements with various suppliers for the construction, delivery and installation of property and equipment. As at December 31, 2023, the Group has commitments amounting to P12,829,539,008 (2022 – P13,006,076,775) related to future capital expenditures.

10 Borrowings

The Group's borrowings consist of the following:

	2023	2022
Term loans	25,318,679,340	28,320,096,104
Fixed-rate bonds	9,898,855,941	9,872,201,741
Car loans	26,048,928	47,472,640
	35,243,584,209	38,239,770,485

Term loans

Bank 1 - Credit facility A

On June 1, 2017, the Parent Company, Comclark and entities under common control (collectively, the "Borrowers"), entered into a revolving and long-term credit facility agreement of P1.5 billion and P2 billion, respectively, with a local bank (Bank 1). The revolving credit facility is valid until June 30, 2018, and is available via 360-day promissory notes. The long-term loan is available via staggered releases with a drawdown period of one year from the date of initial availment, provided, the initial availment should be made not later than November 28, 2017. The long-term loan shall be for a maximum term of up to seven years inclusive of one year grace period on principal payment from and after the date of drawdown. Proceeds from the long-term loan agreement are to be used exclusively to finance the Group's various operational capital expenditure requirements.

The long-term loan was secured by real estate mortgages owned by the immediate parent company and other related parties, joint and solidarity suretyship of some shareholders, cross default/surety arrangement among the Borrowers and corporate suretyship of a third-party mortgagor. Drawdowns from the facilities are subject to interest at prevailing market rate and are repriced every 30-90 days.

In 2017 and 2018, the Parent Company availed P190 million and P1.14 billion long-term loans, respectively, payable in equal quarterly installments starting February 24, 2019.

On January 18, 2019, the above long-term loan facility agreement was amended to extend the availment period from one year valid until November 24, 2018, to two years valid until November 24, 2019, and to remove security provisions over the payment of the loan principal and interests thereon. On the same date, the Parent Company availed an additional P500 million, payable in equal quarterly installments starting February 4, 2019. The unused credit facility amounting to P170 million as of November 24, 2019, was permanently expired.

On September 25, 2023, the Parent Company made a full prepayment on the remaining outstanding balance of P381.2 million applied proportionately to the loan balance.

As at December 31, 2023, the Company has no outstanding balance from this facility (2022 - P610 million). Interest rate for the year ended December 31, 2023 and 2022 was 4.86%.

Bank 1 - Credit facility B

On December 23, 2019, the Parent Company entered into a new unsecured long-term credit facility agreement with Bank 1 amounting to P5 billion to finance its on-going network rollout. The facility is available via staggered releases with a drawdown period valid until 2 years from the initial borrowing date or until the facility is fully drawn, whichever comes earlier. The long-term loan has a maximum term of years from the initial drawdown.

On December 26, 2019, and on January 17, 2020, the Parent Company availed P3 billion and P2 billion long-term loans, respectively, with fixed interest rates of 4.92% and 5.25%, respectively and payable in equal quarterly payments starting March 23, 2022. As at December 31, 2023 and 2022, the Parent Company has fully exhausted the credit facility.

As at December 31, 2023 outstanding loan from this credit facility amounted to P3 billion (2022 - P4 billion).

Bank 1 - Credit facility C

On May 11, 2020, the Parent Company entered into a new unsecured long-term credit facility agreement with Bank 1 amounting to P15 billion to partially finance its on-going nationwide network roll-out. The facility shall be available via multiple borrowings which can be availed until June 5, 2024. Each loan borrowing shall be for a maximum term of seven years from the date of initial drawdown of the same calendar year and payable in equal quarterly installments commencing at the end of the allowed grace period.

On November 27, 2020, the Parent Company availed a P2 billion long-term loan with fixed interest rate of 4.75% for five years, subject to repricing thereafter and payable in equal quarterly payments starting February 26, 2023. On August 6, 2021, the Parent Company availed an additional P5 billion long-term loan with interest rate of 3.98% fixed for five years, subject to repricing thereafter and payable in equal quarterly payments starting November 6, 2023. On February 3, 2022, and May 25, 2022, the Parent Company availed P1.5 billion and P6.5 billion long-term loans, respectively, with interest rates of 4.20% and 5.58%, respectively, fixed for three years, subject to repricing thereafter and both payable in equal quarterly payments starting May 3, 2024. As at December 31, 2023 and 2022, the Parent Company has fully exhausted the credit facility.

As at December 31, 2023 outstanding loan from this credit facility amounted to P14.3 billion (2022 – P15 billion).

Bank 2 – Credit facility A

On June 27, 2018, the Parent Company entered into an Omnibus loan line agreement with Bank 2 amounting to P1.5 billion. Drawdowns from the facility are subject to interest at prevailing market rate, repriceable quarterly. The principal shall be payable on a lump sum basis on its maturity date.

The Omnibus loan line agreement has undergone annual updates from 2019 to 2022 to extend availability of the credit line. On December 29, 2023, the facility agreement was further renewed to extend availability of the credit line to January 31, 2025 subject to the bank's standard terms and conditions.

No drawdowns from the facility were made during the years ended December 31, 2023 and 2022.

As at December 31, 2023 and 2022, the Parent Company has available P1.5 billion credit facility.

Bank 2 – Credit facility B

On October 23, 2018, the Parent Company entered into a new unsecured long-term credit facility agreement amounting to P2 billion to finance its on-going network rollout. The facility is available until September 30, 2019. The long-term loan has a maximum term of 5 years from the release of the loan proceeds and payable in equal quarterly installments commencing after the allowable grace period from drawdown.

On March 7, April 4, and June 18, 2019, the Parent Company availed P500 million, P900 million and P200 million, all with interest rate of 5.25% per annum repriced quarterly and payable in 12 equal quarterly payments starting June 7, 2021. On December 10, 2019, this credit facility was updated extending the availability period of the remaining available credit facility until December 30, 2020. On December 14, 2020, the facility agreement was updated to extend the availability of the long-term credit facility to June 30, 2021. On June 15, 2021, the Parent Company availed P400 million, with interest rate of 4.5% per annum repriced quarterly starting on March 7, 2022 and payable in 11 equal quarterly payments starting September 7, 2021 until March 7, 2024. As at December 31, 2023 and 2022, the Parent Company has fully exhausted the credit facility.

As at December 31, 2023, outstanding balance from this facility amounted to P169.7 million (2022 - P848.8 million).

Bank 3

On January 8, 2021, the Parent Company entered into an unsecured long-term credit facility agreement with another local bank (Bank 3) with an aggregate amount of P5 billion to be used to partially finance the Company's on-going nationwide network roll-out. The facility shall be available via multiple borrowings which can be availed of until June 16, 2022. The principal would be payable in equal quarterly installments commencing after a grace period of 2 years from drawdown. Each loan bears interest equivalent to the Bloomberg Valuation (BVAL) benchmark rate prevailing at drawdown plus a spread.

On June 16 and December 10, 2021, the Parent Company availed P1.5 billion and P2 billion long-term loans, respectively payable in equal quarterly installments starting September 18, 2023. On February 8, 2022, the Parent Company availed P1.5 billion long-term loan payable in equal quarterly installments starting September 16, 2023. As at December 31, 2023 and 2022, the Parent Company has fully exhausted the credit facility.

As at December 31, 2023, outstanding balance from this facility amounted to P4.5 billion (2022 - P5 billion).

Interest rates for the year ended December 31, 2023, ranged from 4.40% to 4.54% per annum (2022 - 4.23% to 4.50% per annum).

Bank 4 - Credit facility A

On February 1, 2021, the Parent Company entered into a long-term credit facility agreement with another local bank (Bank 5) with an aggregate amount of P5 billion to be used to fund the Company's capital expenditures. The facility shall be available via multiple borrowings which can be availed of until February 1, 2023. The principal would be payable in equal quarterly installments commencing after a grace period of (2) years from drawdown. Each loan bears interest equivalent to the BVAL benchmark rate prevailing at drawdown plus a spread.

On June 1, 2021, the Parent Company availed P1 billion long-term loan payable in equal quarterly installments starting September 1, 2023. Interest rate for the years ended December 31, 2023 and 2022 was 4.50% per annum.

On December 29, 2023, the availability period of the unused credit facility was further extended until December 31, 2024. As at December 31, 2023 and 2022, the Parent Company has available P4 billion credit facility.

As at December 31, 2023, outstanding balance from this facility amounted to P900 million (2022 - P1 billion).

Bank 4 - Credit facility B

On October 26, 2021, the Parent Company entered into a short-term credit facility with Bank 4 with an aggregate amount of P1 billion to be used to partially finance the Parent Company's short-term operational requirements. This facility shall be available for drawdowns until February 28, 2022. On August 27, 2021, the Parent Company availed P1 billion short-term loan with an interest rate of 2.75% per annum and was paid in lump sum on August 22, 2022.

Bank 5

On August 27, 2021, the Parent Company entered into a long-term facility agreement with Bank 5 amounting to P3 billion to be used to fund the Group's capital expenditures and finance working capital requirements. The facility shall be available via multiple borrowings of up to a maximum of four drawdowns which can be availed of until August 27, 2022. On September 8, 2022, the facility agreements were updated to extend the availability of the long-term credit facility until February 28, 2023. On March 06, 2023, the availability period was extended from February 28, 2023 to August 31, 2023.

On March 06, 2023, the Parent Company availed P500 million from the facility payable in equal quarterly installments starting June 6, 2025. Interest rate is at 7.0847% fixed for the entire term of the loan.

The unused credit line of P2.5 billion as of August 31, 2023 was permanently expired (2022 - P3 billion).

As at December 31, 2023, the Parent Company has an outstanding balance of P500 million (2022 - nil).

Bank 6 - Credit facility A

On October 26, 2021, the Parent Company entered into a long-term facility agreement amounting to P2 billion with a local bank (Bank 6) to finance the Parent Company's general corporate requirements. The facility shall be available via multiple borrowings which can be availed of until October 2023.

On March 18, 2022, the Parent Company availed P2 billion long-term loan with an interest rate of 6.44% per annum payable in equal quarterly installments starting June 18, 2024.

As at December 31, 2023 and 2022, the Parent Company has fully exhausted the credit facility.

Bank 6 - Credit facility B

On October 26, 2021, the Parent Company also entered into an unsecured revolving credit facility amounting to P500 million which can be drawn until February 28, 2022. No drawings were made for the years ended December 31, 2023 and 2022. Unused credit line amounting to P500 million as of February 28, 2022 permanently expired.

As at December 31, the Group has the following unused credit lines from the local banks:

	2023	2022
Bank 4	4,000,000,000	4,000,000,000
Bank 2	1,500,000,000	1,500,000,000
Bank 5	-	3,000,000,000
	5,500,000,000	8,500,000,000

Fixed-rate bonds

On April 8, 2022, the Parent Company issued P10 billion fixed rate bonds. The amount is due on April 8, 2027, with a fixed interest rate of 5.59%. The net proceeds of the issue were used for capital expenditures and general corporate purposes.

The bonds may be redeemed by the Parent Company in whole, but not in part only, starting 2 years before maturity date and on the anniversary thereafter at a price equal to 101.00% and 100.50%, respectively, of the principal amount of the bonds and all accrued interest to the date of the redemption.

The foregoing fixed-rate bonds represent the first tranche that forms part of the P20 billion Debt Securities Program of the Parent Company.

Car loans

During the year ended December 31, 2022, the Group availed multiple vehicle loans payable monthly for 2 years from the date of availment with interest rates ranging from 8.50% to 9.00%. These vehicles include cars, utility vans and trucks used for day-to-day operations.

The movements of borrowings presented in the consolidated statements of financial position and statements of cash flows as at and for the years ended December 31 are as follows:

	2023	2022	2021
Beginning of the year	38,239,770,485	19,846,232,800	11,313,821,429
Proceeds from availments of term loans	500,000,000	11,500,000,000	10,818,250,000
Payments	(3,522,840,475)	(2,986,848,218)	(2,285,838,629)
Amortization of debt issuance costs	26,654,199	54,825,514	-
Proceeds from issuance of fixed-rate bonds	-	10,000,000,000	-
Availment of car loans	-	58,032,978	-
Debt issuance costs	-	(232,472,589)	-
End of the year	35,243,584,209	38,239,770,485	19,846,232,800

Amortization of debt issuance costs are recognized as part of finance costs in the consolidated statement of total comprehensive income.

The current and non-current portion of the borrowings as at December 31 are as follows:

	2023	2022
Current	5,258,188,019	3,239,562,775
Non-current	29,985,396,190	35,000,207,710
	35,243,584,209	38,239,770,485

The movements in interest payable presented under trade and other current liabilities in the consolidated statements of financial position and statements of cash flows as at for the years ended December 31 are as follows:

	Notes	2023	2022	2021
Beginning of the year		173,163,593	44,665,831	15,819,807
Finance costs recognized in profit or loss		1,875,697,833	1,488,927,926	369,397,844
Capitalized borrowing costs	6	84,421,533	165,247,143	281,444,286
Payments		(1,937,540,541)	(1,525,677,307)	(621,996,106)
End of the year	9	195,742,418	173,163,593	44,665,831

Covenants

The bonds and term-loan agreements provide for certain restrictions and requirements. The more significant covenants are as follows:

- prohibition on the payment of dividends or distribution of any other income or capital to its shareholders at any time, without prior consent of the bank, when its financial covenants under the agreement are not complied with;
- prohibition on the payment of any discretionary management bonuses or profit sharing at any time, without prior consent of the bank, when any amount due and payable by the Parent Company under the agreement is in arrears;
- prohibition to materially change its ownership structure, control and management whether direct or indirect, without prior consent of the bank;
- prohibition to sell, transfer or dispose all or substantially all of its assets outside the ordinary course of business, without prior consent of the bank; and
- requirement to maintain a specific level of debt service coverage ratio, debt to equity ratio and debt to EBITDA ratio.

The Parent Company is in full compliance with its covenants as at and for the years ended December 31, 2023 and 2022.

11 Retirement benefit obligation

The Group has adopted Conworks Multiemployer Retirement Plan (the "Plan") jointly established by the Parent Company, Metroworks and other affiliates effective September 1, 2021. The Plan is a non-contributory and of the final salary defined benefit type. The Plan provides a retirement benefit equal to 104% of the plan salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the Plan. As at December 31, 2023, the Plan is partially funded (2022 - unfunded). Prior to adoption of the Plan, the Company provided for retirement benefits required to be paid under Republic Act (RA) 7641 to qualifying employees.

An independent actuary conducts a periodic actuarial valuation of the defined benefit plan using the projected unit credit method.

The retirement benefit obligation recognized in the consolidated statements of financial position as at December 31 are as follows:

	2023	2022
Defined benefit obligation	162,820,495	153,027,875
Fair value of plan assets	(150,620,905)	-
	12,199,590	153,027,875

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

	2023	2022
Beginning of the year	153,027,875	121,650,104
Current service cost	24,432,728	32,136,271
Interest cost	9,382,175	8,137,184
Settlement loss	39,655,888	8,204,528
Past service cost	4,791,023	-
Benefits paid	(99,541,249)	(15,167,141)
Remeasurement loss (gain):		
Effect of changes in financial assumptions	19,773,230	(3,947,154)
Experience adjustments	11,298,825	5,450,657
Demographic assumptions	-	(3,436,574)
End of the year	162,820,495	153,027,875

Settlement loss was recognized for the years ended December 31, 2023 and 2022 due to the significant amount of non-routine benefit payments made during the year. Past service cost recognized for the year ended December 31, 2023 (2022 - nil) represents curtailment due to the significant decrease in the number of employees covered by the plan. There was no plan amendment recognized for the years ended December 31, 2023 and 2022.

The movements in the fair value of plan assets for the year ended December 31, 2023 (2022 - nil) are as follows:

Beginning of the year	-
Contributions	147,174,318
Interest income	5,344,169
Remeasurement loss	(1,897,582)
End of the year	150,620,905

Plan assets as at December 31, 2023 (2022 - nil) consist of:

	Percentage	Amount
Debt instruments - Government bonds	89.05%	134,127,916
Debt instruments - Other bonds	3.66%	5,512,725
Equity instruments	3.41%	5,136,173
Unit investment trust funds	2.62%	3,946,268
Others	1.26%	1,897,823
	100.00%	150,620,905

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in Philippine government securities such as treasury notes and bonds, although the retirement fund also invests in listed equity securities and mutual funds.

The plan is being administered by a trustee-bank which is authorized to invest the fund as it deems proper under the investment policies approved by the Retirement Plan Trustee.

The movements in retirement benefit obligation for the years ended December 31 are as follows:

	2023	2022
Beginning of the year	153,027,875	121,650,104
Retirement benefit expense	72,917,645	48,477,983
Benefits paid	(99,541,249)	(15,167,141)
Contributions	(147,174,318)	-
Remeasurement loss (gain), net	32,969,637	(1,933,071)
End of the year	12,199,590	153,027,875

The components of retirement benefit expense and remeasurements for the years ended December 31 consists of:

	2023	2022	2021
Current service cost	24,432,728	32,136,271	23,638,231
Settlement loss	39,655,888	8,204,528	2,632,167
Net interest cost	4,038,006	8,137,184	4,737,989
Past service cost	4,791,023	-	18,784,576
Retirement benefit expense capitalized or recognized in profit or loss	72,917,645	48,477,983	49,792,963
Remeasurement loss (gain) on defined benefit obligation	31,072,055	(1,933,071)	(47,003,871)
Remeasurement loss on plan assets	1,897,582	-	-
Remeasurement loss (gain), gross of tax	32,969,637	(1,933,071)	(47,003,871)
Deferred income tax	(7,874,349)	483,268	11,170,374
Remeasurement loss, net of tax recognized in other comprehensive income	25,095,288	(1,449,803)	(35,833,497)

The retirement benefit expense for the years ended December 31 are allocated as follows:

	Notes	2023	2022	2021
Cost of services	15	16,947,684	8,350,975	10,982,147
General and administrative expenses	16	55,969,961	26,560,333	31,956,285
Capitalized as part of self-constructed assets	6	-	13,566,675	6,854,531
		72,917,645	48,477,983	49,792,963

Movements in the reserve for remeasurements of retirement benefit obligation for the years ended December 31 are as follows:

	2023	2022
Beginning of the year	45,413,619	43,963,816
Remeasurement (loss) gain, net of tax	(25,095,288)	1,449,803
End of the year	20,318,331	45,413,619

The principal actuarial assumptions used as at December 31 are as follows:

	2023	2022
Discount rate	6.12% - 6.13%	7.24% - 7.27%
Salary increase rate	8.00%	8.00%

Discount rate

The discount rate is determined by reference to yields on long-term Philippine treasury bonds and adjusted to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary as at the end of the reporting period as there is no deep market in high quality corporate bonds in the Philippines.

Salary increase rate

Salary increase rate is the expected long-term average rate of salary increase taking into account general inflationary measure plus a factor increase for individual productivity, merit and promotion. The salary increase rate is set by management over the period which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding future mortality and disability are set based on published statistics and experience in the Philippines.

Other key assumptions for retirement benefit obligation are based in part of current market conditions.

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

	2023	2022
One year to five years	120,770,421	100,290,767
More than five years to ten years	120,461,210	190,722,092
Total expected payments	241,231,631	291,012,859

The weighted average duration of the defined benefit obligation as at December 31, 2023 is 8.9 years (2022 - 8.3 years).

The sensitivity of the retirement benefit obligation to changes in the principal actuarial assumptions as at December 31 is as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
2023			
Discount rate	+/-100 bps	(12,677,800)	14,809,468
Salary increase rate	+/-100 bps	14,388,263	(12,582,135)
2022			
Discount rate	+/-100 bps	(11,472,365)	13,248,831
Salary increase rate	+/-100 bps	13,021,868	(11,498,562)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the consolidated statements of financial position.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous periods.

12 Share-based compensation plan

The Parent Company established an employee share option plan ("ESOP") on September 18, 2020 to provide long-term incentives to certain executive officers, employees and other eligible participants to deliver long-term shareholder returns.

Under the ESOP, the Parent Company's BOD may issue share options to eligible participants that may become exercisable into the Parent Company's common shares during certain exercise periods. Participation in the plan is at the Parent Company BOD's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Share options will be awarded under the ESOP subject to vesting which is typically over five years, although terms may vary between participants in the ESOP. Share options will be issued subject to typical leaver provisions. Vested share options will only be exercisable by participants during defined exercise periods.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

Set out below are summaries of the share options granted under the ESOP for the years ended December 31:

	2023		2022	
	Average exercise price per share option	No. of share options	Average exercise price per share option	No. of share options
Beginning of the year	12.73	36,648,000	12.73	37,500,000
Granted (forfeited) during the year	-	-	12.73	(852,000)
End of the year	12.73	36,648,000	12.73	36,648,000

Share options outstanding have the following exercise prices as at December 31:

Date of grant	Average exercise price	No. of share options	
		2023	2022
September 30, 2021	12.67	32,748,000	32,748,000
November 30, 2021	13.31	2,400,000	2,400,000
February 28, 2022	13.31	1,500,000	1,500,000
		36,648,000	36,648,000

The assessed average fair value at grant date of options granted during the year ended December 31, 2021 was P6.97 per option. The fair value of each option awarded was estimated on the date of grant using the Black-Scholes option valuation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the year ended December 31, 2021 included:

Risk-free rate	2.20% - 3.06%
Expected volatility	32% - 33%
Expected life	2.3 years - 5.3 years
Dividend yield	0%

Movements in the share-based compensation reserve for the years ended December 31 are as follow:

	2023	2022
Beginning of the year	199,463,422	141,843,597
Share-based compensation expense for the year	63,159,237	57,619,825
End of the year	262,622,659	199,463,422

Expense arising from share-based payment transactions recognized during the year ended December 31, 2023 amounted to P63,159,237 (2022 - P57,619,825; 2021 - P141,843,597).

The share options granted were considered in the diluted earnings per share calculation for the years ended December 31, 2023, 2022 and 2021 using the treasury stock method. However, inclusion of the shares to be issued under the share-based compensation plan has an insignificant effect. As such, the basic and diluted EPS are stated at the same amount (Note 21).

13 Equity

Share capital

Details of share capital as at December 31 are as follows:

	Number of shares	Amount
Authorized shares		
Common shares at P0.25 par value per share	16,900,000,000	4,225,000,000
Preferred shares at P0.25 par value per share	3,060,000,000	765,000,000
Preferred B shares at P0.0025 par value per share	4,000,000,000	10,000,000
Total	23,960,000,000	5,000,000,000
Issued and outstanding common shares	7,526,294,461	1,881,573,615

Additional paid-in capital

Additional paid-in capital as at December 31, 2023, 2022 and 2021 amounted to P18,746,088,245.

On December 28, 2018, the Parent Company's BOD and stockholders approved to amend the Articles of Incorporation to change the Parent Company's authorized capital stock from 500 million common shares with P10 par value to 435 million common shares and 65 million convertible preferred shares, all with P10 par value per share. On April 29, 2019, the SEC has approved the amendments to the Articles of Incorporation.

Each convertible preferred share confers upon a shareholder: a) the right to vote at any shareholders' meeting or on any resolution of the shareholders; and b) the right to distribution of income on a pari passu basis with all other shareholders based on actual shareholding percentage. Each convertible preferred share shall be convertible into a fully paid ordinary share on a one-to-one basis.

In the event of an exit, liquidation, dissolution or winding-up of the Parent Company, each convertible preferred shareholder, in respect of each convertible preferred shares, shall have the right to: a) issue a conversion notice and share in the proceeds pari passu with all other shareholders based on its actual shareholding percentage; or b) receive, out of the liquidation or sale proceeds from the liquidation event, prior to any payments to the holders of common shares, an amount equal to the relevant subscription amount in respect of the convertible preferred shares.

On August 23, 2019, the Parent Company issued 30,681,818 convertible preferred shares with a total par value of P306,818,180 for a total consideration of US\$135 million or P7,056,450,000. The issuance of the shares resulted in the recognition of P6,541,191,820 additional paid-in capital, net of P208,440,000 transaction costs, in the consolidated statement of financial position.

On February 7, 2020, the Parent Company has issued additional 20,454,545 convertible preferred shares with a total par value of P204,545,450 for a total consideration of US\$90 million or P4,567,949,670, resulting to additional paid-in capital of P4,361,358,764, net of P2,045,456 transactions costs, in the consolidated statement of financial position.

On June 10, 2020, the Parent Company's BOD and stockholders approved, among others, the following amendments to the Articles of Incorporation:

- a. The authorized capital stock of the Parent Company is P5,000,000,000, divided into:
(i) 16,900,000,000 common shares with a par value of P0.25 per share; (ii) 3,060,000,000 preferred shares with a par value of P0.25 per share; and (iii) 4,000,000,000 preferred B shares with a par value of P0.0025 per share;
- b. The preferred shares and preferred B shares of each and any series may or may not be convertible, and may or may not be redeemable, as well as may or may not be entitled to any other participation or share in the retained earnings after dividend payments shall have been made on the preferred shares and preferred B shares; and
- c. The stockholders of the Parent Company shall have no pre-emptive right to subscribe to any issue or disposition of shares of any class of the Parent Company.

Each preferred B share confers upon a holder thereof: a) the right to vote at any shareholders' meeting or on any resolution of the shareholders other than with respect to matters requiring the vote of a particular class of shares in accordance with applicable law and b) if dividends are declared by the BOD, dividends on the preferred B shares shall be at the fixed rate of 0.01% per annum. Further, holders of the preferred B shares shall: (a) not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the preferred B shares and (b) have no right to convert the preferred B shares to any other preferred shares or common shares of the Parent Company.

In the event of a return of capital in respect of the Parent Company's winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Parent Company of any of its share capital, the holders of the preferred B shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Parent Company available for distribution to shareholders, together with the holders of any other securities of the Parent Company ranking, as regards repayment of capital, in pari passu with the preferred B shares; and, before any distribution of assets is made to holders of any class of the securities of the Parent Company ranking after the preferred B shares as regards repayment of capital, liquidating distributions in of the preferred B shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period. If, upon any return of capital in the winding up of the Parent Company, the amount payable with respect to the preferred B shares and any other securities of the Parent Company ranking as to any such distribution in pari passu with the preferred B shares is not paid in full, the holders of the preferred B shares and of such other securities will share ratably in any such distribution of the assets of the Parent Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the preferred B shares will have no right or claim to any of the remaining assets of the Parent Company and will not be entitled to any further participation or return of capital in a winding up.

The amendments to the Articles of Incorporation including the stock split was approved by the SEC on September 28, 2020. As a result of the stock split, the Parent Company's 125,000,000 and 51,136,363 issued and outstanding common and preferred shares, respectively, each with a par value of P10 per share, were exchanged for 5,000,000,000 and 2,045,454,520 newly issued common and preferred shares, respectively, each with a par value of P0.25 per share.

On October 8, 2020, Coherent Cloud Investments B.V. exercised its conversion right to convert all 2,045,454,520 issued and outstanding preferred shares held in its name to common shares and the Parent Company has issued 2,045,454,520 common shares to Coherent Cloud on the same date at a conversion ratio of one preferred shares to one common share. Consequently, preferred share capital amounting to P511,363,630 has been recognized as part of common share capital.

On October 26, 2020, the Parent Company undertook a public offering of its common shares in which the Parent Company offered and issued by way of primary offer 480,839,941 unissued common shares with a total par value of P120,209,985 for a total consideration of P8,078,111,008. As a result of the public offering, additional paid-in capital amounting to P7,843,537,661, net of share issuance costs of P114,363,362, has been recognized in the consolidated statement of financial position.

Treasury shares

On May 23, 2022, the BOD of the Parent Company approved a share buy-back program as part of its objective to increase shareholder value. As part of this buy-back program, on May 24, 2022, the Parent Company has acquired 259,721,400 common shares at P25 per share aggregating to P6,498,544,185, including transaction costs.

The Parent Company's record of registration of its securities follows:

Number of shares registered	7,526,294,461
Issue/offer price	P16.80
Date of approval	September 24, 2020
Number of shareholders as at December 31:	
2023	26
2022	22

Appropriation of retained earnings

On March 15, 2023, the Parent Company's BOD approved the appropriation of retained earnings of P14 billion for capital acquisition in 2023 and 2024 in relation to the management's plan to continue its nationwide expansion of its network infrastructure.

On March 17, 2024, the Parent Company's BOD approved an additional appropriation of retained earnings of P10 billion for planned capital expenditures in 2024 related to data center, submarine cables and other network expansion activities.

14 Revenue from contracts with customers

Disaggregation of revenue

Below is the disaggregation of the Group's revenue from contracts with customers recognized over time for the years ended December 31:

	2023	2022	2021
Residential	30,282,092,418	29,462,175,052	23,129,115,213
Enterprise	5,077,251,660	4,233,453,306	3,349,659,173
	35,359,344,078	33,695,628,358	26,478,774,386

Deferred contract costs

Deferred contract costs pertain to incremental costs incurred to obtain and fulfill the contract with subscribers. These are capitalized and subsequently amortized on a straight-line basis over the term of the subscription contract. Details as at December 31 are as follows:

	2023	2022
<i>Costs to obtain contracts with customers:</i>		
Subscribers acquisition costs, net of amortization	488,659,933	613,304,582
<i>Costs to fulfill contracts with customers:</i>		
Installation costs, net of amortization	766,490,546	657,141,336
	1,255,150,479	1,270,445,918

These are presented as deferred contract costs in the consolidated statements of financial position as at December 31 as follows:

	2023	2022
Current	984,137,068	1,006,635,118
Non-current	271,013,411	263,810,800
	1,255,150,479	1,270,445,918

Movements in the deferred contract costs for the years ended December 31 are as follows:

	Note	2023	2022
At January 1		1,270,445,918	2,540,392,780
Amounts capitalized during the year		2,119,781,044	1,553,521,911
Amortization	15		
Subscriber acquisition costs		(882,515,805)	(1,207,489,292)
Deferred installation costs		(1,252,560,678)	(1,615,979,481)
At December 31		1,255,150,479	1,270,445,918

Amortization of deferred contract costs recognized as part of cost of services in profit or loss amounted to P2,135,076,483 for the year ended December 31, 2023 (2022 - P2,823,468,773; 2021 - P1,759,860,945) (Note 15).

Contract liabilities

Contract liabilities, recorded as deferred revenues in the consolidated statements of financial position, amounting to P557,939,207 as at December 31, 2023 (2022 - P863,858,102) represent outright payments of installation service fees which are recognized as revenue on a straight-line basis over the term of the subscription contract, monthly recurring subscription fees received but not yet earned and unused load subscriptions. These are presented in the consolidated statements of financial position as at December 31 as follows:

	2023	2022
Current	557,939,207	815,226,352
Non-current	-	48,631,750
	557,939,207	863,858,102

The decrease in deferred revenues as at December 31, 2023 and 2022 was due to the implemented changes in payment terms of installation service fees.

The following table shows the rollforward analysis of contract liabilities for the years ended December 31:

	2023	2022
At January 1	863,858,102	1,354,966,195
Additions during the year	1,711,216,283	715,206,112
Recognized as revenue	(2,017,135,178)	(1,206,314,205)
At December 31	557,939,207	863,858,102

Revenue from amortization of contract liabilities recognized in profit or loss for the year ended December 31, 2023 amounted to P2,017,135,178 (2022 - P1,206,314,205; 2021 - P849,797,630).

Subscribers' deposits

Subscribers' deposits pertain to cash bonds paid by the subscribers as deposits to cover for any loss or damage to certain network assets (e.g. customer premise materials) and other accessories installed in their premises, as well as to cover anticipated losses on default payments (Note 24.2.1). These are presented in the consolidated statements of financial position as at December 31 as follows:

	2023	2022
Current	1,265,006,828	2,064,852,500
Non-current	75,613,115	60,602,199
	1,340,619,943	2,125,454,699

15 Cost of services

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

	Notes	2023	2022	2021
Depreciation and amortization	6,7,20	6,014,904,434	6,063,250,604	3,748,471,813
Amortization of deferred contract cost	14	2,135,076,483	2,823,468,773	1,759,860,945
Repairs and maintenance		1,585,159,642	1,004,297,623	647,195,735
Rent	20	797,199,178	457,036,510	413,231,883
Bandwidth and leased line costs		672,008,168	828,803,893	1,006,912,375
Utilities		451,338,645	239,648,942	125,735,758
Service fees	19	443,984,775	493,310,406	532,124,191
Personnel costs		358,253,128	325,961,169	438,688,004
Network materials and supplies used	4	187,635,814	1,172,410,485	1,797,680,895
Retirement benefit expense	11	16,947,684	8,350,975	10,982,147
Others		47,896,450	21,104,960	26,543,925
		12,710,404,401	13,437,644,340	10,507,427,671

Bandwidth and leased line costs mainly pertain to the costs for transmitting data through signals from both local and foreign suppliers.

Rent for the years ended December 31, 2023, 2022 and 2021 consists of costs incurred in relation to short-term leases and other agreements for the use of third-party structures necessary in providing services to subscribers that did not qualify as leases under PFRS 16, Leases.

16 General and administrative expenses

The components of general and administrative expenses for the years ended December 31 are as follows:

	Notes	2023	2022	2021
Managed service fees		2,167,901,197	1,186,165,426	736,187,175
Personnel costs		1,418,437,223	1,435,317,458	1,254,256,313
Outside services		1,080,333,566	1,203,419,540	526,094,299
Promotions		439,036,928	594,141,722	533,859,201
Depreciation and amortization	6,7,20	430,082,693	494,644,667	336,688,259
Taxes and licenses		321,025,306	423,324,813	393,867,446
Repairs and maintenance		254,249,221	469,678,010	219,865,953
Office supplies		177,429,961	120,130,168	85,286,117
Meals and transportation		175,905,942	199,829,682	81,500,123
Professional fees		130,046,604	90,529,982	101,111,159
Utilities		127,977,043	159,772,535	116,496,730
Insurance		65,595,334	58,036,741	21,870,804
Rent	20	62,345,428	32,363,558	23,242,817
Retirement benefit expense	11	55,969,961	26,560,333	31,956,285
(Reversal of) provision for probable losses	9	(152,774,993)	-	41,849,609
Others		193,349,653	107,097,659	266,379,896
		6,946,911,067	6,601,012,294	4,770,512,186

Managed service fees refer to charges from managed service providers for subscriber service activities outsourced by the Group.

Rent represents costs incurred in relation to short-term leases. Others mainly include postage and delivery expense.

Others consists mainly of operational bank charges and fees, membership dues, representation expenses, permits, penalties and surcharges and training costs.

17 Other expense, net

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

	Notes	2023	2022	2021
Provision for impairment of property, plant and equipment	6	1,059,096,781	543,586,332	-
Provision for inventory obsolescence	4	145,456,521	-	-
Management fees	19	(3,600,000)	(35,100,000)	(1,828,778)
Interest income on financial asset at FVTPL	24.1	(4,018,990)	(3,656,500)	(3,491,219)
Interest income on finance lease receivable	20	(9,830,872)	(10,037,460)	(10,231,874)
(Gain) loss on disposal/retirement of property, plant and equipment and intangible assets	6, 7	(52,690,297)	163,598,622	673,860
Net foreign exchange (gain) loss	22	(77,417,955)	(27,437,389)	270,468,223
Interest income on cash and cash equivalents	2	(374,187,513)	(38,986,327)	(30,770,432)
Gain on lease terminations	20	-	-	(12,491,353)
Miscellaneous		(298,849,853)	(138,302,029)	(36,306,431)
		383,957,822	453,665,249	176,021,996

Miscellaneous income mainly relates to reversal of long outstanding payables of the Group since obligations were determined to be no longer existing.

18 Income taxes

Income tax expense

The components of income tax expense as shown in the consolidated statements of total comprehensive income for the years ended December 31 are as follows:

	2023	2022	2021
Current tax expense	2,763,009,866	3,210,700,218	2,615,486,670
Deferred tax expense (benefit)	259,969,181	(794,390,824)	(220,449,258)
	3,022,979,047	2,416,309,394	2,395,037,412

On a per entity basis, the Group claimed deductible expenses through itemized deductions or optional standard deduction (OSD) for the years ended December 31 as follows:

	2023	2022	2021
Converge	Itemized	OSD	Itemized
Pentagon	Itemized	Itemized	Itemized
Metroworks	Itemized	OSD	OSD
Myriad	OSD	OSD	-
Cyan	Itemized	-	-

The reconciliation of income tax expense computed at the statutory income tax rate to the income tax expense as reflected in the consolidated statements of total comprehensive income for the years ended December 31 are as follows:

	2023	2022	2021
Income tax at statutory income tax rate of 25%	3,030,453,320	2,463,911,042	2,388,291,256
Adjustments for:			
Unrecognized benefit from net operating loss carry-over (NOLCO)	60,073	48,022	100,431
Interest income subjected to final tax	(93,546,878)	(9,746,582)	(7,659,142)
Equity share in net income of joint ventures	(62,021,370)	-	-
Availment of OSD	(312,679)	(37,903,088)	(11,088,569)
Change in income tax rate	122,658,117	-	(11,352,379)
Non-deductible expenses	25,688,464	-	36,745,815
	3,022,979,047	2,416,309,394	2,395,037,412

Deferred income tax (DIT)

DIT assets, net as at December 31 represent the tax effects of the following temporary differences:

	2023	2022
Allowance for impairment of trade and other receivables	627,911,076	888,329,998
Property, plant and equipment	626,687,513	657,996,806
Provision for impairment of property, plant and equipment	264,774,195	135,896,584
Deferred revenue	139,484,802	129,578,715
Leases	113,442,096	45,361,179
Shared-based compensation expense	65,655,665	49,865,855
Allowance for inventory obsolescence	43,805,533	7,441,403
Retirement benefit obligation	43,190,451	40,574,156
Provision for employee benefits	22,909,249	35,317,674
Unrealized fair value loss on financial asset at FVTPL	12,226,797	13,127,260
Unrealized foreign exchange gain, net	(101,417,862)	(44,293,494)
Deferred contract costs	(312,894,519)	(192,406,169)
Provision for probable losses	-	38,193,748
NOLCO	-	1,108,431
Equity share in net income of joint ventures	-	(13,433,245)
	1,545,774,996	1,792,658,901

The availment of OSD method affected the Group's recognition of certain DIT assets and liabilities. DIT assets and liabilities, for which the related income and expense are expected to be considered in determining gross income for income tax purposes, are recognized only to the extent of their future tax consequence under OSD method. Hence, the tax base of these DIT assets and liabilities is reduced by the 40% allowable deduction provided for under the OSD method resulting into an adjusted tax rate of approximately 15%. Other DIT assets and liabilities expected to be considered in determining taxable income under itemized deductions method are recognized using the regular income tax rate of 25%.

The Tax Reform Act of 1997 (the "Act") introduced NOLCO as a deduction from taxable income for the three consecutive years immediately following the year such loss was incurred. Pursuant to Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (Bayanihan II), the net operating losses of a business or enterprise incurred for taxable years 2021 and 2022 can be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

As a result of the acquisition of Myriad (Note 1.5), the Group recognized DIT asset amounting to P1,108,431 arising from Myriad's NOLCO of P4,433,723 incurred during the year ended December 31, 2021. This amount can be claimed as a deduction from its taxable income until 2026.

The Group did not recognize DIT assets arising from Pentagon's NOLCO because management has assessed there will be no future taxable income against which the benefits of these tax assets can be utilized. Details of the Group's unrecognized DIT assets as at December 31 arising from Pentagon's NOLCO are as follows:

Year incurred	Year of expiration	2023	2022
2019	2022	-	4,789,408
2020	2025	150,120	150,120
2021	2026	401,721	401,721
2022	2025	192,087	192,087
2023	2026	240,290	-
		984,218	5,533,336
Expired		-	(4,789,408)
		984,218	743,928
Tax rate		25%	25%
		246,055	185,982

Deferred income tax (charged) credited to profit or loss and other comprehensive income for the years ended December 31, are as follows:

	Note	2023	2022	2021
Profit for the year		(259,969,181)	794,390,824	220,449,258
Other comprehensive (loss) income for the year	11	7,874,349	(483,268)	(11,170,374)

The tax rates used in computing the DIT assets (liabilities) as at December 31, 2023 and 2022 are 25% and 15%. These are the applicable rates at which the Group expects the related DIT assets (liabilities) to be realized (settled).

Critical accounting judgment: Income taxes

Significant judgment is required in determining the income tax expense recognized in profit or loss. There are some transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognizes liabilities for anticipated tax assessment issues when it is probable. The liabilities are based on assessment and judgment of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Group's income tax and related liability in the period in which such determination is made.

The recognition of DIT assets depends on management's assessment of the probability and available future taxable income against which the temporary difference can be applied. The Group reviews the carrying amount of its DIT assets at the end of each reporting period and reduces the amounts to the extent it is no longer probable that sufficient taxable profit will allow all or part of its DIT assets to be utilized. Management has assessed during the reporting periods that the Group will be able to generate sufficient future taxable income against which the temporary differences can be applied.

Further, the Group's assessment on the recognition of DIT assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting period. This forecast is based on the past results and future expectations on revenues and expenses as well as future tax planning strategies. Management reviews the levels of taxable income that the Group expects to achieve and assesses the future tax consequences for the recognition of DIT assets.

19 Related party transactions and balances

Transactions and balances with related parties are presented as follows:

	Transactions					Outstanding balances		Ref.
	2023	2022	2021	2023	2022	2023	2022	
<i>Due from related parties</i>								
<i>Collections made on behalf of the Group</i>								
Immediate parent company	63,112,763	72,503,140	87,615,201	39,708,487	259,153,105			(a)
Entities under common control	14,537,608	489,012,736	398,756,109	70,145,618	205,383,193			
	77,650,371	561,515,876	486,371,310	109,854,105	464,536,298			
<i>Reimbursements of expenses from related parties</i>								
Ultimate parent company	-	-	-	-	-		12,386	(b)
Immediate parent company	78,822,138	-	4,152,635	63,087,044	4,152,635			
Joint ventures	271,827	13,024,546	-	279,532	13,024,546			
Entities under common control	499,698	5,715,282	13,381,287	-	35,411,293			
	79,593,663	18,739,828	17,533,922	63,366,576	52,600,860			
<i>Sale of property, plant and equipment</i>								
Immediate parent company	31,207,956	-	-	31,207,956	-			(c)
Entity under common control	-	-	-	-	-		5,600,000	
	31,207,956	-	-	31,207,956	5,600,000			
<i>Transfer of network materials and supplies (Note 17)</i>								
Immediate parent company	124,938	3,308,636	4,714,375	-	8,023,011			(d)
Entities under common control	-	68,656	26,693,333	-	111,640			
	124,938	3,377,292	31,407,708	-	8,134,651			
<i>Management service fees (Note 17)</i>								
Joint ventures	3,600,000	35,100,000	-	672,000	35,100,000			(e)
Entities under common control	-	-	1,828,778	-	148,778			
	3,600,000	35,100,000	1,828,778	672,000	35,248,778			
<i>Advances to related parties</i>								
Ultimate parent company	-	-	-	-	32,000,030			(f)
Shareholder	-	-	2,070,332	-	2,070,332			
Entities under common control	-	5,080,092	5,000,000	-	5,080,092			
Joint venture	-	-	697,075	-	697,075			
	-	5,080,092	7,767,407	-	39,847,529			

	Transactions			Balances		Ref
	2023	2022	2021	2023	2022	
Due from related parties, continued						
<i>Finance lease receivable</i>						(9)
Entities under common control	-	-	-	153,511,427	157,017,606	
<i>Interest income from finance lease receivable</i>						(9)
Entities under common control	9,830,872	10,037,460	10,231,874	3,725,700	3,506,179	
				362,337,764	766,491,901	
Due from related parties, net - current				208,826,337	609,474,295	
Due from related parties, net - non-current				153,511,427	157,017,606	
				362,337,764	766,491,901	
Trade and other receivables						
<i>Interest income from financial asset at FVTPL</i>						(1n)
Ultimate parent company	4,018,990	3,656,500	3,491,219	10,138,870	6,119,880	
Financial asset at FVTPL						(1n)
Ultimate parent company	-	-	-	53,404,739	56,757,340	

Due from related parties are generally unguaranteed and unsecured, non-interest bearing and collected in cash on a gross basis.

No allowance for impairment from related parties was recognized as these are determined to be fully collectible as at December 31, 2023 and 2022.

Specific terms for each related party transactions are as follows:

- (a) These are collections made on behalf of the Group by related parties or on behalf of the related parties in the Group from common subscribers. These are unsecured, unguaranteed and non-interest bearing.
- (b) In the ordinary course of business, the Group pays certain expenses on behalf of its related parties. Such expenses are accordingly reimbursed at cost from related parties. All outstanding balances are unguaranteed, unsecured, non-interest bearing and collectible in cash at given amount upon demand.
- (c) The Group has sold property, plant and equipment to a related party. These are collectible upon demand, unsecured, unguaranteed and non-interest bearing. No gain or loss recognized on the aforementioned sale of property, plant and equipment.

- (d) The Group has transferred network materials and supplies to related parties at an agreed mark-up. Gross amounts presented above are collectible upon demand, unsecured, unguaranteed and non-interest bearing. Net gain or loss on the aforementioned transfer of network materials and supplies are recognized as part of other expense, net in profit or loss (Note 17).
- (e) The Group has management service agreements with related parties whereby the Group provides general management services such as administrative and finance support. The fee for the management services are based on agreed fixed rate per month. The agreements are renewable on an annual basis at terms and rates agreed upon by parties. These are collectible upon demand, unsecured, unguaranteed and non-interest bearing.
- (f) The Group has made advances to its related parties for use in normal operations. These are generally non-interest bearing and are collectible in cash upon demand.
- (g) During the year ended December 31, 2020, the Group entered into an agreement with entities under common control for the purchase of outside plant assets for a total consideration of P199,060,462. The same assets were subsequently leased back to the related parties for an indefinite period which the Group can unilaterally terminate. Portion of finance lease receivable amounting to P153,511,427 is presented as non-current portion of amounts due from related parties in the consolidated statement of financial position as at December 31, 2023 (2022 - P157,017,606). Refer to Note 20 for further details.
- (h) On May 18, 2021, the Group has purchased 10 exchangeable bonds from its ultimate parent for USD2,000,000 (P104,510,000). The exchangeable bonds have an aggregate face value of USD2,000,000, a term of 30 years and with interest rate of 3% per annum. Each exchangeable bond note confers the right to purchase 5,000 common shares of certain entities under common control. The investment earned interest income amounting to P4,018,990 for the year ended December 31, 2023 (2022 - P3,656,500). Related interest receivable is presented as part of other receivables within trade and other receivables. Refer to Note 24.1 for further details.

	Transactions			Outstanding balances			Ref.
	2023	2022	2021	2023	2022		
Accruals							
Service fees (Note 15)							(l)
Entitles under common control	443,984,775	493,310,406	532,124,191	35,980,980	76,194,861		
Bandwidth cost (Note 15)							(l)
Immediate parent company	14,281,812	63,812,498	47,758,825	-	-		
				35,980,980	76,194,861		
Due to related parties							
Acquisition of customer lists (Note 7)							(k)
Entity under common control	-	-	384,012,875	-	-		
Collections made on behalf of related parties							(a)
Entitles under common control	21,023,424	423,444,065	366,256,740	5,112,268	43,056,709		
Reimbursements of expenses to related parties							(l)
Immediate parent company	-	94,279,048	10,542,590	20,201,544	9,893,147		
Entitles under common control	103,549,508	216,505,261	156,595,306	16,428,600	51,954,503		
	103,549,508	310,784,309	167,137,896	36,630,144	61,847,650		
Purchase of network materials and supplies							(m)
Entity under common control	-	-	-	-	-	5,874,135	
Advances from a related party							(n)
Shareholder	-	312,500	-	312,500	312,500		
				42,054,912	111,090,994		
Lease liabilities							(o)
Immediate parent company	238,468,664	263,248,790	853,235,782	1,285,668,374	1,375,282,397		
Entitles under common control	93,313,943	104,846,566	550,815,765	482,009,565	548,319,585		
	331,782,607	368,095,356	1,404,051,547	1,767,677,939	1,923,601,982		

	Transactions			Outstanding balances		Ref.
	2023	2022	2021	2023	2022	
Key management compensation						
Key management personnel						(p)
Salaries and other short-term benefits	184,913,659	115,641,566	149,092,299	3,445,222	6,165,648	
Retirement benefits	9,615,288	14,003,867	13,867,179	-	46,560,674	
Share-based compensation	18,579,333	35,488,607	80,746,189	134,814,128	116,234,795	
	213,108,280	165,134,040	243,705,667	138,259,350	168,961,117	

Due to related parties are generally unguaranteed and unsecured, non-interest bearing and payable in cash on a gross basis. Specific terms for each related party transactions are as follows:

- (i) The Group pays a fixed fee to related parties for providing services to common subscribers. These accrued expenses are payable upon demand, unguaranteed and non-interest bearing.
- (j) Reimbursements of bandwidth costs are based on actual expenses incurred plus margin. Payables included under accrued expenses are settled in cash on demand and are non-interest bearing.
- (k) During the year ended December 31, 2021, the Group acquired list of subscribers from a related party and is included under intangible assets (Note 7). This is payable upon demand, unguaranteed and non-interest bearing.
- (l) Reimbursements of expenses are determined based on actual expenses incurred by the Group, such as personnel costs (salaries and benefits and travel expenses), operating expenses, professional fees, technical support and IT-related expenses, which are paid in advance by the related parties. These are recorded as part of the related expenses in the consolidated statements of total comprehensive income. Due to related parties are settled in cash, billed and payable upon demand, unsecured, unguaranteed and non-interest bearing.
- (m) The Group acquired network materials and supplies from a related party. These are payable upon demand, unsecured, unguaranteed and non-interest bearing.
- (n) The Group received advances from a shareholder. The advances are unsecured, non-interest bearing and payable on demand.
- (o) The Group has existing agreements with its immediate parent company and certain entities under common control for the lease of certain office space and warehouse. The Group has accounted for this lease agreements under PFRS 16 and has recognized right-of-use asset and the related lease liability (Note 20) except for certain short-term leases which are still accounted for under operating leases as allowed under PFRS 16. Rental rates are based on contracts agreed with related parties in the lease agreements as discussed in Note 20. These are billed and settled in cash and payable on demand.

- (p) Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Group's payroll process. The Group has not provided termination benefits and other long-term benefits for its key management personnel other than retirement benefits which are determined and recorded as part of the retirement liability in accordance with policies disclosed in Note 11 and share-based benefits determined and recorded in accordance with policies disclosed in Note 12 for the years ended December 31, 2023, 2022 and 2021.

Material related party transactions policy

The Group has an approved material related party transactions policy that sets forth the required thresholds for approval for related party transactions as part of the Group's corporate governance policy.

As of December 31, 2023, total related party receivables with and among subsidiaries that were eliminated at consolidation against related party payables amounted to P2,020,505,239 (2022 - P1,339,893,530).

20 Lease agreements and commitments

• As lessee

The Group leases various network assets and co-located sites, office and buildings, and transportation equipment. Network assets include investments in bandwidth capacity. Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. Lease agreements include rent escalation clauses ranging from 3% to 10% beginning on specified periods in the agreements. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Critical accounting judgement: Determining whether or not a contract contains a lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. Management considers the following evaluations, all of which must be met in order to conclude that a contract is or contains a lease:

- a. Whether there is an identified asset - An identified asset is an asset that is either explicitly identified in the contract or is implicitly specified by being identified at the time that the asset is made available for use by the Group. Even if an asset is explicitly specified, the Group does not have the right to use an identified asset if the supplier has a substantive substitution right throughout the period of use.
- b. Whether the Group have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use - When making this evaluation, the Group considers its rights within the defined scope of the contract.
- c. Whether the Group have the right to direct the use of the identified asset throughout the period of use - In making this evaluation, the Group considers the decisions that most directly impact the economic benefits to be derived from the use of the asset, including: (i) rights to decide the type of output to be produced by the assets (ii) rights to decide when the output is produced (iii) rights to decide where the output is produced, and (iv) rights to decide whether the output is produced and the quantity thereof.

Based on the factors discussed above, the Group has identified contracts that convey the right to use network and co-located sites, office and buildings, and transportation equipment as contracts containing a lease and concluded that data capacity contracts and joint pole arrangements (Notes 15 and 16) do not qualify as leases under PFRS 16.

In August 2020, the Group has entered into an agreement for the use of major international connectivity networks for a period of 15 years where the Group has the right to use specified wavelengths. The Group is entitled to transmit traffic over a specific wavelength within the networks. The right to use of specified wavelengths meets the definition of an intangible asset. As allowed by PFRS 16, the Group has treated the arrangement as containing a lease of an intangible asset and recognized fees paid on the agreement start date as part of right-of-use assets (within network assets and co-located sites) in the consolidated statement of financial position.

The Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed. Any change in the Group's assessment of whether a contract contains a lease or not, could impact the recorded carrying amount of right-of-use asset and lease liability.

(i) Amounts recognized in the consolidated statements of financial position

Leased assets are presented as a separate line item in the consolidated statement of financial position. The consolidated statements of financial position show the following amounts relating to leases as at December 31:

	2023	2022
<i>Right-of-use assets</i>		
Network assets and co-located sites	713,144,714	746,902,103
Office space and warehouse	1,861,571,589	2,217,000,353
Transportation equipment	278,484,002	329,668,222
	<u>2,853,200,305</u>	<u>3,293,570,678</u>
<i>Lease liabilities</i>		
Current	460,388,134	615,765,230
Non-current	1,908,201,413	2,001,846,291
	<u>2,368,589,547</u>	<u>2,617,611,521</u>

Movements in right-of-use assets for the years ended December 31 are as follows:

	Network assets and co-located sites	Office space and warehouse	Transportation equipment	Total
At January 1, 2022				
Cost	672,005,300	2,975,917,395	489,086,981	4,137,009,676
Accumulated amortization	(95,463,798)	(487,110,189)	(108,234,539)	(690,808,526)
Net carrying amount	<u>576,541,502</u>	<u>2,488,807,206</u>	<u>380,852,442</u>	<u>3,446,201,150</u>
For the year ended December 31, 2022				
Opening net carrying amount	576,541,502	2,488,807,206	380,852,442	3,446,201,150
Additions	243,007,375	105,676,510	-	348,683,885
Amortization	(72,646,774)	(377,483,363)	(51,184,220)	(501,314,357)
Closing net carrying amount	<u>746,902,103</u>	<u>2,217,000,353</u>	<u>329,668,222</u>	<u>3,293,570,678</u>
At December 31, 2022				
Cost	915,012,675	3,081,593,905	489,086,981	4,485,693,561
Accumulated amortization	(168,110,572)	(864,593,552)	(159,418,759)	(1,192,122,883)
Net carrying amount	<u>746,902,103</u>	<u>2,217,000,353</u>	<u>329,668,222</u>	<u>3,293,570,678</u>
For the year ended December 31, 2023				
Opening net carrying amount	746,902,103	2,217,000,353	329,668,222	3,293,570,678
Additions	38,311,009	98,414,562	-	136,725,571
Amortization	(72,068,398)	(453,843,326)	(51,184,220)	(577,095,944)
Closing net carrying amount	<u>713,144,714</u>	<u>1,861,571,589</u>	<u>278,484,002</u>	<u>2,853,200,305</u>
At December 31, 2023				
Cost	953,323,684	3,180,008,467	489,086,981	4,622,419,132
Accumulated amortization	(240,178,970)	(1,318,436,878)	(210,602,979)	(1,769,218,827)
Net carrying amount	<u>713,144,714</u>	<u>1,861,571,589</u>	<u>278,484,002</u>	<u>2,853,200,305</u>

Additions to network assets and co-located sites for the year ended December 31, 2022 amounting to P243,007,375 relate to advance payments for the use of major international connectivity networks.

Amortization for the years ended December 31 is recognized as follows:

	2023	2022	2021
Recognized in profit or loss	543,560,408	468,138,651	258,682,290
Capitalized as part of self-constructed property, plant and equipment	33,535,536	33,175,706	19,288,413
	577,095,944	501,314,357	277,970,703

The movements in lease liabilities presented in the consolidated statements of financial position and consolidated statements of cash flows for the years ended December 31 are as follows:

	2023	2022	2021
Beginning balance	2,617,611,521	2,940,733,699	1,833,590,643
Increase in lease liabilities	136,725,571	105,676,511	668,080,363
Lease modifications	-	-	1,101,073,606
Lease terminations	-	-	(192,322,297)
Finance costs	176,475,867	188,146,259	116,120,568
Cash flows - payment of lease liabilities	(385,747,545)	(428,798,689)	(451,465,520)
Cash flows - interest paid on lease liabilities	(176,475,867)	(188,146,259)	(134,343,664)
Ending balance	2,368,589,547	2,617,611,521	2,940,733,699

Effective October 2021, the Group has entered into lease modification agreements with related parties to update the consideration for the lease of certain office space and warehouse without increasing or decreasing the scope of the lease. As such, the Group remeasured the lease liabilities using the Group's incremental borrowing rate at the effective date of the modification and made a corresponding adjustment to the right-of-use assets.

During the year ended December 31, 2021, several leases relating to office space and warehouse were pre-terminated. As a result, the Group derecognized carrying amounts of right-of-use assets and lease liabilities related to the pre-termination.

(ii) Amounts recognized in the consolidated statements of total comprehensive income

The consolidated statements of total comprehensive income for the years ended December 31 show the following amounts relating to leases:

	Notes	2023	2022	2021
Amortization expense		543,560,408	468,138,651	258,682,290
Finance costs		176,475,867	188,146,259	116,120,568
Expense relating to short-term leases	15,16	859,544,606	489,400,068	436,474,700
Gain on lease terminations	17	-	-	(12,491,353)
		1,579,580,881	1,145,684,978	798,786,205

Amortization expense for the years ended December 31 recognized in profit or loss are as follows:

	Notes	2023	2022	2021
Cost of services	15	301,058,360	236,237,829	178,105,491
General and administrative expenses	16	242,502,048	231,900,822	80,576,799
		543,560,408	468,138,651	258,682,290

The total cash outflows for lease liabilities and short-term leases for the year ended December 31, 2023 amounted to P1,443,097,286 (2022 - P1,107,521,341; 2021 - P1,047,781,950).

(iii) Discount rate

The lease payments for lease of transportation equipment are discounted using the interest rate implicit in the lease. Payments for leases of network assets and co-located sites, office space and warehouse are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Critical accounting estimates and assumptions: Determining incremental borrowing rate

To determine the incremental borrowing rate, the Group uses the government bond yield, adjusted for the (1) credit spread specific to the Group and (2) security using the right-of-use asset. The discount rates applied by the Group ranges from 3% to 8% for the years ended December 31, 2023 and 2022.

(iv) Extension and termination options

Extension and termination options are included in several property and equipment leases of the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable by both the Group and the respective lessor.

Critical accounting judgment: Determining the lease term

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

- If there are significant penalties to terminate, the Group is reasonably certain to extend.
- If any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend.
- The Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in leases have not been included in the lease liabilities because the Group could replace the assets without significant cost or business disruption. As at December 31, 2023, potential future cash outflow of P440,290,801 (2022 - P328,223,405) have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended. The assessment is reviewed if a significant change in circumstances occurs which affects this assessment and that is within the control of the lessees. As at December 31, 2023, the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognized lease liabilities and right-of-use assets of P406,112,571 (2022 - P308,216,508).

• *As lessor*

During the year ended December 31, 2020, the Group entered into an agreement with certain related parties for the purchase of outside plant assets for a total consideration of P199,060,462 (Note 19). Accordingly, the Group has obtained control of the outside plant assets since it has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the assets, or to restrict the access of other entities to those benefits.

Subsequent to the sale, the same assets were leased back to the related parties at an agreed rate for an indefinite period which the Group can unilaterally terminate. The lease was accounted as finance lease where substantially all of the risk and rewards of the ownership were transferred to the seller-lessees.

At the inception of the lease, the Group derecognized the carrying amount of assets directly related to the lease amounting to P199,060,462 and recognized a loss amounting to P32,715,872.

Finance lease receivables presented as part of due from related parties in the consolidated statements of financial position as at December 31 are as follows:

	2023	2022
Gross investment	283,803,770	296,921,300
Unearned interest income	(126,566,643)	(136,397,515)
Net investment	157,237,127	160,523,785
Current	3,725,700	3,506,179
Non-current	153,511,427	157,017,606
	157,237,127	160,523,785

Interest income from the finance lease recognized in profit or loss for the year ended December 31, 2023 amounted to P9,830,872 (2022 - P10,037,460; 2021 - P10,231,874) (Note 17).

Expected maturity analysis of the undiscounted finance lease receivables as at December 31 are as follows:

	Gross investment	Unearned interest	Net investment
2023			
Not later than 1 year	3,725,700	-	3,725,700
Later than 1 year not later than 5 years	53,348,204	(36,986,472)	16,361,732
Later than 5 years	226,729,866	(89,580,171)	137,149,695
	283,803,770	(126,566,643)	157,237,127
2022			
Not later than 1 year	3,506,179	-	3,506,179
Later than 1 year not later than 5 years	53,348,204	(37,950,521)	15,397,683
Later than 5 years	240,066,917	(98,446,994)	141,619,923
	296,921,300	(136,397,515)	160,523,785

21 Earnings per share

The following tables present basic and diluted earnings per share for the years ended December 31:

Basic earnings per share

	Note	2023	2022	2021
Consolidated net income attributable to common equity holders of the Parent Company		9,096,805,168	7,439,334,776	7,158,127,613
Issued common shares at January 1		7,526,294,461	7,526,294,461	7,526,294,461
Weighted average number of treasury shares	13	(259,721,400)	(151,504,150)	-
Weighted average number of common shares for basic EPS		7,266,573,061	7,374,790,311	7,526,294,461
Basic EPS attributable to common equity holders of the Parent Company		1.25	1.01	0.95

Diluted earnings per share

The share options granted were considered in the diluted earnings per share calculation for the years ended December 31, 2023, 2022 and 2021 using the treasury stock method. However, inclusion of the shares to be issued under the share-based compensation plan has an insignificant effect. As such, basic and diluted EPS are stated at the same amount for the years ended December 31, 2023, 2022 and 2021.

22 Foreign currency denominated monetary assets and liabilities

The Group's US Dollar denominated monetary assets and liabilities as at December 31 are as follows:

	2023	2022
Cash and cash equivalents	111,619,181	120,249,874
Financial asset at FVTPL	964,507	1,017,978
Total current assets	112,583,688	121,267,852
Trade and other current liabilities	(48,910,817)	(67,162,712)
Net US Dollar denominated monetary assets	63,672,871	54,105,140
Exchange rate at year end	55.37	55.76
Philippine Peso equivalent	3,525,566,867	3,016,902,606

Details of net foreign exchange gain (loss) presented as part of other expense, net in the consolidated statements of total comprehensive income for the years ended December 31 are as follows:

	Note	2023	2022	2021
Realized foreign exchange loss, net		(36,089,912)	(210,665,331)	(105,796,450)
Unrealized foreign exchange gain (loss), net		113,507,867	238,102,720	(164,671,773)
	17	77,417,955	27,437,389	(270,468,223)

23 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are enumerated below:

(a) Critical accounting estimates and assumptions

- Recoverability of trade and other receivables and due from related parties (Notes 3 and 19)
- Estimated useful lives of property, plant and equipment, intangible assets and right of use assets (Notes 6, 7 and 20)
- Determining incremental borrowing rate (Note 20)

(b) Critical accounting judgments

- Recoverability of trade and other receivables and due from related parties (Notes 3 and 19)
- Recoverability of network materials and supplies (Note 4)
- Recoverability of property, plant and equipment, intangible assets and right-of-use assets (Notes 6, 7 and 20)
- Income taxes (Note 18)
- Determining the lease term (Note 20)
- Determining whether or not a contract contains a lease (Note 20)

24 Financial risk and capital management

24.1 Components of financial assets and financial liabilities

Financial assets

Details of the Group's financial assets as at December 31 are as follows:

	Notes	2023	2022
<i>At amortized cost</i>			
Cash and cash equivalents	2	13,694,146,438	10,214,065,832
Trade and other receivables	3	5,940,000,071	6,874,640,807
Due from related parties	19	362,337,764	766,491,901
		19,996,484,273	17,855,198,540
<i>At FVTPL</i>		53,404,739	56,757,340
		20,049,889,012	17,911,955,880

Trade and other receivables above exclude advances to employees which are subject to liquidation as at December 31, 2023 amounting to P27,677,915 (2022 - P15,765,991) and are presented gross of allowance for impairment amounting to P2,511,644,305 (2022 - P3,553,319,991) (Note 3).

As at December 31, 2022, financial asset at FVTPL pertains to the Group's investment in exchangeable bonds issued by its Ultimate Parent (Note 19). On August 23, 2019, the Group entered into an exchangeable bond agreement with the Ultimate Parent Company. The exchangeable bonds have an aggregate face value of USD 2,000,000, a term of 30 years and with interest rate of 3% per annum. Each exchangeable bond confers the right to purchase 5,000 common shares of a certain entity under common control. On May 18, 2020, the Group was issued 10 exchangeable bonds for USD2,000,000 (P104,510,000). The Group has classified these debt instruments as financial assets at FVTPL considering the contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movement in financial assets at FVTPL during the years ended December 31 are as follows:

	2023	2022
Beginning of the year	56,757,340	57,177,481
Amortization	669,038	596,560
Unrealized foreign exchange (loss) gain	(7,623,492)	5,387,818
Unrealized fair value gain (loss)	3,601,853	(6,404,519)
End of the year	53,404,739	56,757,340

Amounts recognized in profit or loss from financial assets at FVTPL for the years ended December 31 consists of:

	Note	2023	2022	2021
Interest income	17	4,018,990	3,656,500	3,491,219
Unrealized foreign exchange (loss) gain		(7,623,492)	5,387,818	4,455,969
Unrealized fair value gain (loss)		3,601,853	(6,404,519)	(19,614,667)
		(2,649)	2,639,799	(11,667,479)

Financial liabilities

The Group's financial liabilities, categorized as liabilities at amortized cost, at December 31 are as follows:

	Notes	2023	2022
Trade and other liabilities	9	14,980,242,974	15,763,151,339
Subscribers' deposits	14	1,340,619,943	2,125,454,699
Due to related parties	19	42,054,912	111,090,994
Borrowings	10	35,243,584,209	38,239,770,485
Lease liabilities	20	2,368,589,547	2,617,611,521
		53,975,091,585	58,857,079,038

Trade and other liabilities presented above exclude the following non-financial liabilities as at December 31:

	Note	2023	2022
Deferred output VAT		664,809,444	957,353,093
Payable to government agencies		553,988,121	182,081,769
Provision for probable losses		-	152,774,993
	9	1,218,797,565	1,292,209,855

24.2 Financial risk factor

The Group's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks. The Group's over-all risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Group's financial performance.

The most important types of risk the Group manages are credit risk, market risk and liquidity risk. Market risk includes foreign currency exchange risk, interest rate risk and price risk.

24.2.1 Credit risk

Credit risk is the risk of financial loss to the Group if a subscriber or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from its subscribers.

The Group continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure. Applications for service are subjected to standard credit evaluation and verification procedures. Receivable balances of subscribers are being monitored on a regular basis and appropriate credit treatments are applied at various stages of delinquency.

The maximum exposure to credit risk equals the carrying amount of the financial assets, except for trade receivables secured by subscribers' deposits which cover for anticipated losses on default payments.

The Group has the following financial assets as at December 31 where the expected credit losses (ECL) model has been applied:

	At gross amounts	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of ECL
2023					
Cash and cash equivalents	13,685,175,631	-	13,685,175,631	Performing	12-month ECL
Trade receivables					
Residential - Group 2	1,864,831,994	(95,368,549)	1,769,463,445	Collective assessment	Lifetime ECL
Residential - Group 3	1,235,940,329	(1,151,086,354)	84,853,975	Credit impaired	Lifetime ECL
Enterprise - Group 2	782,783,422	(221,380,497)	561,402,925	Collective assessment	Lifetime ECL
Enterprise - Group 3	1,179,394,120	(1,043,808,905)	135,585,215	Collective assessment	Lifetime ECL
Other receivables - Group 1	877,050,206	-	877,050,206	Performing	12-month ECL
Due from related parties					
Group 1	362,337,764	-	362,337,764	Performing	12-month ECL
	19,987,513,466	(2,511,644,305)	17,475,869,161		
2022					
Cash and cash equivalents	10,206,310,748	-	10,206,310,748	Performing	12-month ECL
Trade receivables					
Residential - Group 2	1,781,363,198	(154,423,863)	1,626,939,335	Collective assessment	Lifetime ECL
Residential - Group 3	3,050,020,353	(2,624,273,911)	425,746,442	Credit impaired	Lifetime ECL
Enterprise - Group 1	279,361,183	-	279,361,183	Collective assessment	Lifetime ECL
Enterprise - Group 2	732,129,745	(85,198,106)	646,931,639	Collective assessment	Lifetime ECL
Enterprise - Group 3	730,469,302	(689,424,111)	41,045,191	Credit impaired	Lifetime ECL
Other receivables - Group 1	301,297,026	-	301,297,026	Performing	12-month ECL
Due from related parties					
Group 1	766,491,901	-	766,491,901	Performing	12-month ECL
	17,847,443,456	(3,553,319,991)	14,294,123,465		

Credit quality of subscribers and counterparties are classified as follows:

- Group 1 - Subscriber and counterparty balances without history of default and assessed to be fully recoverable.
- Group 2 - Subscriber and counterparty balances with some defaults in the past.
- Group 3 - Individually assessed subscribers and counterparties with defaults and which the Group no longer expects to recover the balance despite its collection efforts.

Cash and cash equivalents exclude cash on hand as at December 31, 2023 amounting to P8,970,807 (2022 - P7,755,084) (Note 2) which is not subject to credit risk.

As at December 31, 2023 and 2022, the Group is also exposed to credit risk in relation to its investment in exchangeable bonds that are measured at fair value through profit or loss. The maximum exposure at December 31, 2023 is the carrying amount of the investments aggregating to P53,404,739 (2022 - P56,757,340). The Group's investments in exchangeable bonds is considered to be a low risk investment. The credit rating of the investment is monitored for credit deterioration.

Trade receivables from residential and enterprise subscribers are secured by subscribers' deposits which cover anticipated losses on default payments. The Group does not hold any collateral as security for the rest of the financial assets.

None of the fully performing financial assets have been renegotiated in 2023 and 2022.

- Cash and cash equivalents

To minimize credit risk exposure from cash, the Group deposits its cash in universal banks with good credit ratings.

- Trade receivables

Residential subscribers

To measure the ECL, residential subscription receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of subscribers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

On that basis, the loss allowances as at December 31 were determined as follows:

	Current	1-30 days	31-60 days	61-90 days	Total
2023					
Carrying amount, gross	1,332,334,042	317,594,847	115,410,842	99,492,263	1,864,831,994
Loss allowance	5,014,900	5,457,437	7,974,569	76,921,643	95,368,549
2022					
Carrying amount, gross	1,292,658,177	264,415,209	100,216,636	124,073,176	1,781,363,198
Loss allowance	9,759,203	22,388,561	16,900,287	105,375,812	154,423,863

As a result of management's review of receivables provisioning in light of the general economic challenges, management has transferred balances from certain residential subscribers from Group 2 to Group 3 and full provisioning have been made to these individually impaired accounts.

As at December 31, 2023, credit impaired receivables from certain residential subscribers amounting P1,235,940,329 (2022 - P3,050,020,353) which are deemed uncollectible despite collection efforts have been fully provided with an allowance for impairment. In calculating the allowance, subscribers' deposits as at December 31, 2023 amounting to P84,853,975 (2022 - P425,746,442) which will be applied against any outstanding balance from defaulted residential subscribers were considered.

Enterprise subscribers

In relation to enterprise subscription receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each enterprise subscriber. The credit quality of enterprise subscription receivables is further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

Group 1 enterprise subscribers have no history of default and assessed to be fully recoverable. ECL on these balances have therefore been assessed to be insignificant.

For Group 2 enterprise subscribers, expected loss rates are based on the payment profiles of subscription and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

On that basis, the loss allowances as at December 31 were determined as follows:

	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
2023						
Carrying amount, gross	293,062,687	152,064,858	7,903,437	82,973,580	246,778,860	782,783,422
Loss allowance	41,131,652	21,802,730	1,123,775	11,923,391	145,398,949	221,380,497
2022						
Carrying amount, gross	223,534,674	141,715,514	4,909,501	92,811,617	269,158,439	732,129,745
Loss allowance	25,573,004	16,402,413	580,545	10,774,295	31,867,849	85,198,106

As at December 31, 2023, credit impaired receivables from certain corporate subscribers (Group 3) amounting P1,179,394,120 (2022 - P730,469,302) which are deemed uncollectible despite collection efforts have been fully provided with an allowance for impairment. In calculating the allowance, subscribers' deposits as at December 31, 2023 amounting to P135,585,215 (2022 - P41,045,191) which will be applied against any outstanding balance from defaulted enterprise subscribers were considered.

- Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality of other receivables is further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

Credit risk on other receivables have been assessed to be insignificant considering no historical defaults and counterparties' high credit ratings.

- Due from related parties

Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Group has assessed that the outstanding balances are generally exposed to low credit risk. ECL on these balances have therefore been assessed to be insignificant.

24.2.2 Market risks

Foreign currency exchange risk

Foreign currency exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group has transactional currency exposures. Such exposures arise mainly from cash and cash equivalents, financial assets at FVTPL, trade and other current liabilities denominated in US Dollar as at December 31, 2023 and 2022 (Note 22).

The Group manages its US Dollar exchange risk by maintaining sufficient cash in US Dollar to cover its maturing obligations.

At December 31, 2023, if the US Dollar had strengthened or weakened by 1.84% (2022 - 2.17%) against the Philippine Peso, with all other variables held constant, pre-tax profit for the year ended December 31, 2023 and equity would have been P63,725,003 higher or lower (2022 - P65,466,789 higher or lower), mainly as a result of foreign exchange gains or losses on translation of net US Dollar denominated monetary assets. The assumed shift in foreign currency exchange rate used in the sensitivity analysis is the rate of change between the US Dollar and the Philippine Peso at the end of the reporting period and the Philippine Peso equivalent determined 30 days after the reporting period, by which management is expected to settle or receive the Group's foreign currency denominated monetary assets or liabilities.

Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's exposure to cash flow interest rate risk relates to borrowings which are subject to interest rates that are repriced at periodic intervals in accordance with the terms of the agreement. The Group's practice is to manage its interest cost by reference to current market rates in borrowings.

As at December 31, 2023, if interest rates increased/decreased by 10 basis points, with all other variables held constant, profit for the year ended December 31, 2023 would have been P25,419,697 (2022 - 12 basis points; P22,823,507; 2021 - 20 basis points; P11,209,360) lower/higher, mainly as a result of higher/lower interest expense based on variable rates.

Changes in the market interest rates of the Group's borrowing with fixed interest rates only affect income if these are measured at their fair value. As such, the Group's financial liabilities with fixed interest rates that are measured at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

As at December 31, 2023, the Group is exposed to fair value interest rate risk in relation to its investment in financial asset carried at fair value through profit or loss amounting to P53,404,739 (2022 - P56,757,340). Profit or loss would increase or decrease as a result of gains or losses on this financial asset measured at fair value at the end of each reporting period. Management monitors such financial asset based on discounted value of future cash flows using the applicable BVAL rates adjusted for the issuer's credit spread and premium on the embedded exchange option or which in this case is at 6.60% as at December 31, 2023 (2022 - 7.13%). This financial asset is managed on an individual basis thereby reducing the Group's exposure to fair value interest rate risk at an acceptably low level.

The sensitivity of the FVTPL to changes in the principal assumptions as at December 31 follows:

	2023			2022		
	Impact on FVTPL			Impact on FVTPL		
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Adjusted BVAL rate	+/- 1.00%	(6,565,984)	8,094,087	+/- 1.00%	(7,298,938)	9,028,631

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the FVTPL to significant assumptions, the same method has been applied as when calculating the FVTPL recognized within the consolidated statement of financial position.

Price risk

As at December 31, 2023 and 2022, the Group has no financial assets and liabilities that are price sensitive nor does it hold significant equity investments that are subject to price fluctuations. As such, the Group is not exposed to significant price risk.

24.2.3 Liquidity risk

Liquidity risk arises from the possibility that the Group will encounter difficulty in raising funds to meet associated commitments with financial instruments.

The Group manages the liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies. Short-term loans are availed to cover for immediate expenses and maturing obligations. The Group is also able to defer payments of some of its due to related party balances.

The table below presents the Group's financial liabilities as at December 31:

	Within 12 Months	More than 12 months	Total
2023			
Trade and other liabilities	14,980,242,974	-	14,980,242,974
Subscribers' deposits	1,265,006,828	75,613,115	1,340,619,943
Due to related parties	42,054,912	-	42,054,912
Borrowings	5,258,188,019	29,985,396,190	35,243,584,209
Lease liabilities, gross of discount	496,594,407	1,984,990,238	2,481,584,645
Future interest payable	1,635,935,372	3,107,215,492	4,743,150,864
	23,678,022,512	35,153,215,035	58,831,237,547
2022			
Trade and other liabilities	15,763,151,339	-	15,763,151,339
Subscribers' deposits	2,064,852,500	60,602,199	2,125,454,699
Due to related parties	111,090,994	-	111,090,994
Borrowings	3,239,562,775	35,000,207,710	38,239,770,485
Lease liabilities, gross of discount	645,718,775	2,645,137,699	3,290,856,474
Future interest payable	1,809,381,233	4,575,303,879	6,384,685,112
	23,633,757,616	42,281,251,487	65,915,009,103

Lease liabilities disclosed above represents the contractual undiscounted cash flows.

The Group expects to settle the above financial obligations due within 12 months in accordance with their contractual maturity of 30 to 60 days.

24.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, obtain borrowings from banks or related parties, and issue new shares. The capital that the Group manages is the total equity attributable to owners of the Parent Company less reserve for remeasurements of retirement benefit obligation and other reserves as shown in the consolidated statements of financial position.

The Group's borrowings include compliance with certain ratios (Note 10).

Further, under Republic Act (R.A.) No. 9707, the Parent Company is mandated to offer at least 30% of its outstanding share capital or a higher percentage that may hereafter be provided by law in any securities exchange in the operations in compliance with the constitutional provision to encourage public participation in public utilities (the "Converge Public Offering"), which shall occur within five years from the commencement of operations of the Parent Company pursuant to Section 16 of R.A. No. 9707 otherwise, the franchise may be revoked. Nevertheless, under Section 17 of R.A. No. 9707, which provide that "any advantage, favor, privilege, exemption or immunity granted under existing franchises for telecommunications system, or which may hereafter be granted, shall ipso facto become part of this franchise and shall be accorded immediately and unconditionally to the herein grantee", the applicable period for the Converge Public Offering is in fact ten years from the commencement of operations of the Parent Company. Considering that at least two legislative franchises granted in June 1998 under R.A. No. 8645 for Mindoro Telecommunications Corporation and R.A. No. 8678 for Sear Telecommunications Inc. provide that the public offering requirement of least 30% of their outstanding share capital or higher percentage be undertaken within 10 years from commencement of operations, the period for the Converge Public Offering should likewise be deemed automatically extended from five years to ten years. On June 18, 2020, in reply to the letter from the Parent Company requesting for clarification on this matter, the National Telecommunications Commission confirmed that the applicable period for the Converge Public Offering is 10 years from commencement of the Parent Company's operations in 2012. As at December 31, 2023, the Parent Company has reached 30.91% public float (2022 - 30.90%).

25 Summary of material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

25.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention except for financial asset at FVTPL and retirement benefit plan where plan assets are measured at fair value.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 23.

25.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing January 1, 2023:

- *Amendments to PAS 1 and PFRS Practice Statement 2 - Disclosure of Accounting Policies*

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the PFRS Practice Statement 2 *Making Materiality Judgments* was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The effects of adoption of amendments to PAS 1 and PFRS 2 Practice Statement 2 as at January 1, 2023 are considered in the Summary of material accounting policies (Note 25).

(b) New and amended standards not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

25.3 Financial assets

25.3.1 Classification

The Group classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and (b) those to be measured at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at amortized cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI). The Group's financial assets at amortized cost category include cash and cash equivalents, trade and other receivables and due from related parties.

The Group's financial asset at FVTPL consists of debt instruments in the form of exchangeable bonds for which the SPPI test was not met. The Group did not hold financial assets at fair value through OCI during and as at December 31, 2023 and 2022.

The Group's financial assets are detailed in Note 24.1.

25.3.2 Measurement

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is recognized using the effective interest rate method.

Changes in the fair value of financial assets at FVTPL are recognized in profit or loss.

Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income/expenses together with foreign currency exchange gains and losses.

25.3.3 Impairment

The Group assesses on a forward-looking basis the ECL associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented separately in the consolidated statement of total comprehensive income.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL. The expected loss rates are based on the payment profiles of subscribers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

General approach

Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

25.3.4 Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

25.4 Financial liabilities

25.4.1 Classification

The Group classifies its financial liabilities at amortized cost.

The Group's financial liabilities at amortized cost consist of trade and other liabilities (excluding deferred output VAT, amounts payable to government agencies and provision for probable losses), due to related parties, subscriber deposits, borrowings and lease liabilities.

25.4.2 Measurement

The Group's financial liabilities are measured at amortized cost using the effective interest method. Any difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognized in profit or loss.

25.5 Determination of fair value

The Group's financial asset at FVTPL representing investment in exchangeable bonds issued by a related party is carried at fair value determined based on Level 3 category. The fair value measurement of investment in exchangeable bonds was computed based on the discounted value of future cash flows using the applicable BVAL rates adjusted for the issuer's credit spread and premium on the embedded exchange option. Disclosure of valuation method, significant inputs to the valuation, and sensitivity analysis relating to the exchangeable bonds are disclosed in Note 24.2.2 (b) cash flow and fair value interest rate risks.

The carrying value of the financial assets and liabilities classified as current approximates its fair values as the impact of discounting is not considered significant as these financial assets and liabilities generally have short-term maturities. The fair value of long-term borrowings also approximates its carrying value as the nominal interest rates approximate market interest rates.

25.6 Common control business combinations

A business combination is a common control combination if (a) the combining entities are ultimately controlled by the same party (or parties) both before and after the combination; and (b) common control is not transitory. Common control combinations are not restricted to combinations between entities that are part of the same group. Entities controlled by the same individual shareholder (or group of shareholders acting together in accordance with a contractual concert arrangement) are also regarded as under common control.

Common control business combinations are excluded from the scope of PFRS 3, Business Combinations. However, there are no specific rules under existing PFRS which prescribe how such transactions shall be accounted for. In August 2011, the PIC issued Question and Answer (Q&A) No. 2011-02, PFRS 3.2 - Common Control Business Combinations, to provide guidance in accounting for common control business combinations in order to minimize diversity in the current practices until further guidance is provided by the International Accounting Standards Board (IASB).

The consensus in Q&A No. 2011-02 provides that common control business combinations shall be accounted for using either (a) the pooling of interests method, or (b) the acquisition method in accordance with PFRS 3. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity.

In accordance with PIC Q&A No. 2011-02, the Parent Company's acquisitions of businesses under common control are accounted for using either the acquisition method or the pooling of interest method, depending on the specific circumstance of the acquisition.

The Group applied the pooling of interest method when it acquired Myriad and Cyan. Refer to Notes 1.5 and 1.6 for details of management's assessment.

There are no acquisitions accounted for under the acquisition method as at and for each of the years ended December 31, 2023 and 2022.

Pooling of interest method

In September 2012, PIC issued PIC Q&A No. 2012-01, PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, to provide guidance in applying the pooling of interests method once this method is selected by an entity to account for the common control business combination (after considering the guidance in PIC Q&A 2011-02).

The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No 'new' goodwill is recognized as a result of the combination. Any difference between the consideration paid or transferred and the equity 'acquired' is reflected within retained earnings and other equity reserves.
- The consolidated statement of total comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined.

25.7 Cash and cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

25.8 Network materials and supplies

Network materials and supplies which include installation materials and cable wires are measured initially at cost. Cost is determined using the moving average method.

Provision for obsolescence is provided for damaged, obsolete and slow-moving network materials and supplies based on physical inspection and management evaluation. Network materials and supplies and the related allowance for obsolescence are written-off when the Group has determined that the network materials and supplies is damaged, obsolete or has become slow-moving for a specified period of time. Write-offs represent the release of previously recorded provision using the allowance account and credited to the related inventory account following the disposal of network materials and supplies. Reversals of previously recorded provision are charged to profit or loss as credit to cost of services based on the result of management's update assessment, considering the available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Network materials and supplies are derecognized when these are sold, issued for installation at subscriber's premises, used for repairs and maintenance or used in construction of certain property, plant and equipment. The carrying amount of network materials and supplies issued for installation at subscriber's premises is capitalized as deferred contract costs (Note 25.15.1). Upon issuance for ordinary repairs and maintenance of the network, network materials and supplies are derecognized and reported as part of network materials and supplies used within cost of services. Upon issuance for construction of certain property, plant and equipment, assets are also derecognized and transferred as part of assets under construction.

25.9 Claims for input VAT and prepaid taxes

Claims for input VAT and prepaid taxes are stated at face value less provision for impairment, if any. Provision for unrecoverable input VAT, if any, is maintained by the Group at a level considered adequate to provide for potentially uncollectible portion of the claim. The Group, on a continuing basis, reviews the status of the claim designed to identify those that may require provision for impairment losses.

A provision for unrecoverable input VAT and prepaid taxes is established when there is objective evidence that the Group will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Claims for input VAT and prepaid taxes is derecognized when actually collected, applied against taxes due or disallowed by tax authority.

25.10 Intangible assets, net

Definite lived intangible assets are amortized using the straight-line method over the following estimated useful lives:

	In years
Customer list	10
Telecommunication franchise	25
Software and licenses	5

25.11 Property, plant and equipment, net

Depreciation and amortization are computed on the straight-line method over the following estimated useful lives of the property, plant and equipment:

	In years
Outside plant	25
Inside plant and facilities	8
Customer premise equipment	3
Transportation and heavy equipment	4-5
Office equipment and furniture	5
Tools and facility equipment	5
Leasehold improvements	Lease term or 5 (whichever is shorter)

25.12 Impairment of non-financial assets

Non-financial assets that have definite useful lives, such as property, plant and equipment, intangible assets and right-of-use assets are subject to depreciation or amortization and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use requires the Group to make estimates of future cash flows to be derived from the particular asset and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset.

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group's intangible assets that have indefinite useful life pertain to an acquired franchise.

Impairment losses, if any, are recognized in profit or loss within other expenses in the consolidated statement of total comprehensive income. Non-financial assets that have been impaired are reviewed for possible reversal of the impairment at each reporting period. When impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset or cash-generating unit in prior years. Reversals of previously recorded impairment provisions are credited against provision account in profit and loss.

25.13 Equity

Share capital and additional paid-in capital

The Group's share capital is composed of common and preferred shares with par or stated value. The amount of proceeds from the issuance or sale of shares representing the aggregate par or stated value is credited to share capital. Proceeds in excess of the aggregate par or stated value of shares, if any are credited to additional paid-in capital. Incremental cost directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax.

There are no issued preferred shares as at and for the years ended December 31, 2023 and 2022.

Retained earnings

Retained earnings pertain to the accumulated profit from the operations of the Group.

Appropriation of retained earnings is recognized based on the provisions of the Corporation Code of the Philippines and by approval of the Group's BOD. The Group's BOD release retained earnings from appropriation when the purpose of such appropriation has been completed.

Treasury shares

Treasury shares are shares of the Group that were reacquired under the Group's share buy-back program. No gain or loss are recognized on the purchase, sale, issue or cancellation of such shares. Treasury shares are deducted from equity and is presented as a separate line item in the consolidated statement of financial position.

25.14 Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's BOD.

25.15 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a product or service to a customer.

The following is a description of principal activities from which the Group generates its revenue.

25.15.1 Service revenues

Revenues are principally derived from providing the following telecommunications services: data services from internet and installation and corporate services including network service solutions. When determining the amount of revenue to be recognized in any period, the overriding principle followed is to match the revenue with the provision of service. Services may be rendered separately or together with goods or other services.

The specific recognition criteria are as follows:

Subscribers

Postpaid service arrangements include fixed monthly charges generated from postpaid data services through postpaid plans primarily from data and other network services and leased line services. Services provided to postpaid subscribers are billed throughout the month according to the billing cycles of subscribers. Fees are recognized over time based on a straight-line or monthly basis as services are provided essentially on a pro-rata basis and the terms of the contract support monthly basis accounting. Services availed by subscribers in addition to these fixed fee arrangements are charged separately and recognized as the additional service is provided or as availed by the subscribers.

Non-recurring upfront fees such as installation fees charged to subscribers for connection to the Group's network are deferred and recognized as revenue over the term of the subscription contract. The related incremental costs are similarly deferred and recognized over the same period in the Group's consolidated statement of total comprehensive income, if such costs are expected to be recovered.

Subscriptions to prepaid promotional offers are recognized as service revenue over the promotional period.

Contract assets and liabilities

Subscription and other service fees are normally billed according to the bill cycle of a subscriber. The subscriber pays the fixed amount based on the bill cycle. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as deferred revenue. The contract assets are transferred to trade receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Proceeds from sale of prepaid load subscription, net of any discounts given, are recognized as contract liabilities and presented as deferred revenues. These are recognized as revenue upon actual usage or upon the expiration of the subscription period, which coincides with the lapse of the subscription service.

Deferred contract costs

Incremental costs to obtain a contract with customers such as subscriber acquisition costs and costs to fulfill the contract such as installation costs are capitalized as deferred contract costs if the Group expect to recover those costs. Deferred contract costs are stated at cost less accumulated amortization and impairment losses. Deferred contract costs are amortized on a straight-line basis over the term of the subscription period of up to two years from the date of activation of the subscription. Amortization of deferred contract costs are presented as part of cost of services in profit or loss.

Impairment losses are recognized to the extent that the carrying amount of the deferred contract costs exceed the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

25.15.2 Non-service revenues

Revenues from sale of materials, accessories and other peripherals are recognized at the point in time when the goods are delivered. The related cost or net realizable value of these materials, sold to subscribers are presented as part of cost of services in the consolidated statement of total comprehensive income.

25.15.3 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. Interest income from bank deposits is presented net of applicable tax withheld by the banks.

25.15.4 Other income

Other income is recognized when earned.

25.16 Employee benefits

(a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Retirement benefit obligation

The Group has a defined benefit retirement plan in accordance with the local conditions and practices in the Philippines. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability (or asset) recognized in the consolidated statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Philippine Peso, the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement obligation.

When the Company has a surplus in a defined benefit plan, the Company measures the net defined benefit asset at the lower of the surplus in the defined benefit plan, and the asset ceiling determined using the same discount rate in determining the present value of defined benefit obligations. The amount of the asset recognized should not exceed the aggregate of the present values of any refunds expected from the plan; and any expected reduction in future contributions arising from the surplus.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Past-service costs and gain or losses on settlements are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in profit or loss.

(c) Share-based compensation

The Group provides long-term incentives to certain executive officers, employees and other eligible participants in the form of share options.

The fair value of options granted is recognized as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

25.17 Leases

25.17.1 Where the Group is the lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(i) Measurement of lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

(ii) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(iii) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

(iv) Agreements for the use of connectivity networks

Agreements for the use of connectivity networks where the Group has the right to use specified wavelengths meet the definition of an intangible asset. As allowed by PFRS 16, the Group treats such arrangements as containing lease of intangible assets and are recognized as part of right-of-use assets (within network assets and co-located sites) in the consolidated statement of financial position.

Agreements where the Group uses only a portion of capacity of the cable which is not physically distinct from the remaining capacity of the cable, does not represent substantially all of the capacity of the cable and where the Group has no right to use a specific wavelength are treated as arrangements for the delivery of a service.

25.17.2 Where the Group is the lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments received are recognized as an income on a straight-line basis over the lease term.

Leases in which substantially all the risks and rewards of ownership are transferred to the lessee are classified as finance leases. When assets are leased out under a finance lease, the net investment in the lease is recognized as a finance lease receivable. Net investment in the lease is equal to the minimum lease payments receivable by the lessor discounted at the interest rate implicit in the lease at the inception date plus any unguaranteed residual value accruing to the lessor. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.

Finance lease income is recognized over the term of the lease using the effective interest method, which reflects a constant periodic rate of return.

25.17.3 Sale and leaseback transactions where the Group is the buyer-lessor

A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. When a seller-lessee has undertaken a sale and lease back transaction with a buyer-lessor, both the seller-lessee and the buyer-lessor must first determine whether the transfer qualifies as a sale. This determination is based on the requirements for satisfying a performance obligation in PFRS 15 'Revenue from contracts with customers'. If the transfer qualifies as a sale and the transaction is on market terms, the buyer-lessor accounts for the purchase in accordance with the applicable standards (e.g. PAS 16 'Property, plant and equipment' if the asset is property, plant or equipment or PAS 40 'Investment property' if the property is investment property). The lease is then accounted for as either a finance lease or an operating lease using PFRS 16's lessor accounting requirements. Adjustments are required if consideration for the sale is not at fair value and/or payments for the lease are not at market rates. These adjustments result in recognition of:

- a prepayment to reflect below-market terms
- additional financing provided by the buyer-lessor to the seller-lessee to reflect above-market terms.

If the transfer does not qualify as a sale the parties account for it as a financing transaction. This means that the buyer-lessor has not purchased the underlying asset and therefore does not recognize the transferred asset on the consolidated statement of financial position. Instead, the buyer-lessor accounts for the amounts paid to the seller-lessee as a financial asset in accordance with PFRS 9. From the perspective of the buyer-lessor, this arrangement is a financing transaction.

25.18 Provisions and contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in profit or loss.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized in the consolidated statement of financial position.

Provisions are derecognized when the related legal or contractual obligation is discharged, cancelled or expired.

25.19 Current and deferred income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the uncertainty.

DIT assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

25.20 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

SUPPLEMENTARY SCHEDULES AS REQUIRED BY THE REVISED SRC RULE 68
DECEMBER 31, 2023

Schedules	Description
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements
D	Long Term Debt
E	Indebtedness to Related Parties (Long-Term loans from Related Companies)
F	Guarantees of Securities of Other Issuers
G	Share Capital
	Schedule of Financial Soundness Indicator
	Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
	A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

**SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023**

Name of issuing entity and association of each issue	Principal amount of bonds and notes	Amount shown in the consolidated statement of financial position	Income received and accrued
Financial assets at amortized cost			
Cash in banks	-	6,807,424,343	2,673,035
Short-term placements	-	6,877,751,288	371,514,478
Cash on hand	-	8,970,807	-
Total cash and cash equivalents		13,694,146,438	374,187,513
Trade and other receivables, gross		5,940,000,071	10,138,870
Due from related parties	-	362,337,764	-
		19,996,484,273	384,326,383
Financial assets at fair value through profit or loss			
Pentastar Holding Co. Inc.	104,510,000	53,404,739	4,018,990
Total financial assets	104,510,000	20,049,889,012	388,345,373

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023**

Name and Designation of debtor Advances to directors, officers and employees*	Balance at the beginning of period	Additions/ Reclassifications	Collection/ Reclassifications	Amounts written off	Current	Non-current	Balance at the end of the period
	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trade and other receivables							
Pentastar Holding Co. Inc.	6,119,880	4,018,990	-	-	10,138,870	-	10,138,870
	6,119,880	4,018,990	-	-	10,138,870	-	10,138,870
Due from related parties							
Pentastar Holding Co. Inc.	32,012,416	-	(32,012,416)	-	-	-	-
Comclark Network & Tech. Corp.	271,328,751	173,267,795	(310,593,059)	-	134,003,487	-	134,003,487
Telstra Converge Inc., and Asia Netcom Philippines Corporation Pacific Kabelnet Holding Co. Inc. and affiliates	48,821,621 414,329,113 766,491,901	3,871,827 24,868,178 202,007,800	(51,741,916) (211,814,546) (606,161,937)	- - -	951,532 73,871,318 208,826,337	- 153,511,427 153,511,427	951,532 227,382,745 362,337,764
Total Due from related parties							

*As required by SRC Rule 68, this schedule shall be filed with respect to each person among the directors, officers and employees from whom an aggregate indebtedness of more than P1 million or one percent (1%) of total assets, whichever is less, is owed for items arising outside the ordinary course of business. There were no advances with respect to each person among the directors, officers and employees amounting to more than P1 million outside the ordinary course of business as of DECEMBER 31, 2023.

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING
THE CONSOLIDATION OF THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Name and designation of debtor	Balance at the beginning of period	Additions/ Reclassification	Collections/ Reclassification	Amounts written off	Current	Non- current	Balance at the end of the period
Converge Information and Communications							
Technology Solutions, Inc.	1,313,612,783	1,212,801,004	(1,550,766,693)	-	975,647,094	-	975,647,094
Meitroworks ICT Construction, Inc.	13,293,860	43,348,139	(35,253,327)	-	21,388,672	-	21,388,672
Pentagon Holding Co. Inc.	598,353	198,495,000	(598,353)	-	198,495,000	-	198,495,000
Converge ICT Solutions (Global) Limited	-	5,287,225	(2,018,193)	-	3,269,032	-	3,269,032
Converge ICT Singapore Pte. Ltd.	872,917	220,124,853	(429,680)	-	220,568,090	-	220,568,090
Myriad ICT Services, Inc	11,515,616	59,417,775	(4,293,394)	-	66,639,997	-	66,639,997
Cyan Azurite Properties and Development Corp.	-	628,247,354	(93,750,000)	-	534,497,354	-	534,497,354
	1,339,893,529	2,367,721,350	(1,687,109,640)	-	2,020,505,239	-	2,020,505,239

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

SCHEDULE D - LONG TERM DEBT

DECEMBER 31, 2023

Title of Issue and type of obligation	Amount authorized by indenture	Current portion of long-term debt	Non-current portion of long-term Debt	Notes
Bank Borrowings	-	997,091,060	1,998,454,342	Interest rate ranges from 4.92% to 5.25% per annum based on prevailing market interest rate
Bank Borrowings	-	2,577,814,022	11,709,550,030	Payable in equal quarterly installments starting March 23, 2022 and matures on December 23, 2026 Interest rate ranges from 3.98% to 5.58% per annum based on prevailing market interest rate.
Bank Borrowings	1,500,000,000	-	-	Payable in equal quarterly installments in different tranches starting February 26, 2023 matures on November 27, 2027; August 06, 2023 and matures on August 6, 2028; and May 3, 2024 and matures on February 3, 2029. Interest rate based on prevailing market interest rate subject to quarterly repricing
Bank Borrowings	-	169,665,338	-	Available for withdrawal until January 31, 2025 As at December 31, 2023, there is no outstanding balance from this facility Interest rate is at 4.50% per annum up to the date of maturity
Bank Borrowings	-	992,572,689	3,488,579,740	The loan will mature on March 07, 2024. Interest rate ranges from 4.40% to 4.54% per annum Payable in equal quarterly installments starting September 16, 2023 and matures on June 16, 2028
Bank Borrowings	4,000,000,000	198,659,943	697,838,532	Interest rate at 4.5% per annum Payable in equal quarterly installments starting September 1, 2023, matures on June 1, 2028

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

**SCHEDULE D - LONG TERM DEBT, CONT'D
DECEMBER 31, 2023**

Title of Issue and type of obligation	Amount authorized by indenture	Current portion of long-term debt	Non-current portion of long-term Debt	Notes
Bank Borrowings	-	-	498,109,164	Interest rate is at 7.0847% fixed until maturity. Payable in equal quarterly installment starting June 06, 2025 As at December 31, 2023 the unused credit line of P2.5 billion was permanently expired
Bank Borrowings	-	296,870,770	1,693,473,710	Interest rate is at 6.44% per annum fixed until maturity Payable in equal quarterly installments starting June 18, 2024, matures on March 18, 2029
Bank Borrowings	-	17,268,326	-	Interest rate ranges from 8.50% to 9.00%
Bank Borrowings	-	8,245,871	-	Interest rate ranges from 8.50% to 9.00%
Fixed Rate Bond	10,000,000,000	-	534,731	Interest rate ranges from 8.50% to 9.00%
			9,898,855,941	Fixed Interest rate at 5.59% and matures on April 08, 2027.
	15,500,000,000	5,258,188,019	29,985,396,190	

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED
COMPANIES)
DECEMBER 31, 2023

Name of related party	Balance at beginning of the period	Balance at the end of the period
N/A	N/A	N/A

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

**SCHEDULE G - SHARE CAPITAL
DECEMBER 31, 2023**

Title of issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common shares at P0.25	16,900,000,000	7,266,573,061	36,648,000	5,020,175,013	222,832,145	N/A
Preferred shares at P0.25	3,060,000,000	-	-	-	-	N/A
Preferred B shares at P0.0025	4,000,000,000	-	-	-	-	N/A

**CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND
SUBSIDIARIES**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR
DECEMBER 31, 2023**

	December 31, 2023	December 31, 2022
Current ratio ^a	0.9x	0.9x
Acid test ratio ^b	0.7x	0.6x
Solvency ratio ^c	0.5x	0.4x
Debt-to-equity ratio ^d	0.8x	1.1x
Asset-to-equity ratio ^e	2.2x	2.7x
Interest rate coverage ratio ^f	10.4x	11.2x
Debt service coverage ratio ^g	2.4x	3.9x
Net debt/ EBITDA ^h	1.0x	1.4x
Earnings per share (PHP) ⁱ	1.25	1.01
Book value per share ^j	6.23	4.97
Return on Assets ^k	8.91%	8.27%
Return on Equity ^l	20.73%	20.89%
Net profit margin ^m	25.73%	22.08%

^aCurrent assets / Current liabilities

^bCash and cash equivalents + Trade and other receivables, net + Due from related parties
(current portion) / Current liabilities

^cLast twelve months' ("LTM") net operating profit after tax + LTM depreciation and amortization /
Loans payable

^dLoans payable / Total equity

^eTotal assets / Total equity

^fLTM Earnings before interest, taxes, depreciation and amortization / LTM interest expense

^gParent Company's LTM earnings before interest, taxes, depreciation and amortization / Parent Company's
LTM annual debt service requirements due over the same corresponding period which are the interests,
principal and lease payments

^hLoans payable less cash and cash equivalents/ LTM earnings before interest, taxes, depreciation and
amortization

ⁱNet income attributable to ordinary equity holders of the Parent Company / Weighted average number of ordinary
shares

Earnings per share information have been retroactively adjusted to reflect the stock split

^jTotal equity less Preferred Equity / Total number of shares outstanding

Book value per share information have been retroactively adjusted to reflect the stock split

^kNet income attributable to owners of the Parent Company / Average total assets

^lNet income attributable to owners of the Parent Company / Average total equity

^mNet income / Revenues

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration

For the year ended December 31, 2023

(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year	23,171,594,825
Add: Category A: Items that are directly credited to Unappropriated retained earnings	
Reversal of Retained earnings appropriation/s	-
Effect of restatements or prior-period adjustments	-
Others (describe nature)	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings	
Dividend declaration during the reporting period	-
Retained earnings appropriated during the reporting period	(14,000,000,000)
Effect of restatements or prior-period adjustments	-
Others (describe nature)	-
	(14,000,000,000)
Unappropriated Retained Earnings, as adjusted	9,171,594,825
Add/Less: Net Income (loss) for the current year	9,386,284,312
Less: Category C.1: Unrealized income recognized in the profit or loss during the year (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	(248,085,479)
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	(3,601,853)
Unrealized fair value gain of investment property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
	(251,687,332)
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	8,499,762
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Realized fair value gain of Investment property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
	8,499,762

(continued)

Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	-
Adjusted net income/loss		9,143,096,742
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	48,407,419	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others (describe nature)	-	48,407,419
Total Retained Earnings, end of the year available for dividend declaration		18,363,098,986

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries
A Map Showing the Relationships between and among the Company and its
Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsiidiaries and Associates
DECEMBER 31, 2023

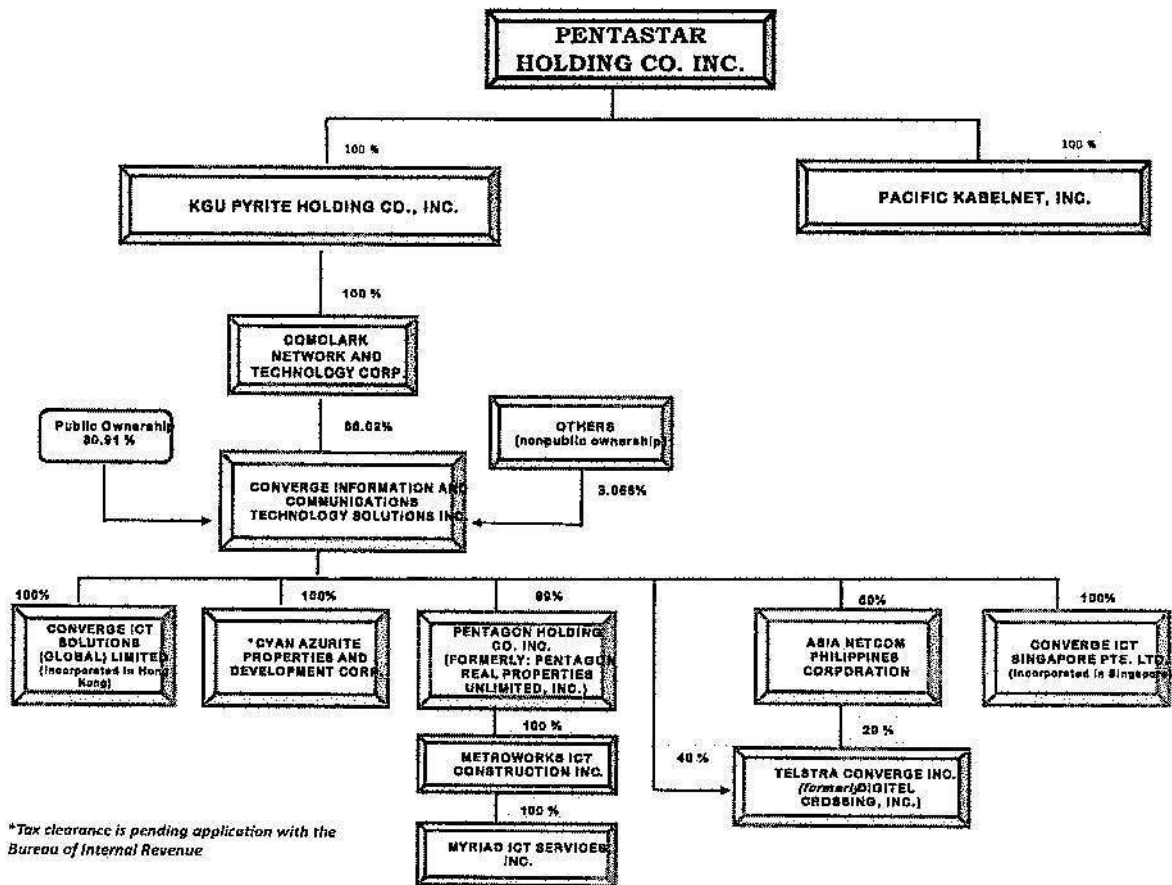




Exhibit 2

Converge Information and Communications Technology Solutions, Inc.

2023 Sustainability Report



LEAVE NO ONE BEHIND

Sustainability Report 2023



About This Report

GRI 2-3, 2-5

Our fourth annual Sustainability Report covers relevant discussions and disclosures on the positive and negative economic, environmental and social impacts of Converge Information and Communications Technology Solutions, Inc. (Converge) and its subsidiaries' performance from January 1 to December 31, 2023. This report details significant events and sustainability-related initiatives undertaken by Converge during the year. It highlights the Company's contributions to support national development programs, such as the Philippine Development Plan (PDP) 2023-2028 and AmBisyon Natin 2040. It also features our alignment and contributions to the global sustainability targets of the United Nations Sustainable Development Goals (UN SDGs).

As Exhibit 2 of the Philippines' Securities and Exchange Commission (SEC) Form 17-A Annual Report, the report complies with Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for Publicly-Listed Companies) and must be read in conjunction with the main Form 17-A filing.

Converge has reported in accordance with the Global Reporting Initiative (GRI) Standards 2021 for the period from January 1 to December 31, 2023. The report is also aligned with AA1000 AccountAbility Principles (2018) of Inclusivity, Materiality, Responsiveness and Impact, and includes disclosures recommended under the Telecommunications Sustainability Accounting Standard (Version 2023-06) of the Sustainability Accounting Standards Board (SASB). We have also reported information with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This year, we also referred to the recently released International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards S1 and S2,

disclosing relevant information where possible, in preparation for a full adoption next year. All indexes for our GRI, SASB and TCFD disclosures are included in the Data and Disclosures section of this report.

External Assurance

GRI 2-4

As approved by our President and Chief Risk Officer, we have engaged SGS Philippines, Inc. to provide independent assurance on our 2023 Sustainability Report. The Board Risk Oversight Committee (BROC) and the Audit Committee were apprised of the selection process and decision. Further details can be found in the assurance report on page 70.

Forward Looking Statements

This Sustainability Report contains forward-looking statements and information that are, by their nature, subject to significant risks, uncertainties, and assumptions. These statements typically include words such as 'aims,' 'believes,' 'expects,' 'anticipates,' 'intends,' 'plans,' 'foresees,' 'seeks,' 'may,' 'might,' 'can,' 'could,' 'will,' 'would,' 'shall,' 'should,' 'is/are likely to,' or other words or phrases of similar import. Similarly, statements that describe Converge's objectives, plans, or goals are also forward-looking statements, including statements regarding our sustainability targets, goals, commitments, and programs, as well as other business plans, initiatives, and objectives.

Actual results in our sustainability performance could differ materially from those contemplated by the relevant forward-looking statement. Our actual future results, including the attainment of our targets, goals, or commitments, may vary significantly from

our projected results due to changes in circumstances, unrealized assumptions, or other known and unknown risks. Key factors impacting Converge's actual sustainability results may include economic and business conditions in the Philippines; slower than expected implementation of key government policies related to climate change mitigation; inability to implement our sustainability strategy; damage to our network from natural disasters; cyber attacks; disruption of our key suppliers and business partners' operations; changes in the legal and regulatory environment; political landscape shifts; and evolving environmental, social, and governance (ESG) standards and expectations.

The forward-looking statements included herein are made only as of the date of this report, and Converge undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

Feedback

For queries and feedback on Converge sustainability-related initiatives and overall performance, send us an email via sustainability@convergeict.com.

To download a digital copy of this report as well as our past reports, visit the Converge Website: <https://cnvrge.co/Sustainability>

Table of Contents



02 Converge Group 2023 Sustainability Highlights

03 Corporate Overview

- 03 Company Profile
- 05 Activities, Value Chain, and Other Business Relationships

06 Sustainability at Converge

- 07 Joint Statement (Chairman of the Board Risk Oversight Committee, CEO, and President)
- 09 Message from the Chief Sustainability Officer
- 10 Approach to Sustainability
- 13 Stakeholder Engagement
- 16 Policy Commitments
- 17 Material Topics

20 Delighting customers...

- 21 Customer Privacy and Data Security
- 23 Converge holds 2023 Data Privacy Breach Drill simulation
- 24 Customer Welfare

28 ...by taking care of our own

- 29 Workforce Welfare
- 34 Converge Connectors Circle 2023: Converge introduces new batch of employee brand ambassadors
- 35 Diversity, Equity and Inclusion
- 37 Supplier Social Assessment

38 Operating a responsible company and leading with integrity and good governance

- 39 Anti-Corruption
- 40 Converge makes leaps in corporate governance, garners three arrows in ASEAN Corporate Governance Scorecard
- 41 Competitive Behavior and Open Internet
- 43 Climate Adaptation and Resilience

49 Giving back to our planet

- 50 Energy and Emissions
- 53 Waste Management

- 55 Converge launches #BawalAngPlastik campaign, urges employees to reduce plastic consumption

- 56 Supplier Environmental Assessment

57 Creating a positive community impact

- 58 Access to Information and Communications
- 60 Economic Contributions
- 61 Converge powers-up ICT learning center in Mindoro
- 62 Local Sourcing and Supplier Support

63 Appendix

- 64 Glossary of Material Topics
- 66 Glossary of Terms, Abbreviations, and Acronyms
- 67 Glossary of Visuals
- 69 Restatements of Information
- 69 Bibliography
- 70 External Assurance Report
- 72 Data and Disclosures
- 72 About the Theme

Converge Group 2023 Sustainability Highlights

Customer Privacy and Data Security

0 Customer data breaches

Climate Adaptation and Resilience

Disaster Risk Reduction Management Course Completion



Workforce Welfare

Launch of EPIC Awards



Diversity, Equity and Inclusion

Signatory for the Women Empowerment Principles (WEPs)



Customer Welfare

32% ↓

Improvement in Customer Average Interruption Duration vs. 2022

Awards and Achievements



Fastest Internet Service Provider in the Philippines Ookla® Speedtest Awards™



Broadband Telecom Company of the Year, Philippines 2023

Energy and Emissions

23% ↓

Reduction in Network Energy Intensity vs. 2022

Waste Management

Converge EPR Program establishment

1,333 kg of plastic waste repurposed into eco-cast material

Anti-Corruption

ASEAN Corporate Governance Scorecard Golden Arrow Awards: Three Arrows



ESG RATINGS



In May 2023, Converge received an improved rating of 'A', compared to its 2022 rating of 'BBB'.

In October 2023, Converge Information and Communications Technology Solutions, Inc. received an ESG Risk Rating of 19.6 and was assessed by Sustainalytics to be at LOW risk of experiencing material financial impacts from ESG factors



S&P Global CSA Score 2023

Converge received an improved CSA score of 50 in 2023, compared to its 2022 score of 40.



Score:

C

Awareness-Level Engagement

Corporate Overview

Company Profile

GRI 2-1, 2-2, 2-6, 2-7, 2-8, 2-28

Converge is the Philippines' fastest-growing fiber-powered data network and internet service provider (ISP). We take pride in being the country's exclusive dedicated high-speed fixed broadband ISP, offering optical fiber-based services that outpace the speed and bandwidth of copper-based and wireless alternatives.

Established in 2007, Converge has been publicly traded on the Philippine Stock Exchange since October 2020 (ticker symbol "CNVRG"). Our primary focus is on providing internet and connectivity solutions to both residential and business customers. The network construction is overseen by our subsidiary, MetroWorks ICT Construction, Inc. In 2022, MetroWorks acquired 100% of Myriad ICT Services, Inc. (Myriad) shares. Myriad provides manpower services for subscriber line installation and repair operations.



MISSION

Delighting our customers by taking care of our own



VISION

World-class ICT organization that empowers people, businesses, and the nation to be their best



VALUES

Integrity
Customer Focus
Teamwork
Empowerment
Excellence
Velocity



Legal Name of Organization

Converge Information and Communications Technology Solutions, Inc.



Registered Business Address

New Street Building
Mc Arthur Highway, Balibago
Angeles City
2009 Pampanga, Philippines



Administrative Center

Reliance IT Building
99 E. Rodriguez Jr. Ave., Brgy. Ugong
1604 Pasig City, Philippines



Ownership Structure

Our ownership structure can be found on our [corporate website](#).



Entities included in Sustainability Reporting and Countries of Operation, and Sectors (using SICS® – Sustainable Industry Classification System)

Philippines

Converge Information and Communications Technology Solutions, Inc.
TC-TL: Telecommunication Services

Pentagon Holding Co. Inc.
Holding Company

MetroWorks ICT Construction, Inc.
IF-EN: Engineering & Construction Services

Myriad ICT Services, Inc.
SV-PS: Professional and Commercial Services

Singapore

Converge ICT Singapore Pte Ltd.
TC-TL: Telecommunication Services

Hong Kong

Converge ICT Solutions Global Ltd.
(Non-operating)
SV-PS: Professional and Commercial Services



Workers

Employees - 3,379 employees
Workers who are not employees - Over 10,000 workers



Markets served

Primarily serves the Philippine market.
Also offers international connectivity to overseas customers through our international networks.

Business segments:
Residential, Enterprise, Wholesale



Downstream entities

- **Sales Channels:** Marketing Service Agencies, Converge Partner Outlets, Managed Service Providers, [ComClark Network and Technology Corp.](#) (parent company engaged in systems integration), e-commerce platforms
- **Customers:** residential and enterprise customers and their end-users, wholesale customers



Supply chain

- Network equipment and fiber optic cables suppliers
- Third-party contractors for network construction, repair and subscriber line installation
- Managed Service Providers
- Third-party contact centers
- [Pacific Kabelnet Holding Co., Inc.](#)
- Peering and other connectivity partners



Membership Associations

- [Fiber Network Council APAC](#)
- [UN Global Compact and UNGC Network Philippines](#)
- [Internet Watch Foundation](#)
- [Business for Sustainable Development](#)
- [IFRS \(International Financial Reporting Standards\) Sustainability Alliance](#)
- [Private Sector Advisory Council](#)
- [Institute of Corporate Directors \(ICD\)](#)
- [Net Zero Carbon Alliance \(NZCA\)](#)
- [Philippine Institute for Supply Management](#)
- [Taskforce on Nature-related Financial Disclosures \(TNFD\) Forum](#)
- [Private Sector Alliance for Disaster Resilient Societies \(ARISE\) Philippines](#)
- [Nordic Chamber of Commerce of the Philippines Sustainability Committee](#)



Products and Services

Scan the QR code below to access information about our [products and services](#).



Other Key Business Relationships

- Joint venture with Telstra International to operate and maintain two cable landing stations in the Philippines
- Partnership with Keppel Midgard Holdings Pte. Ltd. to participate in the Bifrost Cable System project which will connect Singapore to North America.
- Consortium with China Mobile International Ltd, China Unicom Global, and PPTCL SEA H2X Sdn. Bhd. to build the South-East Asia Hainan-Hongkong Express Cable System (SEA-H2X)

Activities, Value Chain and Other Business Relationships

GRI 2-6, 3-1

Growing the business, together: Transition to an MSP model

Converge's strategic transition to a Managed Service Provider (MSP) business model is a key enabler in offering a comprehensive suite of services while strengthening our localized presence nationwide. Within this dynamic business model, our MSPs handle functions such as trade marketing, installation and repair, sales and after-sales support, as well as warehousing and logistics. This approach improves our ability to meet local needs and benefits from the expertise of local entrepreneurs, resulting in customized solutions and better customer experiences across diverse regions.

To strengthen our commitment to excellence and responsible business practices, we developed an MSP Playbook that serves as a guide to our partners on our performance expectations for critical processes and controls. This outlines the operational responsibilities and requirements from qualification to implementation. It also includes operational handbooks for day-to-day processes and guidelines for assessing business performance using key performance indicators. We are actively enforcing this playbook and extending key policies, such as employee policies, to our MSPs. This ensures shared high standards and promotes ethical and responsible business and employment practices across our ecosystem.



In line with our commitment to inclusivity and employee support, we remain steadfast in ensuring that no one is left behind during this organizational shift. We guarantee that all affected employees have received their due compensation, and all required procedures have been conducted in compliance with the law. Throughout the entire process, employees impacted by the transition have been consistently informed, and opportunities for continued employment within our MSPs have been provided. Moreover, we are dedicated to ensuring that all employees undergo a fair and lawful transition process as they move to our MSP partners.

SUSTAINABILITY AT CONVERGE



Joint Statement

GRI 2-22, IFRS S1.27



Amando M. Tetangco Jr.
Independent Director and
Board Risk Oversight Committee Chairman

Dennis Anthony H. Uy
Executive Director and
Chief Executive Officer

Maria Grace Y. Uy
Executive Director, President,
and Chief Risk Officer

Reflecting on our Progress: Milestones and Achievements in Sustainability

To our valued stakeholders,

At Converge, we embrace our role as a collaborative force for sustainable development. Our goal is to bridge the digital divide and foster economic inclusivity in response to the ever-evolving needs of our customers and investors. At the core of our mission is the adoption of environmentally-friendly fiber optic technology, delivering superior capacity and performance while minimizing energy consumption and carbon emissions. Moreover, our high-speed broadband access plays an important role in driving the digital transformation of commerce and industry, nurturing efficiency and innovation.

In 2023, Converge celebrated a year marked by achievements and recognitions for our sustainability efforts.

We are honored to receive the prestigious title of Broadband Telecom Company of the Year at the International Business Magazine Awards 2023, recognizing our commitment to expanding and enhancing digital infrastructure for both residential and business clients. Converge was also declared as the Fastest¹ Internet Service Provider in the Philippines, dominating the Ookla® Speedtest Awards™ in the second half of 2023, toppling competition which held the title for the past five years. We also received multiple awards including Best Internet Gaming Experience, Best Internet Video Experience, and Top-Rated Internet in the Philippines. Moreover, IBM honored us as the Best Internet Service Provider in the Philippines, highlighting our dedication to excellence and leadership in the telecom sector.

In the latest ASEAN Corporate Governance Scorecard (ACGS) review, Converge proudly received a Three-Arrow award, reflecting a higher commitment to corporate governance best practices and alignment with global standards. This marks significant progress from our previous One-Arrow award, demonstrating commendable improvements in our corporate governance compliance.

Building on our sustainability progress from 2022, we further strengthened our commitment by appointing Mr. Benjamin Azada as Chief Sustainability Officer in February 2023. With Benjamin at the helm and under the guidance of the Board Risk Oversight Committee, we reiterate our goal of embedding sustainable business practices into daily operations and decision-making.

¹ Based on analysis by Ookla® of Speedtest Intelligence® data for Q3-Q4 2023

Extending beyond routine business functions, we ensure that sustainability practices yield positive impacts for all stakeholders, with due consideration for both social and environmental impacts.

Also in 2023, Converge joined the Private Sector Alliance for Disaster Resilient Societies (ARISE) Philippines, aiming to ensure disaster resilience among communities. Additionally, we became a forum member of the Task Force on Nature-Related Financial Disclosures (TNFD). This membership enabled us to recognize the significance of nature and biodiversity in our business, integrating the Locate, Evaluate, Assess and Prepare (LEAP) assessment into our materiality review.

In March, Converge proudly became a signatory to the UN Women's Empowerment Principles (WEPs), a set of guiding principles for businesses aimed at empowering women in the workplace, marketplace, and community. These principles provide valuable guidance on fostering gender equality and advancing women's empowerment across various spheres of corporate engagement. Another significant stride in promoting diversity and women's empowerment was the appointment of former Senior Associate Justice Estela M. Perlas-Bernabe as an independent non-executive director to our Board of Directors. Her proficiency in legal policy contributes to the wisdom and promotes diversity within our leadership team, reflecting our commitment to cultivating an inclusive and equitable corporate environment.

As an active participant in the UN Global Compact (UNGC), we further demonstrated our commitment to transparency and accountability by submitting our first Communication on Progress (CoP) Questionnaire. This submission underscores our unwavering dedication to uphold the United Nations' Ten Principles and actively contribute to realizing the Sustainable Development Goals.

This year also marks the launch of the IFRS Sustainability Disclosure Standards S1 and S2, emphasizing the need for robust sustainability governance, strategies and reporting at Converge. In response, we updated our [Sustainability Policy](#) to emphasize our governance and strategic approach to sustainability and climate-related risks and opportunities. Additionally, we invested in an ESG Reporting Solution Platform to streamline our sustainability data and improve reporting efficiency. This includes strengthening controls over our sustainability reporting process to ensure accuracy and reliability. These efforts demonstrate our commitment to being a leader in sustainability practices and adapting to evolving standards, solidifying our position as a responsible corporate entity.

Looking ahead, Converge is well-positioned to harness emerging opportunities driven by consumer-centric trends. The dominance of video content and the thriving gaming sector, both major contributors to data consumption, offers us the chance to tailor our services to evolving consumer preferences. Additionally, with the anticipated surge in demand for Internet of Things (IoT) connectivity and the proliferation of IoT devices, we have the potential to establish ourselves as a key player in providing reliable IoT services for both consumers and businesses.

Converge also plays a key role in delivering the objectives outlined in the Philippine Development Plan (PDP) 2023-2028 as a leading broadband telecom company. Our efforts towards infrastructure development aligns with the broader aim of fostering inclusive growth.

We also brace ourselves for an array of challenges in the years ahead, including the escalating risks of cyber insecurity and cybercrime, changing consumer preferences, and heightened vulnerability of assets to severe climate events. The broader influence of regional geopolitical conflicts adds complexity to Converge's business environment.

To navigate these challenges effectively, we will continuously enhance our Enterprise Risk Management (ERM) framework to respond robustly to business risks and opportunities. The Board of Directors and Senior Management will work together to proactively address the dynamic landscape of risks and opportunities in the telecommunications industry.

Our strong commitment to providing reliable and sustainable internet services goes beyond receiving industry recognition. We align our efforts with the Sustainable Development Goals and the United Nations' aim for universal internet access by 2030, ensuring affordable digital services are accessible to everyone. Our active involvement in developing the country's vital telecommunications infrastructure not only supports national goals such as AmBisyon Natin 2040 and the Philippine Development Plan but also aligns with the UN's targets for achieving widespread and meaningful digital connectivity. As we move forward, Converge remains dedicated to sustainable practices, adapting to evolving standards, and contributing to a future where connectivity is inclusive and transformative.

Sincerely yours,

(signed)

Amando M. Tetangco Jr.
Independent Director and Board Risk
Oversight Committee Chairman

(signed)

Dennis Anthony H. Uy
Executive Director
and Chief Executive Officer

(signed)

Maria Grace Y. Uy
Executive Director, President,
and Chief Risk Officer

Message from the Chief Sustainability Officer

GRI 2-22

Charting a Sustainable Path Forward



Benjamin B. Azada
Chief Sustainability Officer

Dear stakeholders,

2023 was an eventful year in the realm of sustainability. In January, the Department of Environment and Natural Resources issued the implementing rules and regulations for the Extended Producer Responsibility Act, requiring large enterprises to recover 80% of their plastic waste by 2028. In March, the Intergovernmental Panel on Climate Change issued a “final warning” on the climate crisis, highlighting the urgent need for near-term action to avert irrevocable damage. In June, the International Sustainability Standard Board issued its first two sustainability disclosure standards, and this is now being considered for adoption in the Philippines.

Also, in November, the International Telecommunication Union’s Facts and Figures 2023 revealed that while fixed-broadband services account for over 80% of global Internet traffic, digital disparities continue to persist, owing to gender, urban-rural, and affordability barriers.

In this context, we stay true to our commitment to serve the unserved and underserved, bridging the digital divide to empower the Filipino people, while managing our social and environmental impact. Over the past three years, we have made significant progress in aligning with the UN Sustainable Development Goals. Our focus was aimed at expanding our broadband infrastructure and creating a robust fiber internet backbone connecting the nation’s main islands, focusing on development, inclusivity, and innovation (SDG 9).

In 2023, we have proudly surpassed our goal for network expansion of 15 million homes passed, and with the launch of Surf2Sawa and BidaFiber, we are further extending our high-speed internet service to the mass market. Our affordable products benefit underserved areas, and marginalized communities, contributing to poverty reduction (SDG 1). We provide equal access to technology, financial services, and online education by breaking down cost barriers (SDG 4). Indirectly, we are supporting economic growth and decent work (SDG 8) by enabling access to job opportunities and entrepreneurial resources.

Looking ahead, we are committed to enhancing digital connectivity and inclusive growth over the next three to five years. Our partnership with the government underscores our dedication to a secure digital future. We are actively contributing to making the Philippine Development Plan 2023-2028 a reality

by providing high-speed broadband services that facilitate efficient and faster service delivery to the public. Fostering a more connected society is also aligned with the [GoDigital Pilipinas](#) movement. We are also committed to contributing to the realization of an open, free, and secure digital future for all upon the anticipated agreement of the [UN’s Global Digital Compact](#) in 2024.

We are pleased to share that we have no reportable incidents of customer data breaches for 2023. This reflects the efforts of our Corporate Governance and Data Privacy team, alongside our Information Security team, to improve our processes, elevate our data hygiene, and intensify training programs, drawing on lessons from our past experiences.

We are also making progress towards our medium-term goal of achieving 40 training hours per employee by 2025. Additionally, we are advancing towards fostering a diverse and inclusive workplace, with targets set for 30% gender diversity and 10% generational diversity in our workforce by 2030.

Recognizing the urgency to address climate change as emphasized by the UN Climate Change Conference of Parties (COP) 28, we are continuing our efforts to reach Net Zero by 2050. In the near term, our focus is on reducing energy intensity of our network operations. Over the next three to five years, as more of our facilities qualify, we intend to leverage the Department of Energy’s (DOE) Retail Competition and Open Access (RCOA) program, expanding facilities powered by renewable energy. We will also explore the greater use of Internet of Things (IoT) technology and data analytics to further improve energy efficiency.

Our Zero Waste Campaign ensures proper disposal and refurbishment of customer premises equipment (CPE), aiming for zero waste to landfill by 2030. We have also successfully submitted and registered our Extended Producer's Responsibility (EPR) Program with the National Solid Waste Management Commission in support of this broader goal. We are also collaborating with suppliers and business partners to integrate sustainable practices into our value chain. Our focus includes engaging and educating partners on sustainable business practices, fostering a shared understanding of sustainability.

To ensure the transparency and credibility of our sustainability reporting, we are preparing to adopt the IFRS Sustainability Disclosure Standards S1 and S2 in our 2024 Sustainability Report. We have also provided feedback on the draft Memorandum Circular on the Revised Sustainability Reporting Guidelines for Publicly Listed Companies and the Sustainability Reporting (SuRe) Form presented by the Securities and Exchange Commission (SEC). As we anticipate its potential implementation, we are enhancing our capability to respond to these requirements and aim to comply to the extent feasible in future reporting cycles.

Our sustainability journey extends beyond reporting, integrating climate resilience into core business strategies for a sustainable and resilient future. As we continue shaping an inclusive and connective future, we express gratitude to our stakeholders, partners, and supporters for being part of this transformative journey. Together, we are making a lasting impact on people, our nation, and the Earth.

Sincerely yours,

(signed)

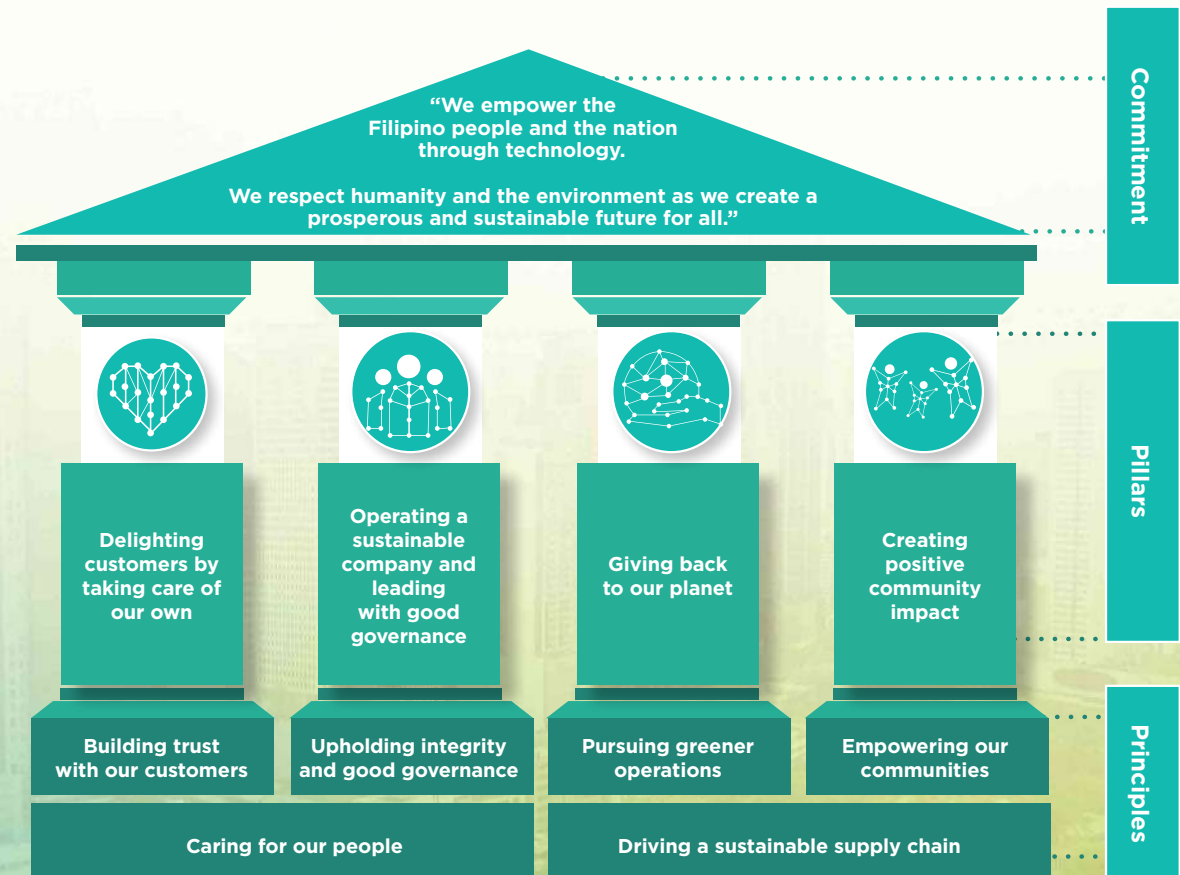
Benjamin B. Azada

Chief Sustainability Officer

Approach to Sustainability

GRI 2-24

Our sustainability framework, governed by our four Sustainability Pillars, shapes our approach towards fulfilling our overarching commitment:





In 2023, we formalized our [Sustainability Policy](#) to provide a framework for decision-making and management throughout the organization, encompassing initiatives in the economic, environmental, social, and governance domains.

Our sustainability commitment and pillars serve as the compass for establishing the company's long-term, short-term, and annual [sustainability targets](#), subject to annual review and alignment with the operational strategy. Our sustainability ambition is further integrated into our annual operating plans, where individual business units develop projects and initiatives to advance our sustainability objectives.

Within our corporate performance management process, we incorporate key performance indicators (KPIs) aligned with our sustainability targets and commitments. These KPIs not only guide our performance evaluation but also form the basis for our annual incentive award program, evaluating the achievements of designated [sustainability targets](#) for specific members of senior management. Looking ahead, we are expanding the integration of sustainability KPIs as a basis for the annual incentive award of all executives of Converge in 2024.

In June 2023, we held our inaugural Converge Sustainability Week to raise awareness of Converge's sustainability strategy among our people. This featured talks by key executives, outlining the roles of their business units in Converge's sustainability journey. To enhance monitoring and drive sustainability projects, we introduced internal quarterly reporting on our environmental, social, and governance (ESG) performance. We have also started expanding our sustainability initiatives with our business partners by:

- Including sustainability-related requirements, such as an Environmental Compliance Certificate, Certificate of No Pending Case, and Conflict Minerals Commitment, in our accreditation process for new and existing suppliers, vendors and business partners.
- Collaborating with suppliers and vendors to expand our sustainability initiatives, including campaigns such as #BawalAngPlastic and E-waste Drive.
- Actively participate in sustainability-related business forums and events to share our best practices and experiences.

By 2024, we aim to broaden our sustainability efforts to include our customers, aligning with our commitment to begin reporting on Scope 3 Greenhouse Gas (GHG) emissions next year.

Sustainability Governance and Management

GRI 2-9, 2-12, 2-13, 2-14, TCFD G a), G b), RM a), RM b), RM c); IFRS S1.27

Converge is governed by a [Board of Directors](#). Among their duties and functions, as outlined in our [Manual on Corporate Governance](#), include the identification of key risk and opportunity areas, and monitoring of the company's performance indicators. This diligent oversight is aimed at anticipating and preparing for potential threats to the company's operational and financial viability.

The Board has entrusted the Board Risk Oversight Committee (BROC) with the overall responsibility of ensuring that Converge's impacts on the economy, environment (including climate), and people (including human rights) are effectively managed. The BROC's specific duties and responsibilities related to sustainability are detailed in its [Charter](#).

Our [Sustainability Governance](#) structure, roles and responsibilities are outlined in our [Sustainability Policy](#).

Management of Sustainability-related Risks and Opportunities

IFRS S1.27, S1.44; IFRS S2.6

We have expanded our [Enterprise Risk Management \(ERM\) framework](#) to actively address sustainability and climate-related risks and opportunities, aligning with our [Sustainability Policy](#). The ERM team has implemented a risk policy that incorporates measures for climate change mitigation and capitalizes on opportunities in this domain. Both the Chief Risk Officer and Chief Sustainability Officer (or their respective designates) provide quarterly reports to the BROC, specifically addressing sustainability and climate-related matters. The BROC evaluates climate change scenarios and adverse developments as part of its assessments of the company's risk profile. This risk profile undergoes biannual reviews to ensure the Company remains well-informed about the primary sustainability and climate change risks and opportunities that may impact its operations and outcomes. Additionally, the BROC ensures that sustainability-related and climate-related considerations are taken into account when making investment decisions.

Sustainability Governance Practices, Progress and Accomplishments

GRI 2-16, 2-17, 2-18, 2-19, 2-20

In 2023, we adopted the following good corporate governance practices:



Collective Knowledge of the Board

Practice

We implement an annual continuing education program for our directors, ensuring they stay well-informed about business and regulatory developments, including emerging risks pertinent to Converge. This program includes technical, technological, and business training sessions held at least twice a year for the Board.

2023 Progress and Accomplishments

In accordance with our [Amended Manual on Corporate Governance](#), our directors took the mandatory Corporate Governance Training. This training ensures that they are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to Converge. The training focused on three main topics, namely:

- Technology Governance: Third-Party and Privacy Risks
- Cybersecurity Governance: Challenges and Solutions
- Shared Prosperity: Governance Body's Response to Inequality and Exclusion



Board Committee Responsible for Sustainability

Practice

The Board Risk Oversight Committee (BROC) is responsible for supervising the formulation and execution of Converge's sustainability-related strategies, policies, and practices, aimed at addressing real and potential impacts on the environment, society, and governance (ESG), with a specific focus on climate change risks. Additionally, the committee oversees the creation of an Annual Sustainability Report, mandated by regulations, and conducts a thorough review and approval of the report.

2023 Progress and Accomplishments

In 2023, the BROC reviewed ESG performance in five meetings to track progress in the development and implementation of our Sustainability Strategy and Plan.



Communication of Critical Concerns

Practice

The procedures for communicating critical concerns are outlined in our [Manual on Corporate Governance](#).

2023 Progress and Accomplishments

In 2023, critical concerns raised to the board were the following:

- List of Converge top risks
- Corruption cases within the company
- IACGR Compliance



Evaluation of Board Performance

Practice

Aligned with our [Manual on Corporate Governance](#), the Board conducts an annual self-assessment of its performance, encompassing the Chairperson, Board members, committees, and key control officers.

2023 Progress and Accomplishments

In 2023, a third-party external evaluator facilitated the Board Performance evaluation. More information on the results will be disclosed in our 2023 Integrated Annual Corporate Governance Report (IACGR), to be released in the second quarter of 2024.



Determination of Remuneration

Practice

We have a [Remuneration Committee](#) responsible for overseeing the process of determining the remuneration of the Board and senior management, as outlined in our [Manual on Corporate Governance](#). The board remuneration is structured based on a pay-for-performance reward system, incorporating variable pay and a retirement plan.

2023 Progress and Accomplishments

In 2023, two Remuneration Committee meetings were held.

Stakeholder Engagement

GRI 2-25, 2-26, 2-29, 3-1

Our ongoing consultation with stakeholders and their representatives is crucial for understanding how our operations impact them, and ensuring their needs are considered when we craft our strategy. We acknowledge our responsibility to both internal and external stakeholders, as outlined in our Corporate Stakeholder Commitment Statement. This includes understanding and addressing current and potential impacts, responding to their concerns, and transparently communicating our sustainability decisions and performance.

Embedded within this commitment is our pledge to uphold the principles of inclusivity, materiality, responsiveness, and impact, as outlined in the AA1000 AccountAbility Principles Standard (2018). We strive to engage in practices that are inclusive of diverse perspectives, prioritize issues that are material to our stakeholders, respond actively to their needs and concerns, and aim to make a positive impact on the sustainability landscape. This commitment serves as a guiding framework, aligning our actions with these core principles and reinforcing our dedication to responsible and transparent business practices.

Stakeholder Engagement Process

Our annual stakeholder engagement process employs a holistic approach to engaging and addressing the concerns of stakeholders. Each business unit is responsible for identifying, planning, executing and monitoring their stakeholder engagements, while stakeholder prioritization is undertaken by the organization as a whole and is the first step of our annual materiality review. Our Board of Directors does not directly engage with stakeholders other than senior management, but delegates this task to the management team. The BROC reviews and endorses any notable findings from the stakeholder engagement efforts conducted by the management team to the Board of Directors.

5 Review of Stakeholder Engagement Effectiveness

- Conduct annual review of stakeholder engagement outcomes
- Evaluate stakeholder plan effectiveness
- Share best practices and lessons learned for continuous improvement

4 Execution and Monitoring of Benefits

- Execute stakeholder engagement activities by responsible business units
- Monitor issues and concerns raised and how the company addressed them
- Report key stakeholder issues and concerns during quarterly Board Risk Oversight Committee (BROC) Meetings

1 Stakeholder Identification and Mapping

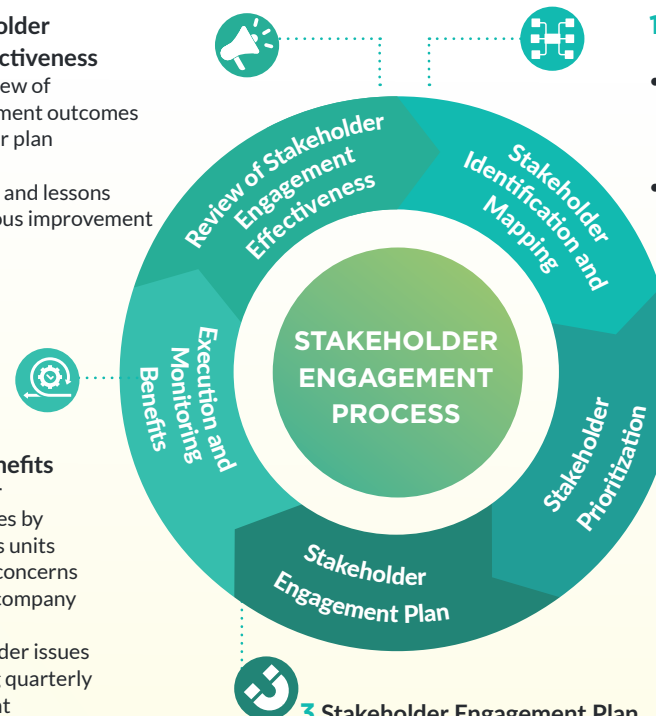
- Conduct annual review of existing stakeholders that are affected by the company's business activities and their key concerns
- Identify new stakeholders based on recent changes in the organization's context

2 Stakeholder Prioritization

- Determine the organizational impact on the stakeholders (inside-out) and their influence on the company's business objectives (outside-in)
- Prioritize stakeholders based on the company's strategic objectives and material issues for the year

3 Stakeholder Engagement Plan

- Identify the level of engagement per key stakeholder
- Determine the desired outcome and benefits per stakeholder engagement
- Develop an engagement strategy per stakeholder based on the desired level of engagement and outcome



Method of Engagement, Timing and Frequency	Stakeholder Concerns	Converge Initiatives and Response to Stakeholder Concerns
 Employees A • Business Kickoff O • Regular email blasts, announcements, and memos AR • Town hall O • HR Helpdesk O • Regular company-initiated events	- Employee relations concerns such as inquiries on company's strategic directions and key organizational developments - Labor-related concerns on statutory benefits	- Sustainability Awareness Webinar - Sustainability Diagnostic Survey #BawalAngPlastik Campaign - Converge Women Empowerment Seminars - ESG Reporting Briefing - Monthly Sustainability Trivia to raise awareness on Converge's Sustainability Program - Business Kickoff - Employee Wellness Activities
 Customers AR • Company-initiated meetings AR • Customer Hotline AR • Email AR • Regular social media engagement AR • Marketing activities such as promos AR • Customer visits for top priority enterprise customers O • Company Website O • ESG Questionnaires O • Customer events	- Customer service concerns - Customer due diligence on their supplier's sustainability strategies and initiatives. - Alignment of sustainability values and commitment, explore potential partnerships for initiatives - Inquiries on data privacy and information security practices	- Enhancement of data privacy and information security practices. - Launch of services related to information security - Customer communications: – Instructional materials on how to use the GoFiber app and other customer service channels – Outages and service interruptions - Publicity and awareness campaigns geared towards specific customer segments to increase customer base: – Converge Purple Stories (Converge FiberX) – Let'sTalk FlexiBIZNESS (Converge FlexiBIZ)
 Suppliers and Vendors, and Workers/ Employees of our suppliers and vendors AR • Company-initiated meetings O • Third Party Code of Conduct AR • Emails	- Transactional (service delivery and payment) concerns - Marketing and promotional events for customers	- Alignment of Sustainability values and commitments – Implementation of Third Party Due Diligence – Training on Anti-Bribery and Corruption (ABAC) - Further collaboration to scale up existing ESG-related activities and initiate new engagements
 Business Partners and Workers / Employees of our business partners AR • Company-initiated meetings O • Third Party Code of Conduct AR • Emails	Transactional (service delivery and payment) concerns	MSP-HR Summit for training and awareness on Converge group's sustainability programs, targets and commitments
 Board and Management O • Weekly business operations and project portfolio meetings O • Monthly and quarterly business reviews O • Board meetings	- Monitoring of sustainability performance and targets and external audit recommendations - Understand the benefits of driving sustainability in our business	- Approval of the Converge Sustainability Policy - Approval of the 2023 Sustainability Report Content - Approval of the 2022 Converge Sustainability Report - Quarterly Board Risk Oversight Committee Meetings - Sustainability Joint Business Meetings

Legend:

A

Annually



Quarterly

AR

As Required

O

Others

Method of Engagement, Timing and Frequency	Stakeholder Concerns	Converge Initiatives and Response to Stakeholder Concerns
 Investors - AR • One-on-one meetings - Q • Investor/Analyst briefings - AR • Conferences - Q • Non-deal roadshows - O • Biannual survey - AR • Asset tour	• Growth trajectory and target market expansion • Capital expenditure projections, including international subsea cable project updates • Cost management policies, free cash flow expectations and other relevant policies	• Quarterly Investor Briefings • Quarterly Non-deal Roadshows • Attendance to investors forums and conferences • Sustainability Report • Investor meetings • External newsletter • Response to Sustainability Questionnaires
 Government and Regulators - AR • Email - AR • Initiated meetings - AR • Courtesy call to Local Government Units (LGUs) and regulatory agencies	• Release of the Implementing Rules and Regulations of RA 11898 Extended Producer Responsibility on Plastic Packaging Waste (EPR Law) • Request for feedback on the SEC Draft Memorandum Circular on the Revised Sustainability Reporting Guidelines for Publicly-Listed Companies and the SEC Sustainability Reporting Form (SuRe Form) • Blocking of illegal websites (porn sites, gambling sites, etc.)	• Filing of 2022 Annual Report and 2022 Sustainability Report to the SEC • Establishment and registration of an EPR Program with the National Solid Waste Management Commission
 NGOs and Advocacy Group - AR • Email - AR • Initiated calls	Invitation to participate in various industry forums and events on Sustainability	• Attendance at conferences, meetings and events: - Net Zero Carbon Alliance - Nordic Chamber of Commerce Sustainability Committee - UN Global Compact Network Philippines - Business for Sustainable Development
 Creditors AR • Email	• Sustainability strategies and initiatives as an additional requirement from banks in compliance with Banko Sentral ng Pilipinas (BSP) Circular 1085 - Sustainable Finance Framework. • Company's sustainability performance being considered in risk assessment for debtors.	Exploration of green financing instruments
 Communities - AR • Email - AR • Initiated calls	Request for partnerships for free internet connectivity and support for other resources	• Corporate social responsibility activities promoting digital inclusivity and access to reliable and affordable internet services • Partnership with LGUs to provide free internet services to far flung municipalities
 Media - AR • Email - Q • Financial and Operations Results Briefing - Q • Annual Stockholders Meeting Coverage - AR • Viber, SMS and Messenger Media Inquiries - AR • Media briefing on significant milestones, new products/services, new areas, partnerships - O • Press release seeding - AR • Social gatherings - AR • Social media content	• Inquiries related to company performance, expansion and future plans. • Inquiries on future plans/ direction - Data Centers, Satellite	• Coverage of: - Quarterly Media Briefing - Annual Stockholders Meeting - Key Events: Boracay Launch, BiFrost, NAIA Terminal 3 and 4 Launch, S2S Launch, BIDA Launch • Published customer testimonials • Publicity on ESG efforts, thought leadership, partnerships and advocacies • Social media content development and posting

Processes to remediate negative impacts

Our [Human Rights Policy](#) framework includes procedures to address negative impacts associated with our personnel, business partners, suppliers, and joint venture partners who may have witnessed or have knowledge of any human rights violations. Concerns can be raised through various state-based grievance mechanisms relevant to Converge, including but not limited to:

- [National Telecommunications Commission](#) (services)
- [Department of Labor and Employment](#) (Labor Code)
- [National Labor Relations Commission](#) (labor-management disputes)
- [Department of Trade and Industry](#) (Consumer Act and fair trade laws)
- [Philippine Competition Commission](#) (fair competition/ antitrust)
- Local Government Units
- Courts of Law

Mechanisms for seeking advice and raising concerns

In accordance with our [Code of Business Ethics](#), multiple channels are provided for expressing concerns regarding our policies, procedures, and business conduct. Suitable methods vary based on the nature of the concern, including communication with Department Heads, company leaders, Human Resources, Community Relations Manager, Government Relations Manager, Legal Department, Compliance Group (compliance@convergeict.com), our dedicated [Whistleblowing platform](#) aligned with our [Whistleblowing Policy](#), and HR Helpdesk. We are currently enhancing our stakeholder engagement strategy to improve accessibility, communication, and processing of grievances across regions where we operate, as part of our ongoing efforts to implement effective grievance mechanisms for stakeholders throughout our operations.

Policy Commitments

GRI 2-23

Our commitment to sustainability and responsible business conducts are outlined in our [Human Rights Policy](#), [Sustainability Policy](#), and [Code of Business Ethics](#).

Our [Human Rights Policy](#) outlines our approach to due diligence, the application of the precautionary principle, and our steadfast commitment to respecting human rights. This policy places specific emphasis on safeguarding the rights of customers, employees, workers, children, suppliers, and communities, extending its scope to address human rights protection in the digital realm, as endorsed by the UN Secretary-General's Roadmap for Digital Cooperation. Drawing inspiration from authoritative intergovernmental instruments, our policy aligns with the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the UN Convention on the Rights of the Child, and UN Resolution A/76/L.75 dated July 28, 2022, affirming the right to a clean, healthy, and sustainable environment. The [Human Rights Policy](#) was approved by the Board of Directors.

Our [Sustainability Policy](#) aligns with national goals and international targets like AmBisyon Natin 2040, the Philippine Development Plan, the National Broadband Plan, and the Nationally Determined Contribution to the Paris Agreement. It embraces global perspectives, considering the UN SDGs, the Broadband Commission's 2025 targets, and the UN's goals for universal digital connectivity by 2030. To meet global expectations, we respond to the UN Guiding Principles on Business and Human Rights, Philippine National Standards (PNS) ISO 26000:2010, and Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance.

In line with the UNGC, we actively support its Ten Principles emphasizing human rights, labor, environment, and anti-corruption. We also align with the UN Women's Empowerment Principles (WEPs) for businesses aimed at empowering women in the workplace, marketplace, and community. The [Sustainability Policy](#) guides our commitment to sustainability and responsible business practices, and was approved by the Board of Directors.

Our [Code of Business Ethics Policy](#) was crafted with reference to the Organization for Economic Cooperation and Development's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Applicable to all directors, officers, and employees, this code extends its reach to third parties such as consultants, distributors, agents, and suppliers, mandating adherence when acting on our behalf. Our Corporate Governance and Data Privacy team, led by our Corporate Compliance and Data Protection Officer, holds the overarching responsibility for ensuring compliance with this Code. The [Code of Business Ethics Policy](#) was approved by our Chief Executive Officer.

To keep stakeholders informed, we share our policy commitments through various channels. For our internal stakeholders, our commitments are communicated through newsletters, employee activities, training, and our internal network of Corporate Governance and Data Privacy Champions. Our external stakeholders are informed through our corporate website, meetings (such as with business partners, vendors, key enterprise customers, investors, etc.), social media campaigns, publications, media coverage, and contractual agreements.

Material Topics

GRI 3-1, 3-2, 3-3

2023 Materiality Review Process

Converge recognizes the importance of an annual materiality review to ensure that our efforts align with the most impactful aspects of our business. In 2023, we updated our materiality assessment to understand how external and internal factors shaped our organization's context for our stakeholders, following the Materiality Review Process outlined in our [Sustainability Policy](#).

Our two-pillar approach—embracing both “inside-out” (Impact Materiality) and “outside-in” (Financial Materiality)—ensures compliance with the Philippine SEC's Sustainability Reporting Guidelines for Publicly-Listed Companies (MC No. 02 s.2019). This approach also adheres to AA1000AP's “Materiality” principle, demonstrating our commitment to robust sustainability reporting and stakeholder engagement.

01

Understanding the Organization's Context

- Conduct a Change Impact Analysis by considering organizational activities, business relationships, stakeholders, and the sustainability context
- Identify the relevant internal and external stakeholders affected by the changes in the organization's context

02

Identifying Relevant Sustainability Issues

- Benchmark potential impacts and topics by analyzing peer disclosures, the IFRS Foundation's SASB Materiality Map (TC-TL, IF-EN, SV-PS), current sustainability reporting trends, and priorities of international organizations (Broadband Commission for Sustainable Development, International Telecommunication Union, GeSI, and Global Network Initiative)
- Gain stakeholder insights, feedback and engagement outcomes through the various platforms outlined in the Stakeholder Engagement Plan

03

Assessing Stakeholder Impacts

- Conduct an “inside-out” Impact Materiality assessment workshop to evaluate external impacts on the company's internal and external stakeholders
- Rank and prioritize sustainability issues based on significance, considering vulnerability and stakeholder influence

04

Evaluating Financial Materiality

- Conduct an “outside-in” Financial Materiality assessment workshop to assess impacts on operating and financial performance, as well as the ability to create economic value for its internal and external stakeholders
- Consider survey results of the Board and Management, impact on business objectives, engagements, commitments, application of Converge's ERM framework, and key concerns of rating agencies, institutional investors, creditors, and SASB standards
- Assess the overall impact on each sustainability issue using a 1-5 rating scale; topics with a rating of 3 and above are deemed significant and financially material
- Prioritize sustainability issues based on their overall rating, considering those rated 3 and above as financially material

05

Board Presentation and Approval

Present and seek approval of the assessment results from the Board Risk Oversight Committee (BROC) and the Board of Directors

2023 Material Topics

In our 2023 materiality review, we examined the implications of changes in our organizational landscape. This involved an analysis of the impacts on both our stakeholders (inside-out perspective) and our business operations (outside-in perspective). We aligned these findings with stakeholder expectations and global sustainability trends, ensuring a holistic understanding. The outcomes of this materiality review serve as a guiding compass, shaping our focus to not only maintain resilience but also actively contribute to the well-being of our customers, the environment, and society.

We conducted a change impact analysis to assess the impact of key organizational shifts to the stakeholders of Converge. Significant business developments include the launch of Surf2Sawa and Bida Fiber products, and a shift in our operating model to a third-party MSP model. Additionally, we considered key industry developments observed in the previous year:



Heightened regulatory focus and investor attention on climate-related risks with the introduction of IFRS S1 and S2



Escalating insurance premiums due to the impacts of rapid climate change



Growing demand for Circular Economy initiatives amid stricter regulatory requirements

These changes exhibited varying levels of impact on both our stakeholders and the business, particularly to customers, employees, business partners, and employees of our business partners (workers who are not employees), as reflected on our final list of Material Topics for 2023:

- Leading our materiality ranking is **Customer Welfare**, emphasizing our commitment to strategies and projects that foster sustainable business growth. Our business focus this year revolves around expanding our customer base, enhancing satisfaction, and improving customer retention.
- The impact of climate change on rising insurance premiums and the heightened attention from the investing community on climate-related risks and opportunities have propelled **Climate Adaptation and Resilience** as a 2023 Strategic Focus. This highlights our recognition of the urgent need to address environmental challenges and aligning our business strategies with climate-resilient practices.
- The lower materiality scores of **Anti-Corruption** this year reflects the success of our enhanced anti-bribery and corruption programs. This underscores our commitment to maintaining the highest ethical standards in our business operations.
- With the expansion of our stakeholder scope, particularly considering the category of workers who are not employees as we transition to an MSP operating model, **Workforce Welfare** has climbed in the materiality ranks. This emphasizes the need to ensure the well-being of our workforce and broader stakeholder community.
- **Diversity, Equity, and Inclusion** have also advanced in our materiality ranking, reflecting the growing interest from ESG raters, investors, and customers. This elevation is aligned with our commitment to fostering an inclusive workplace that values diversity and equity as essential components of our corporate identity.
- Finally, **Waste Management** has gained traction, responding to the increased clamor for Circular Economy initiatives and stricter regulatory requirements, such as the EPR law. This highlights our proactive stance in addressing environmental concerns and aligning our waste management practices with sustainability goals.

2023 List of Material Topics

No.	Ranked based on Impact Materiality		
1	Customer Welfare	✓	✓
2	Customer Privacy and Data Security	✓	✓
3	Access to Information and Communications	✓	✓
4	Economic Contributions	✓	✓
5	Climate Adaptation and Resilience	✓	✓
6	Anti-Corruption	✓	
7	Workforce Welfare	✓	
8	Diversity, Equity and Inclusion	✓	
9	Energy and Emissions	✓	
10	Waste Management	✓	
11	Supplier Environmental Assessment		
12	Supplier Social Assessment		
13	Competitive Behavior and Open Internet		
14	Local Sourcing and Supplier Support		



Financially Material



Strategic Focus

Key Changes in 2023 Material Topics

- We have clarified our reporting by revising *Economic Performance* to **Economic Contributions**. This modification ensures a clear emphasis on communicating our outward contributions to the country's economic development through this specific topic.
- The category formerly known as *Materials and Waste* has been streamlined to **Waste Management**. This modification is a result of our thorough assessment, which indicated that the topic GRI 301: Materials was not relevant to our business. Notably, this aspect is more applicable to manufacturing companies, a point highlighted during our external audit in 2022. Given that we do not manufacture our own products, we placed emphasis on waste management, recycling efforts, and the responsible disposal of our products and packaging materials, which are covered by GRI 306: Waste.
- *Diversity and Inclusion* has been expanded to encompass the principle of **Equity**. This extension aligns with international sustainability best practices and was concurred upon during the 2023 Q3 BROCC Meeting, enhancing the comprehensiveness of our reporting framework.

In our 2023 materiality assessment, we applied the LEAP assessment of the TNFD to analyze our impact to material topics related to nature and biodiversity. As a result, we expanded our considerations to include Water and Effluents (GRI 303), and Local Communities (GRI 413) as potential material topics for evaluation. However, following the assessment of their impact and financial materiality, we have determined that these topics fall below our materiality threshold. Specifically, our operations exhibit limited interaction with areas characterized by high biodiversity, and our engagement with local communities is minimal. Additionally, our water consumption and effluent generation are restricted to general office use as all our data centers are air-cooled.

However, we acknowledge the dynamic nature of our operations, and as we expand and evolve, we are committed to ongoing due diligence. Our annual materiality cycle ensures that our list of material topics remains reflective of our evolving sustainability considerations.

Delighting customers...



Amid the pandemic's challenges for small and medium enterprises (SMEs), Converge stood out as a reliable support for businesses like A&L Printing Services in Davao City. Led by Dennis and Rosalie Atuel, A&L Printing found assurance in Converge's fast and dependable internet services for their business operations, including quick photo and document processing and computer repairs. Converge's reliability enabled smooth operations for A&L Printing during uncertain times and allowed them to expand their services with Converge FlexiBIZ, leading to increased sales and a brighter future despite challenges.



"Isang customer nagtanong sa amin dahil mabilis internet namin, ano daw gamit naming internet, sabi namin Converge... Pinili namin yun kasi mabilis sila umakasyon kapag may problema sa internet and nagsasabi sila kapag nirerepair."

(One customer asked us what's our internet provider because it's quite fast. We said it's Converge. We chose Converge because their response and action in resolving internet issues is fast and they give notices when they are repairing the internet.)

- Rosalie Atuel
Owner of A&L Printing



Customer Privacy and Data Security

GRI 418; SASB TC-TL-220a, TC-TL 230a; IFRS S1.46



Topic Owners: SVP & Corporate Compliance and Data Protection Officer (Customer Privacy), AVP Information Security Head (Data Security-IT), EVP & Chief Network Transformation Officer (Data Security - Telecoms Network)



During the Privacy Awareness Week (PAW) Conference 2023, Privacy Commissioner Atty. John Henry D. Naga emphasized the National Privacy Commission's (NPC) commitment to ensuring that data subjects are well-informed about their rights. He highlighted the importance of providing knowledge and awareness in empowering data subjects to make informed decisions about their personal data and exercise control over their privacy.

Converge shares the NPC's commitment in empowering our customers to exercise their right to privacy. We recognize that customer privacy and data security is crucial for maintaining stakeholder trust and operational integrity. A potential personal data breach could lead to business disruption, loss of client confidence, and reputational damage, impacting revenue and competitive standing. Compliance with data protection regulations is not only essential for avoiding fines and legal repercussions but also for attracting investments and safeguarding our long-term relationships with clients, employees, and the broader business community.

Central to our commitment is our [Human Rights Policy](#), where we champion data privacy and uphold the rights of data subjects. Compliant with the Data Privacy Act of 2012, our Data Privacy Policy outlines our commitment to safeguarding personal information. This policy includes the implementation of robust security measures and the protection of data subjects' rights, ensuring that collected Personal Data adheres to principles of proportionality, transparency, and legitimate purpose. Converge also actively contributes to shaping a secure and ethical digital environment by supporting the National Cybersecurity Plan (NCSP) 2023-2028, a strategic initiative aimed at establishing a trusted, secure, and resilient cyberspace for all Filipinos.

We strengthen our data privacy and security practices through regulatory compliance, governance, and strategic measures. The company prioritizes compliance with data protection regulations, involving the registration of Data Protection Officers (DPO) and Data Processing Systems through the National Privacy Commission Registration System.

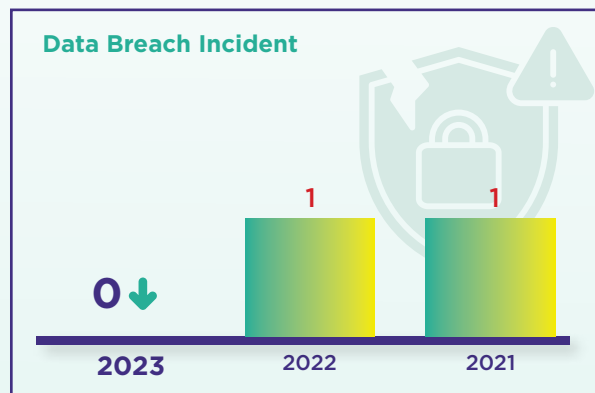
We submit Annual Information Security Incident reports to the Data Breach Notification Management System. In terms of governance and strategy, we implement a Data Privacy Governance Model and conduct annual Privacy Impact Assessments and Data Privacy Maturity Level assessments. Converge adheres to recognized frameworks and standards such as the National Privacy Commission's 32-Point Framework, ISO 27001, and ISO 27701 to strengthen our commitment to data privacy and security. The integration of a Privacy by Design Framework ensures proactive privacy measures throughout our operations.

We have implemented robust information security practices to ensure cybersecurity across our organization. An annual penetration test is conducted to find and fix vulnerabilities in accessible systems, with clear steps for mitigation. The company stays vigilant by following security advisories from the Philippine Computer Emergency Response Team (CERT PH) of the Department of Information and Communications Technology (DICT), promptly addressing system vulnerabilities.

Network Access Control limits unauthorized access, and multifactor authentication adds an extra layer of security for virtual private network users. Regular security floor walks ensure physical controls like closed-circuit television and badge access are in place and effective.

Furthermore, we respect our customers' privacy and employ reasonable measures to secure personal data. This involves limiting data collection, using lawful means for acquisition, and maintaining transparency in data handling. Converge ensures a comprehensive internal review of such requests to safeguard subscribers' freedom of expression and privacy rights. The release of customer data is contingent upon a lawful order supported by legal and statutory grounds.

We take pride in reporting zero incidents of data breaches in 2023. Learning from past experiences, our Corporate Governance and Data Privacy team, together with our Information Security team, have enhanced processes and systems, elevated data hygiene practices, and intensified training and awareness programs. These measures aim to prevent any recurrence of similar data breach incidents in the future.



In 2023, we further enhanced our privacy and security practices through the following initiatives:

- Implemented a Vulnerability Management, Detection, and Response Program in IT Network, Web Application, and Infrastructure to detect and remediate vulnerabilities in production systems (Q1)
- Improved access review process to validate user IDs for all employees per application system and ensure secure access control (Q2)
- Acquired a Phishing Simulation Platform to fortify security measures against potential threats (Q4)
- Conducted the 2023 Annual Data Privacy Breach Drill to improve our response to breaches and social engineering. This session places particular emphasis on risk identification, solution implementation, and fostering a proactive cybersecurity culture (Q4)
- Celebrated Safer Internet Month in February and organized webinars to raise awareness on data-keeping practices (Q1)
- Celebrated Privacy Awareness Week in October (Q4), which included:
 - Cybersecurity webinar, focusing on human-centric cybersecurity, understanding social engineering for better defense
 - Privacy Camp - Escape Room 2023, an immersive experience to educate participants about online security challenges and empower them with practical skills for digital privacy

Total amount of monetary losses as a result of legal proceedings associated with customer privacy

Php 0
2021 to 2023

Looking ahead, we aim to further improve our customer privacy and data security practices. This involves elevating awareness and engagement among our employees, business partners, and customers through intensified campaigns targeting phishing and cybercrime. Additionally, we are in the process of implementing a source code review solution, creating an endpoint detection and response system, and conducting a comprehensive review of our existing information security policies and risk assessment processes. Ongoing improvement of our in flight projects are also prioritized to strengthen our defenses against the evolving landscape of cyber threats.



Risks to Converge

- Potential disruptions in services and financial losses
- Compromise of customer data security jeopardizes company reputation and erodes customer trust
- Fines and penalties



Opportunities for Improvement

- Proactive adherence to data protection regulations
- Robust customer education programs on cybersecurity best practices
- Transparent communication about risks for a secure digital ecosystem

Converge holds 2023 Data Privacy Breach Drill simulation

Converge Information and Communications Technology Solutions, Inc. (Converge) took a significant step beyond compliance by conducting its in-person Data Breach Drill (DBD) in collaboration with its Data Privacy Team and external service provider, Straits Interactive, on November 14, 2023.

The DBD aimed to enhance Converge's response to data breaches and social engineering, addressing potential threats to its defenses, whether technological, procedural, or personnel-related. The comprehensive 8-hour drill involved key business units, including heads of Corporate Governance, Data Privacy Group, Internal Audit, Enterprise Risk Management, and Security, as well as managers and representatives from various departments. The participation scope extended to affiliates and business partners to ensure widespread engagement.

The morning session featured lectures and videos illustrating real-life data breaches, providing participants with foundational knowledge and insights into incident detection, reporting, and management. In the afternoon, participants were grouped to collectively assess and report on two data breach scenarios, testing their ability to detect, contain, and mitigate cyber threats effectively.

The drill covered a range of scenarios, from sophisticated phishing attacks to ransomware incidents, evaluating participants' readiness for diverse cyber threats.

Key takeaways from the drill included the significance of identifying and addressing potential risks, the importance of preparing and implementing a robust response plan, and insights into data breach response management procedures shared by resource speakers.

This initiative underlines Converge's commitment to advancing cybersecurity resilience in various industries, showcasing its dedication to promoting best practices and fostering a proactive cybersecurity culture. Beyond serving as a platform for knowledge exchange, the event facilitated the identification of emerging trends and vulnerabilities in the dynamic landscape of digital security.

In the face of increasing cyber threats globally, the Data Breach Drill represents a pivotal initiative for Converge, fortifying its defenses and promoting a united front against the persistent challenges of the digital era.



Customer Welfare

GRI 416, 417, SASB TC-TL-550a; IFRS S1.46



Topic Owners: SEVP & Chief Operating Officer,
EVP & Chief Customer Experience Officer,
EVP & Chief Network Transformation Officer



We are dedicated to understanding and meeting our customers' needs and expectations, prioritizing their well-being and preventing any adverse effects. Our goal is to empower, inform, and instill confidence in our customers during their interactions with us. We acknowledge that fostering consumer confidence and trust not only leads to customer loyalty and sustained financial benefits but is also integral to the overall well-being of our customers. Neglecting these efforts can lead to discomfort, inconvenience, and, in extreme cases, disruptions to livelihoods and education.

Our commitment to safeguarding consumer welfare is informed by the ethical business practices detailed in the United Nations Guidelines on Consumer Protection. Guided by our [Human Rights Policy](#), we pledge to protect and respect the rights of our valued customers and end-users.

Our commitment to consumer rights is further guided by the principles outlined in DTI's Policy Advisory No. 22-01 Series of 2022. We prioritize fundamental aspects such as safety, information, consumer education, and redress to ensure a comprehensive protection framework for our customers. Beyond these rights, we recognize the reciprocal nature of our relationship with consumers, acknowledging their responsibilities as outlined in the DTI's Policy Advisory No. 23-01 Series of 2023. This includes promoting critical awareness, proactive consumer action, social concern, environmental awareness, and solidarity. By championing both consumer rights and responsibilities, we aim to create a balanced and ethical partnership with our customers, empowering them with knowledge and promoting a sense of shared responsibility for a mutually beneficial relationship.





Customer Satisfaction



Converge customers benefit from an array of communication channels overseen by our customer experience (CXP) and after-sales teams. The user-friendly GoFiber app adds convenience for all users, while our customer ticketing system simplifies interactions and resolves issues promptly and efficiently. Engaging subscribers through various social media channels guarantees a responsive experience. Small and medium enterprise (SME) customers benefit from specialized support tools designed to meet their business needs. Our commitment to continuous improvement, providing consistent availability and timely support, along with ongoing system enhancements to minimize downtime, ensures an enhanced experience for customers across all segments.

Building on our 2022 customer experience initiatives, Converge spearheaded innovative solutions to ensure optimal service, increase customer satisfaction, and adapt to the growing landscape of digital channel engagements:

- Strengthening our customer relationship management (CRM) platform's capabilities with value-adding features to maintain the service level in response to the surge in digital channel interactions
- Enhancing the GoFiber app's functionality across web and mobile platforms, offering an extended array of self-service options. This includes one-click issue detection, troubleshooting, and reporting. The app also offers billing and service modification. Enhancements also include in-app alarms for network outages and tech personnel dispatch
- Improving our business and operations support systems and the ticketing system with new and enhanced functionalities to facilitate first-contact issue resolution

In 2023, Converge made a strategic shift to an MSP business model, aligning with our commitment to delivering enhanced services to customers. Through effective collaboration with our partners, we have localized service line repair units, resulting in improved response times and overall operational performance. The MSP approach ensures proactive support, enabling us to anticipate and address issues swiftly through preventive maintenance measures. This transition has also allowed for closer touchpoints with our customers, fostering stronger relationships and reinforcing our dedication to providing tailored and responsive solutions.

This year, we also launched our flagship programs, Surf2Sawa (S2S) and BIDA Fiber, designed to alleviate the financial burden associated with high-speed connectivity.

Recognizing the diverse socio economic landscape of our user base, BIDA and S2S offer affordable rates, allowing the everyday Filipino to enjoy the benefits of a reliable and robust internet connection.

In our ongoing commitment to enhance customer experience and boost satisfaction and retention, we have outlined the following initiatives in 2024:

- A program to identify customer pain points and improve customer journey
- Develop universal front liners to ensure 24/7 support for both agent and non-agents and 360° customer feedback
- Incorporate a ChatBot system for personalized customer interactions through virtual agents or live chat in digital channels
- Integrated and Intelligent omni-channel platform, a single CRM and ticketing platform for smarter resolution journey
- Develop a loyalty application for customers





Network Resilience



Our Network Operations Team oversees the core of our service, ensuring reliable operations and continuous improvement of our network.

In 2023, we initiated the Network Intelligence and Automation Platform (NIAP) project, aimed at optimizing the analysis of network events. The platform's intelligent routing capabilities contribute to enhanced service delivery, effectively addressing issues such as traffic congestion and link degradation. NIAP operates on artificial intelligence, establishing a 'zero-touch' network operations center that minimizes human intervention in response to data signals. This groundbreaking project was recognized at the Asian Technology Excellence Awards 2023 for its innovative use of AI in broadband telecommunications.

Moreover, we enhanced repairmen capacity through augmentation and implemented a workforce management system to expedite the dispatching of repairmen for improved efficiency. The deployment of Broadband Remote Access Systems (BRAS) was also initiated to reduce latency. These consolidated efforts resulted in an overall improvement of our network reliability with reduced disruption frequency and duration in our network.

These initiatives have significantly reduced the time taken to resolve service issues and have led to significant improvements in our operational metrics compared to our 2022 results.

To ensure dependable connectivity services, we promote efficient and effective problem resolution by streamlining processes and tools across CXP and other business units. Our Remote Monitoring System (RMS) allows us to proactively monitor our nodes' operational status across various regions, enabling timely troubleshooting and resolution of potential equipment issues. Furthermore, our Project Backbone 6Sigma focuses on enhancing and improving network infrastructure through corrective and preventive actions. We also implemented our Network Grooming project that addresses major issues in the National Capital Region. We also proactively monitor potential performance-related issues in customer premises equipment (CPE) and swiftly address them, ensuring a seamless and robust network experience for our customers.

To guarantee the reliability of our service, we have an Incident and Crisis Management Plan in place, detailing prompt and effective responses to network interruptions and issues. Furthermore, we follow our [Business Continuity Management \(BCM\) Policy](#), with the goal of providing reasonable assurance for the timely restoration of business operations in the aftermath of any emergency, incident, or crisis event that might disrupt some, if not all, of the company's essential business functions.



System Average Interruption Frequency (disruption/customer)

5.11 ↓
2023

6.62¹
2022

Customer Average Interruption Duration (mins)

505.8² ↓
2023

741.0¹
2022

¹2022 data were recalculated to align with the latest SASB TCL-550a.1 ver. 2023-06. Refer to the Restatement of Information section for details.

²Customer interruptions in 2023 were due to fiber cuts and natural calamities. CAID of 505.9 mins (8.4 hrs) is within the repair service level agreement of 24 hrs for residential customers.



Customer Health and Safety

To address Customer Health, Security, and Safety concerns, our [Whistleblowing Policy](#) establishes a reporting mechanism, enabling us to take prompt and effective actions. Additionally, we employ various mechanisms, including incident reporting and collaboration with the National Telecommunications Commission (NTC), to handle customer impact. Investigations, notice to explain for affected employees, and root cause analyses are integral parts of this process. In instances requiring remediation and adjudication, our legal team is actively involved. Converge also adheres to the Ad Standards Council (ASC) requirements, providing accurate information about our services, and ensuring timely responses and actions for any concerns raised.

We prioritize our customers' health and safety through various initiatives, including ensuring that our CPEs meet rigorous quality and safety standards. Our commitment extends to protecting the well-being of our younger stakeholders online, as reflected in our [Human Rights Policy](#) and [Child Online Safeguarding Policy](#). These policies address cybercrime and abuse threats targeting children.

To reinforce online safety and cybersecurity, we maintain partnerships with organizations such as the Internet Watch Foundation (IWF), leveraging their master list of URLs to block content featuring abuse through our domain-filtering technology. We also have an ongoing collaboration with the Stairway Foundation to foster safer online spaces for Filipino children and help combat various cyber threats such as online sexual abuse and exploitation of children (OSAEC).

To ensure the safety of our products and services, reports received by our Whistleblowing Platform and Customer Experience channels have been leveraged to identify risks and opportunities that can be addressed through Quality Management System (QMS) processes. We also provide quality guidelines for service installation and line repair activities to ensure safety requirements are consistently met in the field.

We uphold responsible marketing practices through alignment with regulatory standards. We obtain the necessary approval from the NTC for our products. We also adhere to the guidelines outlined in NTC Memorandum Order No. 07-07-2011, which specifies minimum broadband/ internet connection speed, service reliability, and service rates in our consumer offers.

Every marketing material with claims and above-the-line campaigns undergoes scrutiny for compliance with the ASC requirements. To ensure our agents are well-versed in our products and services, we conduct sales training for agents under our MSPs and Managed Service Agreements (MSAs). Additionally, Converge secures necessary fair trade permits from DTI and ASC for any sales promotion. These practices contribute to a transparent and ethical consumer experience.



Risks to Converge

- Cost-of-living crisis prompts customers to reassess telecom provider value
- Surge in data usage emphasizes the need for resilient infrastructure

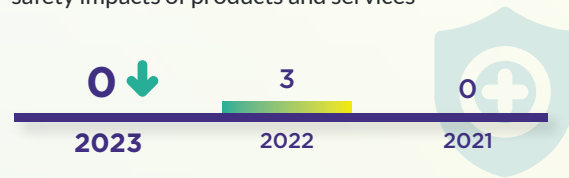


Opportunities for Improvement

- Strategically integrating AI to enhance customer experience and network operations
- Introducing a robust churn management program to improve customer retention
- Early identification of potential issues to enable targeted mitigation strategies

Customer Health and Safety

Incidents of non-compliance concerning health and safety impacts of products and services³



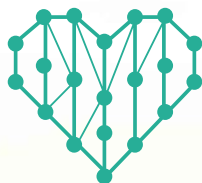
Sales and Marketing Practices

Incidents of non-compliance concerning product and service information and labeling, and marketing communications



³There were no incidents related to quality monitoring against voluntary codes in 2023. Reports of sagged wires from NTC were primarily caused by typhoons and road accidents, and all cases have been resolved as of December 31, 2023. Reports related to fraudulent activities of personnel during installation/repair are consolidated and reported under confirmed incidents of corruption (refer to material topic Anti-Corruption for more details).

...by taking care of our own



At Converge, we believe that taking care of our team is key to delivering great service and keeping our promise to customer satisfaction.

A testament to our commitment to supporting our employees' growth is Joseph Oliver Bognot's 25 years of service as a Facilities Manager in the Workplace Premises and Fleet Management Group (WPFMG).



“

“Nag-i-enjoy ako sa trabaho ko. Natutuwa ako na nakita ko ‘yung dating maliit, biglang lumaki, and siyempre part ako doon, e. Isa ako sa mga taong nagpalaki sa company, kaya very proud ako.”

“Dati lang akong collector, pero binigyan ako ng pagkakataon na umangat sa buhay. Sabi ni Sir Dennis sa akin, ‘Oliver, hindi habangbuhay ganyan ka. Dapat matuto ka.’ Yun ang message niya. Tama siya, inayos ko trabaho ko, umayos buhay ko.”

(I enjoy my job. I'm happy to see what was once small suddenly grow, and of course, I'm a part of that. I'm one of the people who helped grow the company, so I'm very proud.

I used to be just a collector, but I was given the opportunity to improve my life. Sir Dennis told me, ‘Oliver, you won't stay like this forever. You need to learn.’ That was his message. He was right, I improved my work, I improved my life.)

- Joseph Oliver Bognot
25-year employee service awardee



”

Workforce Welfare

GRI 2-7, 2-8, 201-3, 202, 401, 402, 403, 404, 406, 407, 408, 409



Topic Owners: SVP & Head of Human Resources,
VP & Head of Enterprise Risk Management



We recognize that a committed and involved workforce plays a key role in driving exceptional business results. Through our fair recruitment practices that support diversity and inclusivity, we support job creation and contribute to economic growth and activity. Our socially responsible employment practices are key drivers to employee well-being, job satisfaction, and productivity.

As a responsible and ethical employer, Converge is committed to adhering to relevant labor laws and regulations, prioritizing the protection of our employees' human rights and freedoms. We strictly follow the Labor Code of the Philippines and endeavor to harmonize our practices with the principles outlined by the International Labour Organization.

We ensure fair compensation in compliance with labor laws and cultivate a conducive work environment that fosters learning, career advancement, and a safe, healthy workplace. Importantly, we value employee involvement in organizational decisions that impact their lives.

Our [Code of Business Ethics Policy](#) underscores our responsibility as conscientious employers, emphasizing ethical employment and work practices that uphold Workers' Rights. We aim to expand our oversight to encompass not only our employees but also those of our business partners and contractors who contribute to our organization.

We champion workforce welfare through offering various benefits, engagement programs and talent development to build leaders from within.



Employee Engagement

Our efforts extend to organizing employee events and celebrations, fostering strong communication channels through newsletters, town halls, chat groups, and posters, as well as encouraging volunteerism in activities like river clean-ups, blood donation drives, and digital literacy initiatives. Together, these initiatives contribute to creating a dynamic and engaged work environment, reinforcing Converge's commitment to employee well-being and satisfaction.

In 2023, we were proudly recognized as one of the Best Employers for 2024 by the Philippine Daily Inquirer-Statista. This marks our second consecutive year as one of the top employers in the country.

In the 2023 edition, Converge secured the highest ranking among prominent broadband players in the industry. This achievement highlights our commitment to ensuring employee satisfaction and well-being.

This year, we launched the EPIC Awards, a talent recognition program, to recognize exemplary employees. We also strengthened our collaboration with the Converge Connectors Circle, developing employee influencers as brand ambassadors to solidify our standing as an employer of choice. We also launched the following programs geared towards employee engagement and well-being:

- Conrad Cup 2023 Basketball League Kickoff (Q2)
- Continuous Improvement and Innovation Contest: a company-wide competition where employees may submit continuous improvement and/or innovation projects that aim to help optimize operational efficiency, boost revenue, reduce cost, eliminate waste on resources, and/or increase customer satisfaction. The contest started in Q4 2022 and culminated in 2023. The winner received a cash prize of Php 100,000.
- Boost Wellness: "Biggest Loser" for physical health inspiration and maintain a healthy lifestyle
- Mental Health Programs to enhance employee resilience and promote work-life balance (Q2-Q4)



Our year-end 2023 employee engagement survey yielded a favorable 88% rating despite a notable decrease compared to the previous year. The decline in engagement score can be attributed to shifting priorities and changes in Converge's business model, potentially reflecting employees' increased focus on career development and market value amidst organizational evolution and market dynamics. External factors like nationwide remote work arrangements and commuting constraints may have also influenced perceptions of work flexibility.

As employees become more aware of productivity drivers, they may express expectations from management more openly, underscoring the importance of further discussions and interventions to address concerns and enhance engagement going forward. In response to this feedback from our employees, we are launching the following programs in 2024 as a commitment to strengthening our employee engagement:

- Establishment of an Employee Council that shall focus on developing a cooperative partnership between the management and employees.
- Launching a project that outlines the career progression for every role within the organization. The project aims to produce a guidebook for employees and managers, providing insights into career paths, competency development, and professional advancement.



Employee Benefits

We place significant emphasis on the well-being of our employees by improving and aligning our benefits with the industry and labor standards. Standard benefits, mandated by existing labor laws, are provided to all full-time employees of Converge, MetroWorks, and Myriad, irrespective of their job nature (full-time equivalent, temporary, or part-time). We ensure that all our employees nationwide receive fair compensation, meeting the minimum wage requirements set by the Department of Labor and Employment's (DOLE) National Wages and Productivity Commission. We also actively participate in an annual compensation survey conducted by a global HR consulting firm, allowing us to benchmark our salary structure and total annual compensation against industry standards.

Our emphasis on employee well-being is reflected in the additional benefits we offer, including paid company-initiated leaves, allowances, internet discounts, retirement plans (for Converge and MetroWorks employees), disability and invalidity coverage, health maintenance organization coverage, group life insurance plans, car plans, and stock ownership to certain employees. We also provide annual merit increases and performance-based bonuses as a sign of appreciation for the hard work and dedication of our employees.

Regarding our defined benefit plan obligations for Converge, MetroWorks, and other affiliates, we maintain a non-contributory final salary defined benefit plan. This plan offers a retirement benefit equivalent to 104% of the plan salary for each year of credited service. Upon retirement or separation, employees receive these benefits in a lump sum, as outlined in the terms of the Plan. For more detailed information, kindly refer to Note 11 of our 2023 Financial Statements within our SEC Form 17-A filing.

Employee Engagement Survey Result

88% ↓
Favorable
2023

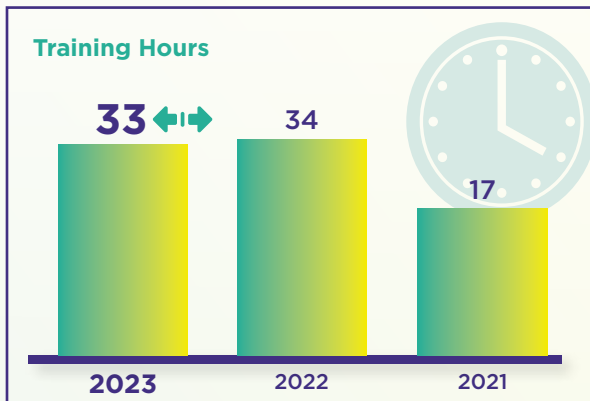
93%
Favorable
2022



Learning and Development

Converge prioritizes continuous learning and development for its employees, understanding that skill enhancement is important for personal and professional growth. We offer a diverse range of programs and support systems to facilitate skill upgrades. Our Learning and Development Programs focus on enhancing both functional capabilities and corporate values, while Learning Partnerships address department-specific training needs. Our Pillars of Leadership Workshop is designed for people managers to empower excellence, inclusivity, and overall employee development. To ensure compliance with training programs, we engage Learning Champions from each department.

This year, we introduced a Values Orientation program to align personal and company values with the company's strategic imperatives. We also actively promote sustainability awareness through ongoing campaigns. These collective efforts underscore our commitment to providing an environment conducive to learning, growth, and sustainable practices.



In 2023, our training hours have seen a slight reduction compared to the previous year, although we remain on course to meet our 2025 target of 40 training hours average per employee. Recognizing the importance of continuous improvement, we acknowledge the necessity to further enhance our training efforts. Moving forward, we will assess the alignment of training courses with the specific needs of our employees, ensure the availability of comprehensive training materials, and refresh content to boost employee engagement and participation. These proactive measures aim to optimize the effectiveness of our training programs.

In 2024, our goal is to build a strong leadership bench through enhancing our learning and development programs. This involves conducting talent reviews and succession planning to identify high-potential individuals, offering tailored training programs to enhance leadership skills, incorporating challenging projects to encourage leadership growth, and providing a well-rounded approach to leadership development through a combination of in-house and external training programs. Our objective is to cultivate and empower leaders who can steer our organization towards innovation and success.



Workers' Rights



Our [Human Rights Policy](#) signifies our commitment to respecting human rights, ensuring that appropriate actions are taken promptly and effectively when instances of infringement on the rights of our employees are uncovered. This commitment extends to the employees of our business partners, as evident in our supplier due diligence process, where we assess labor practices through our Social Supplier Assessment.

We have also established a grievance mechanism, incorporating the [Whistleblowing Policy](#) and Employee Discipline Policy, to address concerns transparently. Additionally, we emphasize executive due process to ensure fairness for non-compliant employees, as outlined in our Employee Discipline Policy. Recognizing the importance of collective representation, we respect our employees' right to engage in collective bargaining agreements.

Employee Turnover Rate (Group wide)⁴

	2023	2022
Voluntary	9.9%	10%
Involuntary	48.5%	13%
Total Turnover Rate	58.4%	23%

⁴Turnover rate is calculated as no. of employee turnover (further classified as voluntary or involuntary) divided by the average employee headcount for 2023. Voluntary turnover comprises employee resignation, while involuntary turnover is from redundancy or employee transfer to MSPs.

New Employee Hires (Group wide)

	2023	2022
No. of new hires	1,226	937
Rate of new hire	30.9%	21%

In 2023, we accelerated our transition to an MSP business model to strengthen our local presence nationwide. This shift involved delegating part of our operations such as service installation and repair, sales, and warehousing to our local partners. As a result of this transition, MetroWorks saw its functions decentralized to MSPs, leading to a reduction in its workforce. Meanwhile, Myriad experienced an expansion of its role and duties, particularly in Metro Manila operations, prompting an increase in its employee count.

Committed to inclusivity and supporting our employees affected by the transition, we have offered ongoing opportunities for employment within our MSPs and Myriad. Through the employee movement within the Converge group and our MSPs, we ensure job security for these affected employees while also equipping our MSP with the talent they need to fulfill their new roles as local operations arms of Converge.

Of those offered positions, about 4 out of 5 have decided to continue their employment with our partners. Moving forward, we ascertain a fair and lawful transition process for all employees as they transition to MSPs.



Creating a workplace that fosters a culture of care, well-being, and resilience among our valued workforce is our fundamental commitment. Our Safety, Health, Environment, and Security (SHES) Committee, with representatives from relevant business units, governs the SHES program of Converge and launches projects aimed at ensuring the physical and psychological health of our workforce, regardless of their work location.

To proactively manage employee health, we mandate annual physical examinations, providing a means to monitor and support their well-being. Additionally, our comprehensive Mental Health Program aims to enhance employees' resilience and promote a healthy work-life balance, recognizing the interconnectedness of mental and physical health.

In 2023, we published our updated [Health and Wellness Manual](#), containing essential policies addressing various aspects of health. These policies cover critical areas such as Hepatitis B Prevention and Control, HIV and AIDS Prevention and Control, COVID-19 Prevention and Management, Tuberculosis Prevention and Control, Lactation Support, Mental Health, and regulations promoting a drug-free workplace and addressing alcoholism.

Education and training are integral to our occupational safety and health (OSH) framework. Our employees undergo various training programs, including Safety Officer Training, Working at Heights, Mandatory Eight-hour Safety and Health (MESHS) Training, and First-Aid Training, ensuring they possess the necessary skills to navigate potential hazards and respond effectively to emergencies.

Maintaining an open line of communication regarding workers' health and wellness, we generate monthly reports and conduct surveys. These inputs provide valuable insights for discussions with HR leaders and stakeholders, enabling us to continually enhance our OSH initiatives based on the evolving needs and concerns of our workforce.

Lastly, we prioritize security measures across all company facilities by deploying competent and well-trained security personnel. This proactive approach not only safeguards our employees but also contributes to an overall sense of security and well-being within the workplace.

In 2023, there was an unfortunate increase in work-related injuries stemming from vehicular accidents involving our employees. The SHES Committee conducted a root cause analysis, identifying employee fatigue as a significant factor contributing to unsafe driving situations. This prompted a review of working hours, overtime policies, company-owned vehicle operation guidelines, and competency requirements for company drivers. As a mitigation strategy, defensive driving safety training sessions were conducted at our Davao, Cebu and Pampanga sites, aiming to enhance the driving skills and safety awareness of our employees.

For 2024, we plan to intensify the implementation of our safety initiatives and programs across all departments in the organization. This includes accrediting additional safety officers per business unit across Converge, MetroWorks and Myriad.



We will also conduct a group-wide MESH re-training for an estimated 500 employees. We are also reviewing the implementation of our Hazard Identification, Risk Assessment, and Risk Controls (HIRAC) System organization-wide. The above listed activities started in 2023 and are targeted to complete by Q4 2024. Through our revamped safety management system, we aim to strengthen the reporting and monitoring of workplace-related hazards, and minimize accidents or injuries in the workplace.

With the adoption of the MSP model, we have integrated governance functions into our transition plan and MSP playbook to ensure the extension of our OSH system to the workers affiliated with our business partners and subsidiaries. This approach reinforces our commitment to maintaining a comprehensive and inclusive safety framework across all aspects of our operations.



Risks to Converge

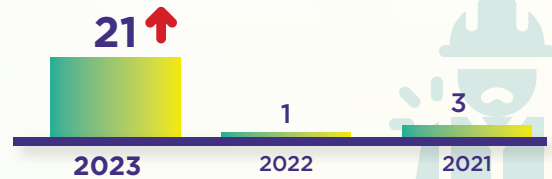
- **Workforce Dynamics Challenges:** impacts of the great resignation impact and the emergence of a multigenerational workforce, hybrid work model integration
- **Organizational Shift to MSP Model:** challenges for affected employees, maintaining the same level of employee productivity and engagement



Opportunities for Improvement

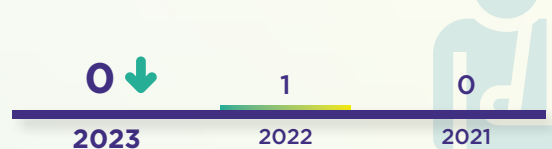
- **Meaningful Work and Values:** Leverage sustainability commitment for attraction and retention, articulate our mission beyond traditional business goals
- **Talent Marketplaces:** Facilitate internal talent mobility and support meaningful work and career advancement, address ongoing upskilling and retraining needs

No. of work-related injuries⁵



⁵Work-related injuries as a result of vehicular accidents. Employees who were involved in these accidents were covered by the company's insurance policy.

No. of high-consequence work-related injuries (excluding fatalities)



No. of fatalities as a result of work-related injuries



Converge Connectors Circle 2023: Converge introduces new batch of employee brand ambassadors



Converge Information and Communications Technology Solutions, Inc. (Converge) has launched its latest batch of employee brand ambassadors dubbed the 'Converge Connectors'. Composed of employees who are not only active on social media but also embodies the Converge values, the Converge Connectors Circle program is now on its second year run.

The Converge Connectors Circle is an initiative spearheaded by the HR Employee Engagement group and Corporate Communications and Public Relations (CCPR) department to develop, from among its employees, a group of influential social media personalities to strengthen the brand's visibility to external audiences online and help strengthen the company's reputation.

"There is no group more credible to voice out and represent the company's values and culture than its own employees. We are proud to welcome these new faces to our Circle and we hope they may further strengthen the brand through their social media presence and their support in face-to-face events," said VP and CCPR Head Jay-Anne Encarnado.

Albert Custodio, SVP and Head of Human Resources, echoed the importance of having brand warriors in social media, for online communities to know what's going on inside the company.

"I would like to encourage everybody to tell your story, post once a week or even with more frequency, with the intent of letting people around us know who we are and bring this organization to new heights," he said.

The first batch of Connectors, launched in 2022, significantly boosted support in company events such as in major announcements, PBA games, human resources activities, and sustainability and corporate social responsibility (CSR) campaigns. The Connectors also serve as reliable touch points for friends and family that may be interested in acquiring Converge as a service or as a workplace.

"Their roles as company brand ambassadors give 'outsiders' a glimpse into the activities and environment in Converge, and therefore, they can serve as a bridge to bringing in potential employees or customers," added Karen Carvajal, AVP for Corporate Communications.

Humans of Converge: Converge Connectors



"I started beekeeping in 2020. I did that because of my love for honey, and in the Philippines it's hard to find authentic honey. To do that, I learned beekeeping. There are many things you can create with the honey's by-products: lip balms, candles, etc."

"It's my dream when I become a lola to keep doing that as a hobby and maybe earn from it. I'll keep growing my hives when I go back to the province."

— LEA ROCAMORA, Corporate Planning and Project Manager



"I used to balance my corporate and music careers when I was with my former bands Chicosci and Save Me Hollywood. I left to go full-time in corporate years ago, but now I have a new band again called Bird. I can't let go of playing music because it's something I really like doing. I like working with others and I treat them like family."

"I find that the creative challenges are the same — if we're able to write a good song, there's a sense of fulfillment. At the same time, if I'm able to work on a project for Converge, there's also fulfillment."

— CARLOS CALDERON, Marketing Content and Creatives Manager



"I've also tried losing weight before but it was on and off. I'm now thinking, even after the Biggest Loser challenge is over, I will still continue (losing weight) until I achieve my desired body weight. All it takes is focus. I work out six times a week. I (also) do intermittent fasting and eat a high protein diet. And I was able to do it. From 91 kg, I (weigh) around 70 kg now in less than a year."

— REYMUND FABELA, Network Administration



"During the pandemic, Angkas and Joyride became popular, and that challenged me. I enrolled in a motorbike class, I re-learned the skills taught to me by my cousin then I bought my own motorbike."

"I met a lot of bike enthusiasts and they come from all walks of life. There were entrepreneurs, foreign attaches, managers like myself, and ICT people."

"A motorbike showed me that there is more to life than eating, sleeping, going on a vacation, and repeating the cycle."

— JENNIFER AMBANTA, Community Relations Manager

Diversity, Equity and Inclusion

GRI 2-21, 405



Topic Owners: SVP & Head of Human Resources



As we navigate the complexities of our global environment, Converge acknowledges the broader implications of Diversity, Equity and Inclusion (DEI), extending beyond the workplace to encompass broader societal challenges. Recognizing and addressing gender-based disparities – in time allocation, access to assets and credit, treatment by formal institutions, and limited participation in policy discussions – within the framework of DEI is essential for creating empowered, resilient and equitable workplaces and societies.

Our [Human Rights Policy](#) encompasses internationally-recognized human rights that are intrinsic to all individuals regardless of race, gender, nationality, ethnicity, language, religion, or any other status. These include the basic rights to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, among others.

Furthermore, we adhere to the principle of meritocracy, ensuring that employment decisions are solely based on an individual's demonstrated contributions and capabilities within the context of meeting the company's business needs. This principle applies to various aspects, including recruitment, hiring, compensation, promotions, performance evaluations, and work assignments.

Our [Code of Business Ethics Policy](#) incorporates UNGC Principle 6, emphasizing the commitment to eliminate discrimination in employment and occupation. Also, our [Board Diversity Policy](#) aims at diversifying our board composition to incorporate a broad spectrum of insights and perspectives.

We take proactive measures to enhance diversity and inclusion throughout the organization. Our DEI Framework and roll-out plan reflects our commitment to fostering an inclusive workplace. We remain an active ally of the members of the LGBTQIA+ community.

In 2023, Converge CEO Dennis Anthony Uy signed the Statement of Support for the Women Empowerment Principles (WEPs), signifying the company's commitment to promote gender equality and women empowerment. Additionally, Converge appointed former Senior Associate Justice Estela M. Perlas-Bernabe as an independent non-executive director to the Board of Directors, increasing the female representation on the Board to around 29%.

This year, we also launched MentorSHE Project, a woman-to-woman mentorship initiative that aims to provide a stronger voice for women within Converge. Moreover, we actively participated in Pride Month celebrations, reinforcing our dedication to cultivating an inclusive environment for every employee, irrespective of their background or identity.



In celebration of Mother's day, we initiated the "*Mula sa Nanay, Para sa Nanay*" (By Mothers, For Mothers) campaign in collaboration with Caritas Manila and KREations PH. The campaign supports underprivileged mothers, specifically those enrolled in Caritas Manila's *Unang Yakap* program, providing assistance to mothers and infants during their first 1,000 days. We conducted a fundraising activity, selling upcycled bags crafted by mother-sewers from KREations PH. All proceeds will be donated to Caritas Manila for nutritional and medical assistance. This initiative not only aids mothers and infants but also contributes to reducing solid waste and supporting marginalized women through livelihood opportunities. Turnover of donations is scheduled in Q1 2024.

Exemplifying women empowerment, our esteemed President and Co-Founder, Maria Grace Y. Uy, was honored as one of this year's recipients of the "Women of Style and Substance" award from PeopleAsia. She stands among a distinguished group of women recognized for their impactful contributions in various fields, acknowledged for her distinctive blend of effective leadership and advocacy for digital democracy in the Philippines through Converge.



Ms. Uy was also recognized in the acclaimed Stevie Awards for Women in Business, winning the Gold Stevie for Woman of the Year – Technology category. The Stevie Awards for Women in Business honors women entrepreneurs, executives, employees, and the organizations they run for their impact on and contribution to their respective industries.

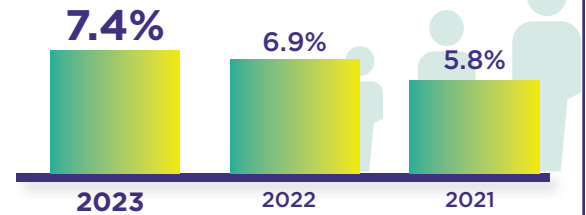
As of 2023, our diversity metrics have shown slight improvement, and we are on track to achieve our goal of 30% female gender diversity and 10% generational diversity (over 50 years old) by 2030. In terms of our new employee demographics, 5.5% are female, which is a 0.5% increase from 2022, and 2.3% are above 50 years old, marking a 1.3% increase from 2022. Looking ahead, we intend to conduct a thorough analysis of our hiring practices to identify areas for further enhancement in diversity and inclusion.

Moving forward, we aim to further strengthen our DEI activities within the company through a series of training such as the Beyond Bias training series, inclusive leadership training series, and MentorSHE 2.0. Together with the roll-out of our DEI strategy, these initiatives will allow us to progress toward our targets of 30% gender diversity and 10% generational diversity by the year 2030.

Generational Diversity

Target: 10% by 2030

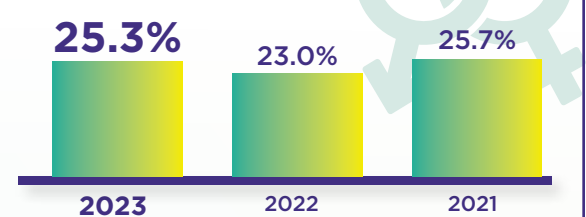
Over 50 years old



Gender Diversity

Target: 30% by 2030

Female gender diversity



Risks to Converge

Lack of a strong DEI program in the company poses risks such as talent loss, lower productivity, compromised performance, and reduced well-being



Opportunities for Improvement

- Harnessing the regional affinity of Filipinos to create a targeted and inclusive employee program, respecting diverse cultural perspectives
- Leveraging people analytics for personalized responses to DEI concerns, addressing the unique needs and challenges faced by individual employees

Supplier Social Assessment

GRI 407, 408, 409, 414



Topic Owners: VP & Head of Supply Chain

Businesses are under increasing pressure to integrate respect for human rights into their supply chains, safeguarding their reputations, relationships, and market access. Internationally, several countries are actively addressing forced labor, with the European Union advancing its Corporate Sustainability Due Diligence Directive. Despite these global efforts, forced labor and child labor persist locally. The 2023 Global Slavery Index reports that approximately eight out of 1,000 Filipinos are currently in modern slavery, facing challenges such as low wages, irregular jobs, insufficient social protection, and unsafe working conditions.

At Converge, we recognize that a socially responsible supply chain safeguards our stakeholders against legal and compliance risks, fosters trust among our customers and investors, and positively influences local communities. We support a sustainable supply chain that upholds decent work standards and opposes slavery, in line with the UN Guiding Principles on Business and Human Rights. Our [Human Rights Policy](#) includes a dedicated section on responsible sourcing and business partnerships.

Additionally, our [Third-Party Code of Conduct](#) outlines clear expectations for third parties, emphasizing strict adherence to the highest legal, ethical, and professional standards. These measures ensure alignment with our core values and prevent complicity in unjust pay, child labor, forced labor, discrimination, and other violations across our supply chain.

In an effort to expand our supplier social assessment to cover all new and existing suppliers, this year, we reinforced our accreditation process through our Third-Party/Vendor Due Diligence Questionnaire. We assessed 125 new suppliers and business partners based on their human rights practices, including compliance with labor regulations, measures to prevent forced labor or child labor, adherence to minimum wage, health and safety practices, and their code of ethics. Among our 301 new and existing suppliers that have undergone the assessment, 33 (or 11%) were found to have significant potential negative social impacts. We are currently developing engagement plans with these identified suppliers to mitigate the risk of their potential negative social impacts to Converge.

In 2023, we hosted an MSP-HR summit for our key partners, sharing Converge sustainability practices. We highlighted the significance of modern lines of defense, covering risk management, compliance, and audits. Our discussions included topics about employee conduct, engagement strategies, partner governance, performance monitoring, and talent management best practices. The summit aimed to strengthen partnerships, align values, and promote shared commitment to sustainable business practices with our partners.

Moving forward, we aim to strengthen our supplier social assessment program by defining our risk thresholds for supplier engagement. We will also review our Blacklisting and Suspension Policy to incorporate other social-related risks outside regulatory compliance as grounds for blacklisting or suspending suppliers.

Percentage of new suppliers that were screened using social criteria

99.2% ↑ **63%**
2023 2022

No. of suppliers identified as having significant actual and potential negative social impacts⁶

33 ↑ **14**
(out of 301 assessed or 11%) (out of 207 assessed or 6.8%)
2023 2022

⁶Supplier assessments relied on responses to our Third-Party Due Diligence Questionnaire, focusing on sustainability criteria. Risks were flagged if suppliers answered 'No'. While there were no specific instances of non-compliance, the absence of documented policies poses potential issues for both environmental and social factors due to the lack of controls or monitoring. Nevertheless, these partners have expressed commitment to establishing their policies and compliance frameworks going forward.



Risks to Converge

Engaging suppliers without sufficient due diligence can lead to Converge being implicated in adverse economic, environmental or social impacts, leading to reputational damage, fines and additional costs



Opportunities for Improvement

- Educating and assisting suppliers in enhancing sustainability
- Guiding suppliers toward ethical practices, fostering an ethical supply chain and establishing lasting partnerships
- Expand employee engagement programs for members of the LGBTQIA+ community

Operating a responsible company and leading with integrity and good governance

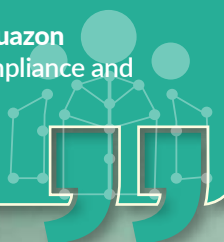


Converge fortified its corporate governance practices with a robust Whistleblowing Policy that now includes the protection of human rights as one of its guiding principles. This policy empowers employees to report misconduct or wrongdoing without fear of retaliation through an accessible online platform, promoting transparency and integrity throughout the organization.



“An improvement we’ve done the year is to add ‘Human Rights’ in the categories for reported violations in our Whistleblowing platform, in line with our company’s Human Rights policy. This is a sure signal that we are taking a strong stand against corporate wrongdoing. We are sending a message of good corporate governance.”

- **Atty. Laurice Esteban-Tuazon**
SVP and Corporate Compliance and
Data Protection Officer



In the photo (L-R): Atty. Laurice Esteban-Tuazon, former Bangko Sentral ng Pilipinas Governor and Converge Independent Director Amando Tetangco Jr., former Senior Associate Justice and Converge Independent Director Estela Perlas-Bernabe.



Anti-Corruption

GRI 205



Topic Owners: SVP & Corporate Compliance and
Data Protection Officer

Asian Legal Business reports a surge in corruption and compliance risks in Southeast Asia with the reopening of borders and business expansion. In the Philippines, persistent corruption issues are compounded by diverse cultural perceptions of bribery, impeding effective compliance programs. The study suggests companies address this by allocating resources, documenting procedures, and addressing cultural factors for a robust anti-bribery compliance approach.

Corruption poses substantial risks to Converge, impacting both internal and external stakeholders. Internally, it undermines ethical culture, reducing employee morale and engagement. Externally, it damages the company's reputation, leading to a loss of trust from customers, partners, and the public, potentially resulting in financial losses and legal consequences. Moreover, corrupt practices can hinder fair competition, limit market opportunities, and pose regulatory challenges. Our company's dedication to ethical conduct and transparency is essential for mitigating these risks and sustaining a trustworthy business environment.

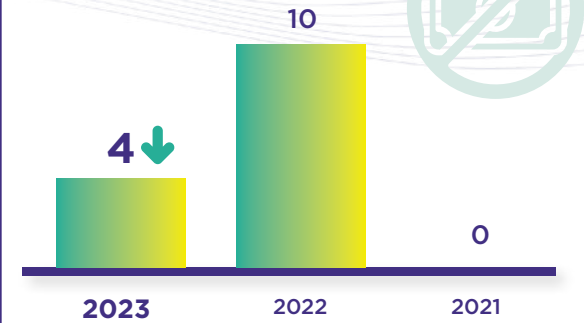
Converge reaffirms its pledge to combat corruption, aligning with the UN Convention Against Corruption and responding to the UNGC's global call for anti-corruption efforts in support of the 2030 Agenda for Sustainable Development. Emphasizing integrity and responsible practices, we employ various measures, including business integrity policies, transparency promotion, and technology utilization, to effectively manage corruption risks. Our revised [Anti-Bribery/ Anti-Corruption Policy](#) incorporates standards from the OECD Anti-Bribery Convention, the U.S. Foreign Corrupt Practices Act, and Philippine anti-corruption laws.

Our business principles are also guided by our [Anti-Money Laundering Policy](#), [Whistleblowing Policy](#), [Conflicts of Interest Policy](#), [Insider Trading Policy](#), [Third-Party Code of Conduct](#), and Blacklisting and Suspension Policy.

To cultivate an ethical and corruption-free workplace, we implement the following measures:

- Regular bribery and corruption risk assessments
- Periodic ethical risk assessments
- Code of Conduct training during new employee orientation
- Annual sign-off of the [Anti-Bribery/ Anti-Corruption](#) by employees
- Facilitating open forums with key officers to promote employee engagement and foster stronger business relationships
- Maintain a dedicated [Whistleblowing Platform](#) with instructions and frequently asked questions (FAQs) available in local language
- Transparency through the publication of statistics and summaries of received reports, detailing the nature of misconduct on the [Whistleblowing website](#)

Total no. of confirmed incidents of corruption



In 2023, we recorded four confirmed incidents of corruption involving fraudulent activities of our employees. These involved:

1. Solicitation of bribes
2. Receiving kickbacks in exchange for subscriber referrals

The reported incidents did not involve government officials, agencies, or their employees. In accordance with our [Employee Discipline Policy](#), all employees linked to these cases underwent due process. After thorough investigation, those employees found to be involved in the reported incidents have undergone disciplinary measures, and were subsequently terminated.

In 2023, we implemented the following initiatives to strengthen our anti-corruption efforts within our business and supply chain:

- Strengthened corporate governance practices with a Robust [Whistleblowing Policy](#) that now includes the protection of human rights as one of its guiding principles
- Conducted an Anti-Bribery and Corruption Baseline Perception Survey to gauge employees' outlook on corruption within the organization (for Converge and MetroWorks)

- Expanded the scope of Compliance Risk Management to determine the significant risks related to corruption
- Created manuals on Ethics and Compliance, Data Privacy, and Process Excellence that summarize the company's key compliance policies

We aim to strengthen our ethics and governance management further in light of organizational changes introduced this year. These plans include:

- Expanding our perception surveys on corruption, whistleblowing and fraud to include third-parties (business partners and suppliers)
- Intensify third party compliance and expand scope of ethics and corporate governance programs to new business partners
- Centralize the monitoring of ethics cases from Corporate Governance and Employee Discipline to one platform
- Inclusion of anti-corruption KPI for key business leaders



Risks to Converge

- Risk of ineffective anti-corruption programs for MSPs due to challenges related to existing organizational culture and historical practices
- There is also a risk of alienating smaller suppliers due to resource constraints



Opportunities for Improvement

- Educating and assisting suppliers in enhancing sustainability
- Guiding suppliers toward ethical practices, fostering an ethical supply chain and establishing lasting partnerships

Converge makes leaps in corporate governance, garners three arrows in ASEAN Corporate Governance Scorecard

Converge Information and Communications Technology Solutions, Inc. (Converge) has been awarded a Three-Arrow rating in the latest ASEAN Corporate Governance Scorecard (ACGS) review as it improved its adherence to corporate governance best practices and aligned its business operations to global standards.

This Three-Arrow rating is a marked improvement over the initial One-Arrow awarded to Converge during the ACGS Golden Arrow Awards held last January, showing a substantial advancement in corporate governance compliance. The Philippine Securities and Exchange Commission (SEC) and the Institute of Corporate Directors (ICD) are the organizations designated to hold evaluation runs of the ACGS for publicly-listed companies.

"This upgrade reflects the quick action of Converge to further align its corporate governance practice to locally and globally accepted standards, and puts it at par with the best PLCs in the Philippines," noted Atty. Laurice Esteban-Tuason, Converge SVP and Corporate Compliance and Data Protection Officer.

For the period under review of 2021, Converge has become fully compliant with the Integrated Annual Corporate Governance Report (IACGR) of the Securities and Exchange Commission, thus earning the additional two stars.

The company's appointment of former Senior Associate Justice Estela M. Perlas-Bernabe as an independent non-executive director to our Board of Directors has also contributed to its Gender and Diversity record, which forms part of the best practices for publicly-listed companies.

In 2012, the Philippines joined Indonesia, Malaysia, Singapore, Thailand and Vietnam in adopting the ACGS. It is an evaluation and assessment tool that measures the performance of publicly listed companies in the Association of Southeast Asian Nations (ASEAN) in the areas of facilitating the rights and the equitable treatment of shareholders, how they relate to their different stakeholders, ensuring transparency and accountability thru timely disclosure of material information, and how the board guides the company strategically, monitors the management, and ensures the board's accountability to the company and the shareholders.

The main objectives of the ACGS is to rank ASEAN publicly-listed companies and raise their corporate governance standards.

"Our aim is, of course, to get five stars and we're on our way there. We've just been reviewed for two periods so we have that opportunity to improve. Even as a young company, we want to prove that our reputation as a listed company is beyond reproach," added Esteban-Tuason.

Competitive Behavior and Open Internet

GRI 206; SASB TC-TL-520a.1, TC-TL-520a.2, TC-TL-520a.3; IFRS S1.46



Topic Owners: SVP & Corporate Compliance and Data Protection Officer, EVP & Chief Network Transformation Officer



The Philippine government has been working to improve regulation of the telecommunications sector. Starting April 2023, telecommunications is now open to 100 percent foreign ownership. Furthermore, key business organizations and IT advocacy groups are urging the approval of the Open Access in Internet Services (OAIS) Act, presently awaiting consideration in the Senate Committee on Science and Technology. Advocating for open internet access, the proposed law emphasizes freedom of expression, innovation, economic growth, and bridging the digital divide.

In the absence of open internet or net neutrality regulations in the Philippines, Converge is dedicated to upholding the Internet's openness, safeguarding net neutrality principles by treating all online traffic equally, without discrimination, blocking, throttling or prioritization, and ensuring equitable opportunities and access for everyone in the digital era.

Aligned with the government's digitalization objectives outlined in the PDP 2023-2028 and prioritizing universal connectivity, Converge plays a pivotal role in delivering internet services and actively contributes to reducing the digital divide, particularly in regions with limited internet access. Our commitment involves refraining from blocking or slowing access to any specific internet content, except as mandated by law (e.g., to combat online child exploitation under RA 9775), and abstaining from zero-rating practices.

Total amount of monetary losses as a result of a legal proceedings associated with anti-competitive behavior regulations

Php 0
2021 to 2023

There were no pending or completed legal actions against Converge involving anti-competitive behavior and violations of antitrust and monopoly in 2023. It is important to note that Converge does not block or slow access to any specific content on the internet, except as required by law, particularly content involving online sexual abuse and exploitation of children (OSAEC).

The projects and initiatives implemented in 2023 led to a substantial increase in the download speed of our internet services. Converge has dominated the Ookla® Speedtest Awards™ in the second half of 2023 and has been declared as the Fastest⁷ Internet Service Provider in the Philippines. Based on Ookla's Speed Test Intelligence® data for the six-month period, Converge also hauled multiple awards including: Best Internet Gaming Experience, Best Internet Video Experience, and Top-Rated Internet in the Philippines.

⁷Based on analysis by Ookla® of Speedtest Intelligence® data for Q3-Q4 2023



We also consistently topped the Netflix ISP Speed Index Leaderboard throughout 2023. To cap off the year, Converge ranked No. 1 with a speed of 3.0 Mbps in December 2023. Our 11-month average of 3.25 Mbps surpassed the national average speed of 2.8 Mbps.

Additionally, Converge has made significant contributions to the e-sports and education sectors by tailoring services to the unique needs of gamers and educational segments. The partnership with the Philippine Collegiate Championship, organized by the Collegiate Center for ESports, aims to elevate esports gaming lifestyles through educational initiatives for the next generation of gamers.



Converge's GameChanger, providing high-prioritization access, high-speed plans, and quality hardware, is an essential investment for delivering seamless gameplay, especially in a landscape where online multiplayer games and high-speed internet availability continue to rise.

Acknowledging an opportunity to align with government objectives and the envisioned OAIS Act, we plan to establish a comprehensive Open Internet Policy across our organization. This policy will ensure the impartial treatment of all data on the Internet concerning both performance and accessibility.



Risks to Converge

Lack of open internet regulation in the Philippines poses the following risks to Converge:

- Unequal access, potentially creating a tiered internet structure
- Decline in quality of service due to discriminatory practices by ISPs
- Compromised privacy and security for users
- Ambiguity in internet-related practices poses legal and reputational risks



Opportunities for Improvement

Opportunities for Converge include advocating for transparent, equitable, and enforceable internet regulations. Advocacy for net neutrality also ensures equal access and fair treatment of internet traffic

Average actual sustained download speed of owned and commercially-associated content

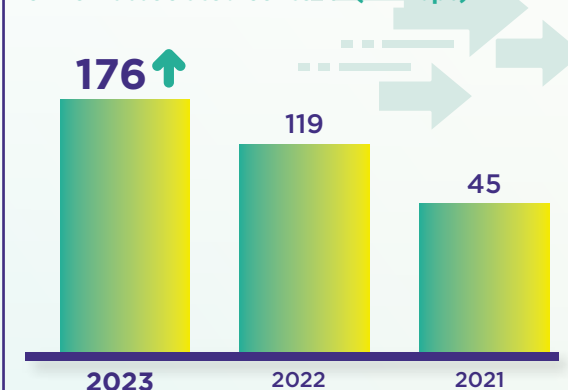


⁸Measured by Converge. 2023 measurement is for locally-owned Vision content.

Measurement in previous years included foreign and HD channels and local Vision channels.

¹⁰In August 2023, Converge & TapDMV announced the launch of BlastTV, a complementary value-added service for Converge subscribers.

Average actual sustained download speed of non-associated content⁹ (in mbps)



⁹Measured by Ookla®. Ookla® is the global leader in mobile and broadband network intelligence, testing applications, and related technologies

Climate Adaptation and Resilience

GRI 201-2; TCFD S a), S b), S c), RM a), RM b), MT a); IFRS S2.9, S2.25, S2.28



Topic Owners: EVP & Chief Network Transformation Officer,
VP & Head of Enterprise Risk Management,
VP & Head of Workplace, Premises and Fleet Management Group



The Global Risk Report 2024, recently released by the World Economic Forum, identifies extreme weather events as the leading global risk likely to precipitate as a material crisis in 2024. Meanwhile, on a country-specific level, the 2023 World Risk Index (WRI) designates the Philippines as the most at-risk nation to disasters and societal response capacity globally. This ranking has persistently placed the Philippines at the top since 2011, emphasizing the critical need for focused intervention and the implementation of resilience-building measures.

As a key partner to the government in the establishment of dependable critical infrastructure, Converge is driven to prioritize climate change mitigation and adaptation, strengthening the resilience of its network in the face of changing climate patterns. The commitment to mitigating physical climate risks aligns with SDG Targets 11.5 and 13.1.

Nonetheless, Converge's response extends beyond risk mitigation. We are actively engaged in pursuing opportunities to digitize and decarbonize our business, with the aim of making a substantial and purposeful contribution to global sustainability objectives.



Physical Risks

**Total assets (based on asset value) that
are potentially exposed to physical
climate risks (chronic and acute risks)**

**Php 23 Million
to Php 289 Million¹¹**



¹¹Based on current value of assets covered by the assessment

Based on the Climate Risk Country profile published by the World Bank in 2021, the Philippines is especially exposed to risk of severe cyclones, which is tightly linked to the risk of extreme rainfall, wind and lightning and the consequent flooding and landslides. The country's archipelagic nature also makes it vulnerable to storm surge and coastal sea-level rise.

By following the directives outlined in ITU-T Recommendation L.1502, we assessed the impact of climate risks on Converge's operations and ICT infrastructure components within the climate scenarios outlined by the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways (RCP). Additionally, we applied research conducted by the Philippine Atmospheric, Geophysical, and Astronomical Administration (PAGASA) to localize the changes in climate variables across two RCP scenarios. The assessment considers three time horizons: short-term (five years), medium-term (six to fifteen years) and long-term (beyond fifteen years).

Climate Scenarios	RCP 8.5 High Emissions Scenario	RCP 4.5 Medium-Low Emissions Scenario
Representative Concentration Pathways (RCP) Description	- No or limited global effort to limit GHG emissions - Increase of approximately 5-6°C by 2100, relative to pre-industrial temperature levels	- Action is taken to curb climate change by all countries - Global average temperature rise of no more than 2 °C and 3 °C above pre-industrial temperature levels by the year 2100
Projected Changes in Climate Variables in the Philippines	- Temperature: country-averaged mean temperature increase of 1.2 to 2.3°C (medium term) and 2.5 to 4.1°C (long term) - Precipitation: >40% reduction in rainfall in parts of Mindanao, >40% increase in rainfall in Luzon, Western Visayas and parts of Mindanao (medium term) - Sea level: Rise in sea levels by 20 cm, coastal wetland migration (long term)	- Temperature: country-averaged mean temperature increase of 0.9-1.9°C (medium term) and 1.3-2.5°C (long term) - Precipitation: changes in rainfall patterns – less extreme than RCP 8.5 scenario - Sea level: Rise in sea levels by approx. 10+ cm (long term)

We excluded RCP 2.6 in the scenario analysis for this review cycle to focus on the severe impacts of climate change to the business. RCP 2.6 Stringent Mitigation Scenario is a representative of a scenario that aims to keep global warming likely below 2°C above pre-industrial temperatures.

Our qualitative analysis of Converge's physical risks reveals vulnerabilities to network disruptions and damage to assets caused by disasters, increased investment costs (e.g., facility relocation, climate-proofing), health and safety risks, rising insurance expenses, elevated compliance costs (transition risks), and other associated risks. While these risks span all RCP scenarios, RCP 8.5 accentuates their severity, with certain risks (e.g., coastal sea-level rise and health impacts) materializing in the medium term compared to lower-emission scenarios with longer time horizons.

In 2023, with the support of external consultants, we conducted a scenario analysis focusing on the maximum foreseeable loss attributed to sea level rise

(chronic physical risk) and storm surges (acute physical risk). According to climate modeling, a range of **0.021%** to **0.257%** of our assets (based on the number of Converge sites), or Php 23 Million to Php 289 Million in asset value¹², could potentially be exposed to these two risks. The study highlights that among various facilities, the highest physical risks are associated with sea level rise, severe storm surges, and coastal inundation for facilities situated along the coastline. Inland facilities face heightened exposure to prolonged flooding, particularly in catch basin areas, and are susceptible to landslides due to the combined weakening of soil structure from excessive soaking caused by substantial precipitation. Our consultants also provided recommendations to minimize the effects of physical risk in our organization.

¹²Based on current value of assets covered by the assessment

Physical Risk Mitigation Plan
- Regular structural inspection programs for buildings, towers, ducts, inland, and submarine cable holding structures. - Proactive maintenance programs for structures, including telecommunications and auxiliary equipment. - Raising elevations of equipment in flood-exposed areas or relocation to higher ground, where feasible. - Provision of structural shields for areas that cannot be transferred, incorporating streamlined architectural designs and re-orienting structures away from wind directions.
Ongoing Future



Physical Risk¹³

Acute Risks	Implications for Converge	Financial impact*
 Flooding The Philippines faces significant flood vulnerability due to severe cyclones and heavy rainfall, with increased risks exacerbated by urbanization-related challenges such as waste blockage in sewers and waterways, along with the impact of logging activities.	- Telecom Infrastructure Vulnerability: Potential damage to critical infrastructure, disrupting network services - Facility Damages: Heightened flooding and landslides increase the risk of facility damage. Data centers and offices may experience disruptions and require costly repairs - River Flooding Impact: Facilities in catch basin areas face risks from severe and prolonged river flooding. Elevated potential for extensive damage to inland facilities - Network Disruptions: Higher risk of power outages during floods may lead to network disruptions. Challenges in maintaining seamless internet connectivity - Uninsurability Challenges: Long-term flooding impact may render networks and facilities uninsurable	↓ Higher cost of repairs or replacement of damaged equipment Disruption of service, penalties
 Cyclones The Philippines faces escalating damage from floods and landslides, driven by the heightened frequency and intensity of typhoons. Additional risks include the compounding impact of sea-level rise on cyclone-induced storm surges, as well as the potential for increased wind speed and precipitation intensity. Models suggest a likelihood of more frequent high-intensity cyclones, projecting a potential 35% increase in expected annual damages by 2050.	- Aerial Infrastructure Vulnerability: Strong winds during tropical cyclones increase the risk of damage to aerial fiber optic cables and pole-mounted facilities - Network Disruptions: Power outages from cyclone-related floods, lightning strikes, or wind damage disrupt network operations. Potential for increased downtime and service interruptions - Facility and Equipment Damages: Strong winds and heavy rainfall from cyclones can damage physical assets (facilities, network components, and equipment). Data centers and offices may experience disruptions and require costly repairs - Uninsurability Challenges: Long-term impact may render Converge's network and facilities uninsurable	↓ Higher cost of repairs or replacement of damaged equipment ↓ Disruption of service, penalties ↓↓ Higher cost of insurance
 Storm Surge The Philippines, particularly Metro Manila, is highly susceptible to storm surges and increased wave heights attributed to climate change. Ranking as the world's most vulnerable city, a 10% surge height increase could expose an additional 3.4 million people to these risks.	- Facility Impact: Relocation of facilities, especially cable landing stations in areas prone to sea level rise and coastal erosion - Submarine Cable Risks: Damage to submarine cables due to sand transportation by waves Increased risks to the integrity and functionality of underwater communication infrastructure	↓ Higher cost of repairs or replacement of damaged equipment

¹³Information on climate risk in the Philippines was drawn from the publication [Climate Risk Country Profile: Philippines](#) by the Asian Development Bank and World Bank Group.

*We used a qualitative approach as our initial step to determining the financial implications of physical risks. The magnitude of financial impact is based on our internal risk management criteria. We will further define the financial impact of physical risks as we develop our assessment process, systems and capabilities.

Legend ↓ Small negative impact ↓↓ Large negative impact ? Unknown at this time

Chronic Risks	Implications for Converge	Financial impact*
 Coastal Sea-Level Rise The Philippines faces heightened vulnerability to sea-level rise, with projections indicating that 16.9% of the country's islands could be submerged under extreme scenarios, at a sea-level rise projection of 6 meters under extreme weather scenarios.	• Facility Impact: Coastal sea-level rise may damage or necessitate relocation of cable landing stations due to coastal erosion. Infrastructure vulnerability in areas affected by sea-level rise • Demand Pattern Changes: Population migration from coastal areas may influence Converge's service demand. Shifts in service usage patterns due to changing population distribution	  Higher investment cost (for new data centers and cable landing stations)  Change in revenue growth rate
 Heat Stress and Labor Productivity Beyond adverse effects on human health, the temperature peaks arising from the combined impact of urban heat index (UHI), climate change, and urban expansion may detrimentally affect the productivity of the service sector economy.	• Equipment Vulnerability: High temperatures and humidity may damage telecommunications equipment • Energy Consumption: Increased cooling needs contribute to higher energy consumption • Health and Productivity Risks: Workforce health risks, such as heat stroke during heatwaves, may lower labor productivity. Higher costs associated with adapting to heat stress impacts on the workforce	 Higher operating cost  Higher labor cost
 Poverty, Inequality, and Disaster Vulnerability The projected climate changes are expected to disproportionately impact the poorest segments of society, with the Philippines' impoverished population being particularly vulnerable to natural hazards such as heavy rainfall, floods, and mudflows intensified by climate change.	• Economic and Social Impact: Overall negative impact on Philippine economy and society due to biodiversity loss and decreased food security • Service Demand Constraints: Changes in demand patterns for services are limited by consumers' reduced purchasing capacity	 Change in revenue growth rate
 Human Health Risks Threats to human health include heat-related mortality, heightened susceptibility to diseases, and malnutrition. Projections indicate an increase in infectious and vector-borne diseases, and elevated flooding is anticipated to contribute to larger disease outbreaks. Climate change may also worsen the global risk of hunger, with an expected 20% increase by 2050.	Workforce Health Risks: Risks to the health of the workforce, including new disease vectors and heat-related illnesses during heatwaves	 Higher labor cost

*We used a qualitative approach as our initial step to determining the financial implications of physical risks. The magnitude of financial impact is based on our internal risk management criteria. We will further define the financial impact of physical risks as we develop our assessment process, systems and capabilities.

Legend  Small negative impact  Large negative impact  Unknown at this time

Our climate risk asset exposure modeling is conducted every five years. However, given recent advancements in climate modeling and the growing urgency to stay ahead of climate change risks and impacts, we are considering increasing the frequency of this study. Additionally, we are in the process of developing internal risk assessment models to further integrate climate-related risks and opportunities, allowing us to quantify their financial impact on Converge and its subsidiaries.

In light of increasing risks associated with climate events, our financial planning and budgeting strategies have adapted to explicitly address climate-related risks. This involves integrating resilience measures directly into our financial planning frameworks.

- We have included provisions in our financial planning and budgeting to accommodate potential increases in repair and maintenance costs linked to network damages from force majeure events.
- To reinforce our network's robustness, we allocate additional capital expenditures, which are capitalized and partially financed through debt. This approach may lead to elevated interest expenses and changes in our cash flow statement.
- We will expand insurance coverage due to our business expansion initiatives, and we also expect an uptick in insurance expenses due to increase in premium rates attributed to climate change.
- Moreover, our earnings may experience an impact as we institute rebates to customers in compensation for network outages resulting from natural disasters.

This approach aims to mitigate potential impacts on repair costs, capital expenditures, and insurance expenses, thereby safeguarding our financial sustainability in the face of unpredictable climate challenges.



Transition Risks and Climate-Related Opportunities

Value Drivers	Implications for Converge	
	 Risk	 Opportunity
 Policy	• Potential increase in cost of doing business (e.g. carbon tax) • Additional investment in equipment and manpower to fulfill ESG reportorial requirements	• Improved resilience from policy and legal transition risks due to early shift to lower-carbon emissions initiatives
 Technology	• Potential high upfront cost to transition to lower-emission technologies: – Stranded assets leading to potential write-off of existing equipment (e.g. DOCSIS network) – Purchase of new equipment and the risk of unsuccessful investment, risk of technology lock-in • Additional investment in transitioning fleet to EV/hybrid vehicles or the potential higher operating costs of retaining diesel and gas-powered fleet	• Opportunity to leverage cloud-based solutions to decarbonize the business • Development and use of energy-efficient network equipment; lower operating costs in the long run for using low-emission and energy efficient technologies • Savings on annual energy cost in the long-term; energy security from diversifying energy supply; lower cost of energy by reducing dependence on imported fuels.
 Market	• Increased pressure from customers to reduce GHG emissions and achieve net zero targets; failure of which might potentially result to – Loss of market share – Unattractiveness to ESG-conscious customers • Difficulty in finding suppliers that are ESG-compliant	• Enhanced organizational competitiveness for Converge • Access to green financing for sustainability projects such as expanding the use of EV/hybrid vehicles in our fleet and setting up Solar energy plants in our sites
 Reputation	• Increased pressure from the investment community to reduce GHG emissions and achieve net zero targets, failure of which might potentially result to – Loss of market share – Unattractiveness to ESG-conscious investors	• Customer preference for greener technology such as fiber internet • Enhanced organizational competitiveness for Converge



Converge conducted an assessment of risks and opportunities associated with the transition to a low-carbon economy, considering various value drivers and their implications to the business in the medium to long-term. While the transition to a lower-carbon economy poses risks such as increased costs and potential loss of market share, Converge recognizes opportunities to improve resilience, lower long-term operating costs, access green financing, and enhance its competitive position in the market.

Our Enterprise Risk Management (ERM) framework monitors and manages these climate risks and opportunities in accordance with our [Sustainability Policy](#). Quarterly reports on the development of these risks and opportunities are presented to the Board Risk Oversight Committee (BROC), which assesses their impact on the company as part of the biannual review of the Company's Risk Profile. This ongoing assessment ensures that Converge stays informed about key sustainability and climate change risks and opportunities that could affect our operational performance.



In 2024, we aim to implement the following projects to improve our climate adaptation and resilience measures:

- Expand awareness on business continuity management through training with the intent of expanding business continuity plans covering each organization and their critical roles
- Expand site vulnerability assessments especially those in areas declared with high likelihood and high impact for disasters leading or requiring evacuation
- Raise Crisis Management Awareness through training, identify gaps in the system and processes and ensure key initiatives are in place
- Continue and expand Disaster Risk Reduction training to improve our employee's disaster awareness and preparedness

2023 Climate Adaptation and Resiliency Initiatives

Converge has implemented climate mitigation, adaptation, and resiliency measures to enhance the sustainability of the business in the face of these risks:

1. Development of ERM Manual, and ERM Champions Program
2. Establishment of the ISO 22301:2019 Business Continuity Management (BCM) documents and Processes and Improvement of Capabilities
3. Development of Incident Management Framework and Guidelines covering facility damage
4. Optimization of Total Cost of Risk (TCoR), which involved:
 - Natural Catastrophe Modeling to determine the potential losses of the company from key perils such as typhoons and earthquakes, etc.
 - Risk Engineering with Loss Control Recommendations to identify the key risk exposure of a certain asset of Converge based on the best practices, as well as loss control recommendations showing how such could be mitigated
 - Climate Modelling to determine the physical effects of climate change, particularly the rising sea level to our assets based on COP27 (1.5 degrees)
5. Establishment of the insurance policies and procedures and optimization of the insurance program
6. Improvement on insurance programs to cover the key assets and exposures of Converge as well as its affiliates, taking into account climate risks and opportunities
7. Emergency drill and emergency call tree drill actual activation
8. In coordination with the Office of Civil Defense and ARISE Philippines, conduct of disaster risk management training for Emergency Response Team

Giving back to our planet



With a steadfast commitment to environmental stewardship and sustainability, we actively pursue initiatives aimed at reducing our carbon footprint and promoting eco-friendly practices. This is exemplified through our collaboration with **SolX Technologies, Inc.**, a visionary company dedicated to providing affordable and accessible electricity to all Filipinos.

Through this partnership, Converge harnesses cutting-edge technology to optimize energy contracts, leveraging SolX's end-to-end platform for transparent and efficient energy sourcing. By utilizing SolX's demand and supply matching software, Converge not only meets its sustainability goals by sourcing renewable energy but also maintains energy savings. Furthermore, the continuous engagement and feasibility studies conducted by SolX ensure that Converge remains abreast of recent regulations and advances in sustainability, reaffirming our commitment to driving positive environmental impact through innovation and strategic partnerships.

“

“Converge is a firm believer in disruptive technologies, and the utilization of innovation for growth. The SolX partnership has delivered optimally priced renewable energy through the utilization of a demand and supply matching software in record time.”

”



Energy and Emissions

GRI 302, 305; SASB TC-TL-130a; TCFD MT a), MT b), MT c); IFRS S1.46; IFRS S2.28



Topic Owners: EVP & Chief Network Transformation Officer,
VP & Head of Workplace, Premises and Fleet Management Group



The World Meteorological Organization's report on the Provisional State of the Global Climate highlights alarming trends, indicating that 2023 is on track to be the warmest year recorded. Data up to October 2023 revealed a global temperature around 1.40 degrees Celsius above the pre-industrial baseline (1850-1900), with a margin of uncertainty of $\pm 0.12^{\circ}\text{C}$. Simultaneously, real-time data from specific locations shows a persistent increase in three major greenhouse gasses throughout the year. The consequences are evident, with 2023 witnessing heightened concerns regarding food security, population displacements, and adverse impacts on vulnerable communities.

In response to the urgent global need for climate action, Converge acknowledges its responsibility by committing to a 75% reduction in our Scope 2 greenhouse gas (GHG) emissions by 2030 and aspiring to achieve Net Zero by 2050. Our pledge aligns with UN SDGs 3, 7, 8, 12, and 13, emphasizing health, responsible consumption and production, and urgent action against climate change.

We are dedicated to improving operational efficiency, minimizing our environmental impact, and ensuring compliance with Philippine environmental laws.

This year, we continued to intensify our renewable efforts by continually seeking opportunities to enhance energy efficiency and maximize the use of renewable energy. We conducted electrical audits in our Reliance office, culminating in rectifications to align with the requirements for obtaining an Energy Management Systems certification (ISO 50001). We also sustained our efforts in procuring renewal energy from a mix of geothermal, solar, wind and hydroelectric sources for both our Reliance IT Center and Clark sites. To increase the energy efficiency of our Data Centers, we reduced cabling through better design to prevent energy leak out and replaced old rectifiers with more efficient units.



Electricity Consumption (Group wide), in GJ (% of total)

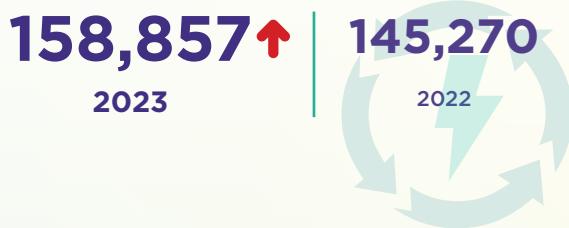
Renewable Energy



Non-Renewable Energy (from Grid)



Total Electricity Consumption



Greenhouse Gas Emissions (Group wide), in tCO₂e

SCOPE 1



SCOPE 2



SCOPE 3

We are currently developing our capability to quantify our Scope 3 emissions. We aim to start reporting this information in 2024.

Total Scope 1+2 GHG Emissions



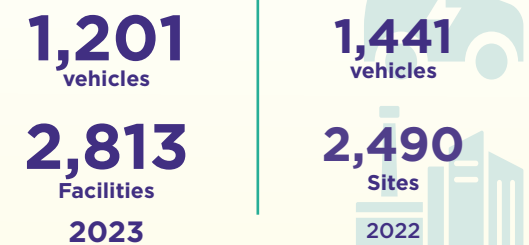
Network Energy Intensity, in GJ/Petabyte (Scopes 1 and 2)



Network GHG intensity, in tCO₂e/Petabyte (Scopes 1 and 2)



Facilities Covered





In 2023, our total electricity consumption increased by around 13,600 GJ. This accounts for the additional 323 sites (consisting of network nodes and business centers) acquired or built in 2023. Nonetheless, we have increased our renewable energy sourcing by ~12,500 GJ, which now brings our %RE consumption to 32% (from 26% in 2022).

Our Scope 1 GHG emissions decreased in 2023, attributed to the decrease in our fleet by around 200 vehicles as we transitioned to an MSP model, although we recognize that this also results in a concomitant increase in Scope 3 emissions. Meanwhile, our Scope 2 GHG emissions increased due to the increase in our electricity consumption arising from the expansion of our network and increase in subscribers. However, we were able to reduce our energy and GHG intensity relative to data traffic volume compared to the previous year.

Previously, we measured intensity only in terms of employees. With the changes in our operating model, we recognize that energy and emissions intensity in terms of employees is no longer as relevant. Going forward, we will focus on traffic-based intensity as a key metric, as it more accurately reflects our energy and GHG performance relative to business volume.

Building upon the sustainability endeavors from the previous year and to decrease our GHG intensity, exploratory efforts are underway to broaden the scope of Retail Competition and Open Access (RCOA) contracts to additional locations. We are exploring additional sites for qualification for the Electricity Retail Aggregation Program. Furthermore, we are expanding the use of data analytics to analyze energy consumption in our network nodes, identifying potential areas for reduction and/or avoidance. In line with our vision for a diversified renewable energy portfolio, we are actively considering the establishment of a solar plant at our operational sites.

On another front, we have started the procurement of hybrid and electric vehicles (EVs) into our corporate plan for employee transportation. We are diligently monitoring legislative developments and governmental programs pertaining to EVs, and eagerly await viable opportunities to expand the use of EVs in our fleet, aligning our transportation practices with our sustainability goals. Finally, we are on-track to meeting our target of 4,000 seedlings planted by 2024. As of date, we have planted over 3,000 trees since starting our Adopt-A-Watershed program in 2021.

We are proactively enhancing our mapping and disclosure of GHG emissions across our supply chain. Our engagement in initiatives like the Net Zero Carbon Alliance affords us access to valuable tools and best practices for GHG and carbon disclosures. In alignment with the IFRS S2 Climate-related Disclosures standard, we are committed to disclosing our Scope 3 emissions in the 2024 reporting cycle.



Risks to Converge

- Infrastructure vulnerability to storms or flooding
- Operational disruption
- Supply chain disruptions
- Increased energy costs for running network facilities



Opportunities for Improvement

- Embracing renewable energy sources and energy-efficient technologies
- Investing in resilient infrastructure designs that can withstand climate-related challenges
- Engaging with local communities affected by climate change in our areas of operation

Waste Management

GRI 306, SASB TC-TL-440a; IFRS S1.46; IFRS S2.28



Topic Owners: VP & Head of Supply Chain,
VP & Head of Workplace, Premises and Fleet Management Group



The UN Environment Programme released a study citing the alarming state of plastic pollution worldwide, emphasizing the ecological risks and damage already observed in key regions like the Mediterranean, East China and Yellow Seas, and the Arctic Ocean. According to the report, over 30% of global plastics are used for packaging, a figure expected to increase 2.5 times by 2060. The Philippines is highlighted as a significant contributor to marine plastic pollution, with 35% of consumed plastics leaking into the open environment and only 9% being recycled.

In response to the urgent need for enhanced waste management practices, the implementing rules and regulations of the Extended Producer Responsibility Act (EPR) of 2022 came into effect last year. This legislative measure holds companies accountable for the plastic packaging they use in their products throughout the entire life cycle. The law expands the responsibility of product manufacturers beyond production to include the use and end-of-life stages of their products.

Converge recognizes its role as a responsible producer in the Philippines. We are committed to ensuring that our waste management practices are aligned with current legislations, including the EPR Law, the Ecological Solid Waste Management Act of 2000 (RA 9003), and the Toxic Substances and Hazardous Waste Management Act (RA 6969).

In line with our commitment to UN SDG 12, we actively incorporate environmentally responsible practices into our business operations. The majority of our waste generated is composed of e-waste such as scrap modems and routers, fiber optic cables, batteries, network equipment and various devices. Our customer premises equipment (CPEs) refurbishment and disposal management program oversees the entire product life cycle, from dispatch to disposal. Upon customer churn, we retrieve our CPEs and refurbish them for our lower-tier products, resulting in significant cost savings and a reduction in e-waste.

In 2023, we successfully issued and utilized over 112,500 refurbished CPEs instead of issuing new units. This initiative aligns with the International Telecommunication Union's target to increase the global e-waste recycling rate to 30% by 2023.

In 2023, we established and registered our EPR program with the DENR National Solid Waste Management Commission. We collaborated with GreenAntz to repurpose 1,333 kg of plastic waste into eco-cast material, which was then used in the construction of perimeter walls for our facilities. We also partnered with Jontrix Trading Philippines, our accredited recycler. Additionally, we continued our partnership with KREations PH for the upcycling of recovered marketing materials (tarpaulins to bags). Additionally, we reduced the use of plastic packaging in the issuance of our refurbished modems, and discussed with our suppliers the potential replacement of plastic packaging for new equipment. We also launched the #BawalAngPlastik campaign in June, urging employees to reduce their plastic consumption in the office.

Total weight of waste generated (MT)

171.7 ↓
2023

387.4
2022

Materials recovered through take back programs (MT)

68
2023

61.3
2022

Total weight of waste disposed (MT)¹⁴

173 ↓
2023

387.4
2022

Percentage of recovered materials that were reused

58%
2023

43%
2022

Total weight of waste to landfill (MT)

79.2
(46%↑)¹⁵
2023

8
(2%)
2022

Percentage of recovered materials that were recycled

42%
2023

57%
2022

Total weight of waste diverted from disposal (MT)

69.3
(40%↓)¹⁵
2023

379.4
(98%)
2022

¹⁴Waste disposal in 2023 also accounted for excess inventory and wastes in newly acquired Converge sites.

¹⁵Increase in waste directed to disposal and waste to landfill is attributed to the increase in general office waste and construction waste from newly acquired Converge sites. Majority of these wastes were sent to our third-party accredited hauler and recyclers.

Other initiatives to improve our performance as responsible producers include:

- Continuous implementation of the e-waste management program by deploying e-waste boxes in three business centers in Pampanga province and at the Converge office in Pasig City
- Participation in the clean-up drive at Brgy. Natipuan in Batangas to clean the shores of Munting Buhangin Beach and donate basket bottle bins to nearby barangays to raise awareness about plastic pollution and promote environmental conservation.
- In June, we launched the second phase of our #CountdownToZeroWaste campaign, targeting plastic waste in the workplace. With our #BawalAngPlastik advocacy, employees were encouraged to use less plastic in the office. Used plastic bottles were also collected and recycled by Green Antz Builders to produce eco-cast construction materials.



Risks to Converge

- Negative perceptions of Converge's efforts in fulfilling its environmental responsibility
- Fines or legal actions, impacting Converge's financial standing and reputation
- Supply chain risks



Opportunities for Improvement

- Innovations in electronic waste management practices
- Proactively seeking and obtaining certifications for responsible waste management practices

Converge launches #BawalAngPlastik campaign, urges employees to reduce plastic consumption

Converge Information and Communications Technology Solutions, Inc. (Converge) launched its #BawalAngPlastik (or #NoToPlastic) campaign, urging its employees to opt for more eco-friendly materials at work to gradually eliminate plastics from its waste footprint. This is the second phase of its Countdown to Zero Waste movement, its company-wide initiative to reach its goal of zero solid waste to landfill by 2030.

During the campaign launch, Converge Chief Sustainability Officer Benjamin Azada said that as a signatory of the UN Global Compact (UNGC), Converge is committed to ensure that its operations would not cause harm to the environment.

As part of this campaign, plastic bottle bins were installed at Converge headquarters in Pasig to encourage employees to donate their plastic bottles and containers which will be upcycled into sustainable materials through the company's recycling partners such as GreenAntz Builders Inc., which is an accredited plastics recycling company of the Department of Environment and Natural Resources (DENR).

The #BawalAngPlastik launch was made even more exciting as Converge FiberXers forward Kris Porter and guard Adrian Wong joined for a one minute "Basketbottle" shoot out with employees. Team Wong snagged the victory with 12 points during the 30-second overtime.

Converge VP and Head of Corporate Communications and Public Relations Jay-Anne Encarnado said that the campaign is the company's way to help in mitigating the negative impacts of plastic consumption to the environment, especially to marine biodiversity.

"It is alarming that the Philippines is now among the world's biggest contributors to plastic pollution. And the situation is pretty dire. Studies have shown that, by 2050, there will be more plastic than fish at sea if we don't act now," Encarnado said.

Amplifying this message further, SVP and Head of Human Resources Albert Custodio encouraged employees to embody the company's sustainability commitments even outside Converge to help create positive ripple effects within their respective communities.

"It starts with one person, one family, one community. And here at work, it starts with us, our colleagues, and teammates," Custodio said.

"We have an obligation to our younger generation to give them a good future and give them the earth, the same way we have enjoyed it. To save the world, it is really a collective effort from all of us as citizens of the world, and as citizens of Converge," concluded Converge VP and Head of Corporate Planning, Transformation and Sustainability Management Bryan King Kay.

The #BawalAngPlastik launch capped off the fun and knowledge-filled Sustainability Week last June 9, 2023.



Supplier Environmental Assessment

GRI 308



Topic Owners: VP & Head of Supply Chain



In the photo: Bryan Christopher King Kay, Converge VP and Head of Corporate Planning, Transformation and Sustainability Management, as a corporate panelist at DHL Day 0: Zero Emissions Day by DHL Philippines

Our commitment to environmental sustainability extends to encouraging our business partners throughout the supply chain to adopt greener operations, requiring their compliance with mandated environmental standards and aligning with UN SDG 12.

To ensure a shared commitment to our planet, we actively participated in sustainability events organized by our industry and business partners. During these gatherings, we exchanged insights and showcased organizational best practices in environmental stewardship.

Our updated third-party due diligence includes the Sustainability Assessment Checklist, which is incorporated into the Third-Party Vendor Accreditation Policy. Suppliers are required to submit a Vendor Commitment, which encourages vendors to align their practices with implemented sustainability programs.

Additionally, an Environmental Compliance Certificate is necessary as evidence of compliance with government standards. These measures aim to assess the environmental impact of our suppliers, reflecting our commitment to responsible and sustainable business practices.

In 2023, we have expanded the scope of our supplier environmental assessment to cover both our new and existing suppliers. Out of a total of 301 suppliers assessed, 98 (or ~33%) were identified to have significant potential negative environmental impacts. We are currently developing engagement plans with these suppliers to promote greater environmental responsibility, encouraging the development and exploration of environmentally friendly technologies. We also aim to enhance our supplier environmental assessment program by reviewing our Blacklisting and Suspension Policy to incorporate other environmental-related risks outside regulatory compliance as grounds for blacklisting or suspending suppliers.

Percentage of new suppliers that were screened using environmental criteria

99.2% ↑
2023

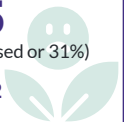
63%
2022



No. of suppliers identified as having significant actual and potential negative environmental impacts¹⁶

98 ↑
(out of 301 assessed or 33%)
2023

65
(out of 207 assessed or 31%)
2022



¹⁶Supplier assessments relied on responses to our Third-Party Due Diligence Questionnaire, focusing on sustainability criteria. Risks were flagged if suppliers answered 'No'. While there were no specific instances of non-compliance, the absence of documented policies poses potential issues for both environmental and social factors due to the lack of controls or monitoring. Nevertheless, these partners have expressed commitment to establishing their policies and compliance frameworks going forward.



Risks to Converge

- Legal and regulatory risk due to dependence on suppliers with weak environmental practices
- Public backlash and negative perceptions can harm Converge's brand and standing in the market
- Reliance on suppliers with inadequate environmental practices may result in operational disruptions



Opportunities for Improvement

- Fostering sustainable partnerships
- Sharing of innovative solutions and best practices
- Emphasizing sustainable supplier relationships to provide a competitive advantage in environmentally-conscious markets

Creating a positive community impact



At Converge, we are driven by our commitment to digital inclusion and economic empowerment across the Philippines. We strive to make a meaningful impact in the lives of individuals like Jose Marie Cambalcambal and his family in Mandaue City, Cebu.

By providing reliable and high-speed connectivity through our BIDA Fiber service, we enable families to access essential online resources for education, work, and communication. The transformation experienced by the Cambalcambal household underscores the significance of connectivity in enabling access to education and reducing financial burdens, aligning with our mission to foster positive change and opportunity through accessible digital solutions.



"We haven't had any problem with BIDA because if we did, the first one to complain would be my son since he's the one who always uses it. So far, I haven't heard any complaints from him."

- Jose Marie Cambalcambal
BIDA Fiber subscriber
from Mandaue City, Cebu



Access to Information and Communications

SASB TC-TL-000.C, SASB TC-TL-000.D; IFRS S1.46



Topic Owners: Chief Executive Officer



The Office of the United Nations Secretary-General's Envoy on Technology and the International Telecommunication Union introduced a set of 15 targets aimed at achieving universal and meaningful digital connectivity by 2030. Developed by the UN Secretary-General's Roadmap for Digital Cooperation Roundtable Group on Global Connectivity, these targets are designed to ensure a secure, satisfying, enriching, productive, and affordable online experience for all individuals.

Acknowledging our role and responsibility in driving universal and meaningful connectivity, we pledge to expand our network to deliver reliable and affordable internet access to every household. Our commitment aligns with supporting the ITU's Broadband Advocacy Targets, which aim to bridge the digital divide by 2025, as well as endorsing the Department of Information and Communication Technology's (DICT) National Broadband Plan and the PDP 2023-2028.

Our key initiatives to enhance Filipinos' access to information and communication are centered around the pillars of affordability, universality, and technology, perfectly aligning with the 2030 roadmap for digital connectivity:



Affordability

In line with our commitment to affordability, we offer broadband Internet solutions for a diverse range of users in the socioeconomic spectrum. Our initiatives, Surf2Sawa (S2S) and BIDA Fiber, target the mass market, providing high-speed connectivity at affordable rates.

- S2S, designed for the mass market, covers around 9 million households, offering flexible pricing from P50 for one day to P700 for 30 days with unlimited data at an average speed of 25 Mbps.

Addressing an underserved segment, S2S is making strides in low-income urban areas of Metro Manila.

- BIDA, a budget-friendly postpaid plan priced at P888 per month, delivers unlimited data at speeds up to 35 Mbps. Aimed at those preferring monthly subscriptions, it accommodates up to six devices simultaneously, with no data cap. We plan to expand BIDA availability to metro cities and regions nationwide to serve a broader customer base.

Both BIDA and Surf2Sawa empower diverse Filipino communities, including lower-income households, marginalized sectors, urban poor communities, residents in unserved areas, and budget-conscious subscribers. By reducing financial barriers and expanding into underserved regions, we bridge the digital divide, ensuring equal access to digital opportunities. This inclusive strategy reflects our commitment to providing every Filipino with world-class connectivity and the opportunities it brings.

Total Subscribers

2.2 Million¹⁷

¹⁷Composed of the residential customers (Fiber X, HFC, BIDA, S2S) and enterprise customers (SME, Enterprise, Wholesale).

Total Homes Passed

16.8 Million
Target: 15 Million by 2023



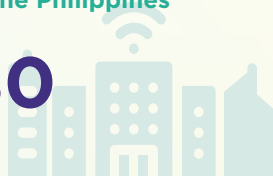
Universality

In 2023, we launched initiatives to promote universal and equitable access to digital technologies and skills, spanning all age groups and genders.

- In partnership with the DICT, we contributed to the Free WiFi for All Program, providing free Wi-Fi to 36 municipal sites in Ilocos Sur and Norte and 4 municipal sites in La Union.
- Our collaboration with the Department of Transportation (DOTr) and airport operators led to free internet connectivity at Ninoy Aquino International Airport (NAIA) Terminals 3 and 4 through the Free Pure Fiber Wi-Fi project.
- Teaming up with CARD MRI Information Technology (CMIT), Inc., we enabled seamless access to financial services for over 8.8 million Filipinos.
- Our partnership with Caritas Manila involved deploying charity cans to over 150 Converge business centers, branches, and offices to support children and youth in their pursuit of education.
- As part of our annual support to the Brigada Eskwela program of the Department of Education (DepEd), we refurbished the Sandiwaan Learning Center in Tondo, Manila, and provided fiber broadband connectivity to enhance learning opportunities.

No. of cities and municipalities covered by network in the Philippines

780



Technology

We provide essential products and services to support the technological infrastructure of educational institutions, emphasizing the critical need for reliable and high-speed internet connectivity.

Our projects are dedicated to improving students' access to online educational resources, fostering seamless learning experiences, and contributing to advancements in education through enhanced digital connectivity.

- In partnership with Stairway foundation, we extended free internet connectivity and provided learning tablets for the use of the students and members of the Baclayan Mangyan community in Puerto Galera, Oriental Mindoro.
- To further support the gaming community, we formed an alliance with the Philippine Collegiate Championship (PCC) to enhance esports gaming lifestyles through education. This partnership focuses on expanding Converge's presence in the educational sector, addressing specific needs for high-performance internet connectivity, and organizing nationwide school roadshows and accredited masterclasses to deepen students' understanding of the gaming industry.
- We provided free internet connectivity to three classroom buildings at Pampanga High School (PHS), the largest secondary educational institution in San Fernando City. PHS is the inaugural beneficiary of the Kayabe Ka Free Public Wi-Fi program, a joint initiative of Converge and the city government of San Fernando.



Risks to Converge

- Vulnerability of information and communication infrastructure to cyber threats, hacking, and other security breaches
- Regulatory challenges from evolving regulations in the telecommunications industry
- Rapid advancements in technology may render existing infrastructure obsolete
- Service disruptions due to natural disasters, technical failures, or other unforeseen events



Opportunities for Improvement

- Market expansion to reach underserved areas
- Embracing technological advancements to enhance service offerings, improve efficiency, and stay ahead in the competitive landscape
- Collaborations with technology providers and industry partners
- Participating in global connectivity initiatives

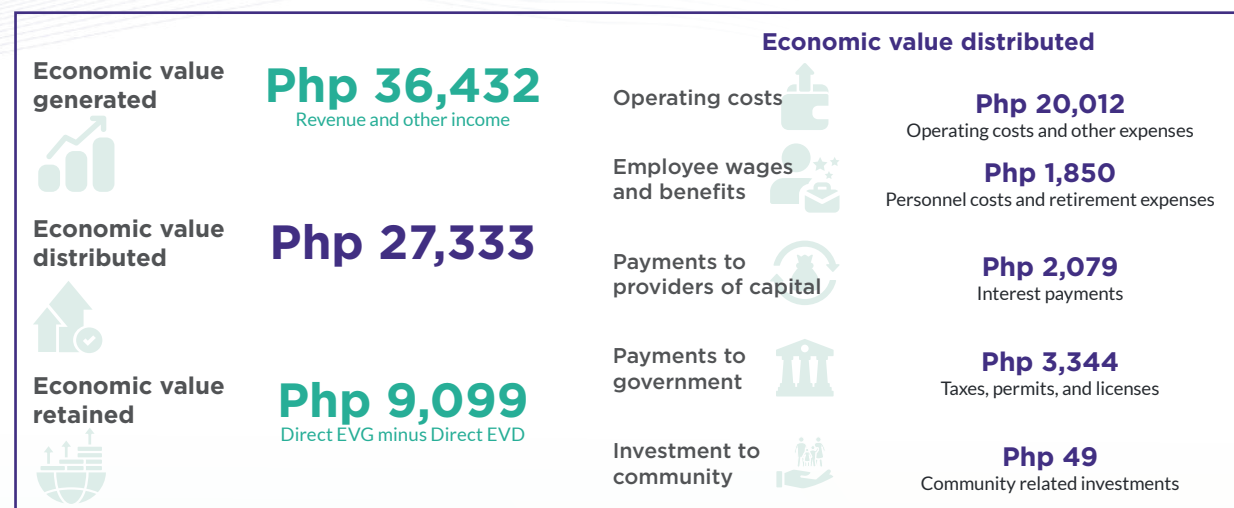
Economic Contributions

GRI 201, GRI 203



Topic Owners: President and Chief Risk Officer,
VP & Head of Investor Relations

Direct Economic Value Generated and Distributed (EVG&D) (in Php Mn)



Our company's vision is deeply rooted in contributing to economic growth and creating wealth for stakeholders through sustainable and inclusive practices. We acknowledge the challenges faced by the Philippine fixed broadband market, where many areas remain underserved despite improvements in digital infrastructure. The Philippines attained a dismal 45.4% in the 2021 Internet Resilience Index by the Internet Society, which measures the consistency and reliability of connectivity in terms of infrastructure, performance, security, and market readiness in each country. This places the Philippines behind its Southeast Asian neighbors, with Singapore scoring the highest in the region at 72%, followed by Vietnam at 52%. The index highlighted under-provisioned networks, the likelihood of outages, and high internet costs as barriers to public access and infrastructure investment from global providers.

To address these challenges, Converge continues to prioritize the expansion and establishment of a resilient fiber internet backbone that connects the nation's three main islands. This aligns with UN SDG 9, which advocates for robust infrastructure, industrial inclusivity, and innovation.

Moreover, our commitment extends to supporting AmBisyon Natin 2040, which aims to create livable communities. By providing internet access that facilitates online job opportunities and entrepreneurial resources, Converge indirectly supports economic growth (Target 8.1) and promotes decent work (Target 8.5). Furthermore, through its operations and partnerships with vendors, Converge also generates direct and indirect employment opportunities, further contributing to economic growth.

Through these initiatives, Converge aims to not only enhance connectivity but also foster positive economic growth and improve the overall well-being of the Filipino population.



Risks to Converge

- Intense competition in the Philippine broadband market may lead to price wars or reduced margins, impacting revenue and growth
- Customer satisfaction could impact customer retention and our reputation in the market



Opportunities for Improvement

- Exploring new markets or segments and diversifying services
- Establishing strategic partnerships with government agencies, local communities, and other stakeholders to expand reach and infrastructure, facilitating the establishment of a more reliable and accessible broadband network across the Philippines
- Improving the overall experience of our customers

Converge powers-up ICT learning center in Mindoro



Converge Information and Communications Technology Solutions, Inc. (Converge) launched the first Stairway Foundation ICT Learning Center in Brgy. Baclayan, Puerto Galera, Oriental Mindoro, demonstrating its commitment to providing accessible internet to all Filipinos. The center aims to serve the needs of unserved and underserved communities, offering free internet connectivity and providing learning tablets for students and members of the Baclayan Mangyan community. This initiative is part of Converge's campaign for Safer Internet, aligning with its sustainability commitment to create positive community impacts and ensure every Filipino has access to safe, affordable, and dependable internet.

The project reflects Converge's vision to bridge the digital and literacy gap in the Philippines. The partnership with Stairway Foundation is seen as a long-term commitment by Converge to empower communities and create a safer digital environment, especially for children and other vulnerable groups.

The ICT Learning Center is expected to raise the level of education in the Mangyan community, providing opportunities for learning and skill development in the digital age.

Converge's collaboration with Stairway Foundation also extends to promoting safer online spaces for Filipino children and combating cyber threats. The company has taken proactive measures to protect its network against illicit content, blocking over 350,000 web addresses related to cybercrime, including online sexual abuse and exploitation of children (OSAEC), illegal online gambling, phishing, terrorism, and voyeurism. Converge enforces a child online safeguarding policy to ensure that its stakeholders, especially children, are provided with proper digital safety and security when using its products and services.



Local Sourcing and Supplier Support

GRI 204



Topic Owners: VP & Head of Supply Chain



Risks to Converge

- Vulnerability to supply chain disruptions due to local economic, political, or environmental issues
- Limited variety of available technologies
- Local suppliers may not always meet the same quality and international standards as global counterparts, posing a risk to service quality and reliability



Opportunities for Improvement

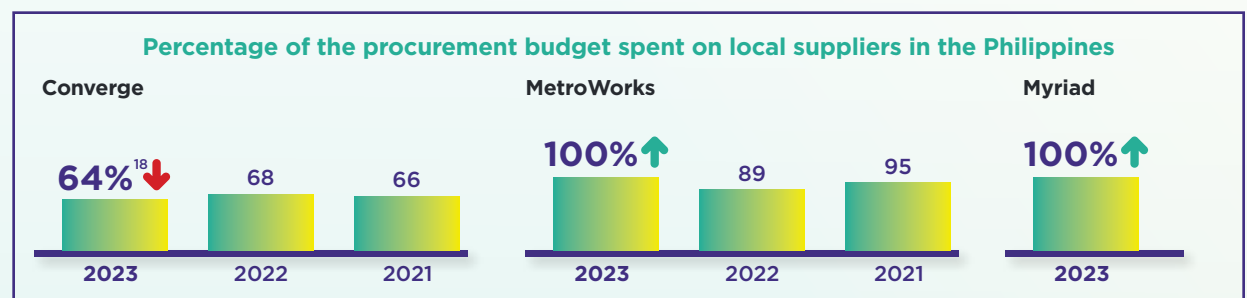
- Cost savings through reduced transportation costs and lower tariffs
- Foster community engagement, contributing to social responsibility and positive public relations
- Reduced environmental impact by lowering carbon emissions from transportation

Aligned with UN SDG 8: Decent work and economic growth and SDG 11: Sustainable cities and communities, Converge actively creates opportunities for local suppliers and business partners, encompassing small and medium enterprises (SMEs). We also engage in training support and knowledge sharing initiatives with our business partners and suppliers to enhance their performance whenever possible.

Our transition to the MSP model not only strengthens our localized presence but also fosters economic opportunities for local communities. Our regional partnerships generate employment opportunities for locals and contribute to the growth of small businesses. Moreover, the transition enhances local sourcing, as MSPs often collaborate with local suppliers and businesses. For instance, in the trade marketing of our prepaid fiber product Surf2Sawa, we engage residents of Tondo, Manila as community retailers, offering valuable livelihood opportunities in this neighborhood.

As our business grows, Converge also engages with local startups and small businesses to support the Philippines' economy and employment creation. Our local start-up and small business partners include:

- **SolX Technologies, Inc.:** Our energy consultant and partner in renewable energy sourcing, offering best access to energy cost saving solutions.
- **P3030:** Our partner in developing our prepaid solution platform.



¹⁸For Converge, the procurement budget spent for local sourcing has slightly decreased. Prices of locally produced materials have increased, driven by inflation and other market forces. As such, we have shifted some of these planned spend to foreign resources for better prices, leveraging on volume purchases.

Appendix



Glossary of Material Topics

This glossary of material topics provides definitions for specific terms used throughout this report in the context of our business. As such, it is important to note that these definitions may not always align with the standard industry usage of these terms.

A

Access to Information and Communications

This refers to efforts made by the Company to provide and ensure broad access to its services, specifically in the context of underserved markets and/or population groups.

Anti-Corruption

This covers how the Company prevents corruption which includes practices such as bribery, facilitation payments, fraud, extortion, collusion, money laundering, offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust.

C

Climate Adaptation and Resilience

This refers to how the Company manages risks and opportunities related to the transition to a lower-carbon economy, as well as risks and opportunities related to the physical impacts of climate change, such as extreme weather events and sea-level rise. This includes both climate adaptation and mitigation activities.

Competitive Behavior and Open Internet

This covers the Company's approach to preventing actions of the Company or its employees that would reduce competition in the market. This includes ensuring an Open Internet, where all data/content on the Internet is treated equally in terms of performance and access.

Customer Privacy and Data Security

This covers how the Company respects customer data privacy rights, and the measures taken to ensure the security of personal data that is collected, stored, processed or disseminated.

Customer Welfare

This covers the actual and potential positive and negative impacts on customers when purchasing and using the Company's services. This includes:

1. **Customer Satisfaction** - This refers to the ability of the Company to meet or exceed expectations across the entire customer journey, including but not limited to purchase, installation and activation, use of the service, receipt of bill, payment, repair, and after-sales service.

2. **Customer Health and Safety** -

This includes the Company's efforts to address health and safety across the life cycle of its services (e.g. sales, installation, usage, billing and collection, repair), and its adherence to customer health and safety regulations and voluntary codes. This topic also includes online sexual abuse and exploitation of children, online harassment, and cybercrime.

3. **Sales and Marketing Practices** -

This covers service information and labeling and marketing communications (including branding, advertising, public relations, online presence, etc.). It includes customer access to accurate and adequate information on the impacts of the services used to help customers to make informed choices.

4. **Network Resiliency and Reliability** -

This refers to measures taken by the Company to enhance resilience of the network and system, reduce service disruptions, and address business continuity risks.

D**Diversity, Equity and Inclusion**

This refers to the Company's approach to equal opportunity, diversity and inclusion at work. Primary characteristics where the Company seeks to achieve diversity include gender, age and LGBTQIA+ membership.

E**Economic Contributions**

This refers to the direct monetary value added to the Philippine economy by the Company and how it has created wealth for stakeholders including shareholders, creditors, suppliers, workers, the government, and local communities. It also includes infrastructure investments and services provided for the benefit of the nation.

Energy and Emissions

This refers to the fuel, electricity and other energy sources consumed by the Company, and the greenhouse gas emissions emitted through its operations.

L**Local Sourcing and Supplier Support**

This covers the Company's support for local suppliers and business partners, small and medium enterprises, and those owned by women or members of vulnerable groups. It also covers how the organization's procurement practices (such as price negotiation and payment routines) cause or contribute to negative impacts in the supply chain.

S**Supplier Environmental Assessment**

This refers to the due diligence procedures undertaken by the Company to prevent, mitigate, and address actual and potential negative environmental impacts in the supply chain.

Supplier Social Assessment

This refers to the due diligence procedures undertaken by the Company to prevent, mitigate, and address actual and potential negative social impacts in the supply chain.

W**Waste Management**

This covers the Company's management of waste from its activities, including reuse and recycling and recovery. Of particular concern under this topic is waste electrical and electronic equipment or e-waste.

Workforce Welfare

This covers the actual and potential positive and negative impacts on employees and workers who are not employees when performing work for the Company. This includes:

1. Employment -

This refers to the Company's approach to employment or job creation, its approach to hiring, recruitment, retention and related practices. This also covers employment and working conditions at the companies suppliers and business partners.

2. Occupational Health and Safety -

This refers to how the Company manages its occupational health and safety-related impacts, covering both its own workers, and that of its suppliers and business partners.

3. Workers' Rights -

This refers to the Company's approach to ensuring that workers' rights are respected, including: freedom of association, collective bargaining, no forced/compulsory labor, abolition of child labor, and elimination of discrimination in respect of employment and occupation.

4. Learning and Development -

This includes the Company's approach to training and upgrading employee skills, and performance and career development reviews. It also includes transition assistance programs to facilitate continued employability, and the management of career endings due to retirement or termination.

5. Employer-Employee Relationship -

This covers the Company's consultative practices with employees and their representatives, including its approach to communicating significant operational changes, and the degree to which these are aligned with relevant international norms and standards.

Glossary of Terms, Abbreviations, and Acronyms

A	AA100AP	AA1000 AccountAbility Principles	G	GHG	Greenhouse Gas	P	PAGASA	Philippine Atmospheric, Geophysical, and Astronomical Administration			
	ACGS	ASEAN Corporate Governance Scorecard		GRI	Global Reporting Initiative		PDP	Philippine Development Plan			
	AI	artificial intelligence	I	IACGR	Integrated Annual Corporate Governance Report		PLC	publicly-listed companies			
	ASC	Ad Standards Council		ICD	Institute of Corporate Directors	Q	QMS	Quality Management System			
B	BCM	Business Continuity Management		IFRS	International Financial Reporting Standards		R	RCOA	Retail Competition and Open Access		
	BROC	Board Risk Oversight Committee		IPCC	Intergovernmental Panel on Climate Change	RCP		Representative Concentration Pathways			
C	CERT PH	Computer Emergency Response Team	K	ITU	International Telecommunication Union	S	SASB	Sustainability Accounting Standards Board			
	CPE	customer premises equipment		M	KPI		Key Performance Indicators	SEC	Securities and Exchange Commission		
	COP	Conference of Parties			N		MSA	Managed Service Agreements	SME	Small and medium enterprise	
	CXP	Customer experience						MSP	Managed Service Provider	T	TCFD
D	DEI	Diversity, Equity and Inclusion	O			NCSP		National Cybersecurity Plan	U		UNGC
	DepEd	Department of Education		NIAP		Network Intelligence and Automation Platform		UN SDGs			United Nations Sustainable Development Goals
	DICT	Department of Information and Communications Technology		NPC	National Privacy Commission	UN WEPs	UN Women's Empowerment Principles				
	DOLE	Department of Labor and Employment		NTC	National Telecommunications Commission						
	DOST	Department of Science and Technology	OAIS	Open Access in Internet Services Act							
	DOTr	Department of Transportation		OECD		Organisation for Economic Cooperation and Development					
	DPO	Data Protection Officers		OSAEC		Online sexual abuse and exploitation of children					
	DTI	Department of Trade and Industry		OSH		Occupational safety and health					
E	EPR	Extended Producer Responsibility Act of 2022									
	ERM	Enterprise Risk Management									
	ESG	Environmental, Social, Governance									
	EV	electric vehicles									

Glossary of Visuals

United Nations Sustainable Development Goals (UN SDGs) icons

The SDGs are a universal call to action to end poverty, protect the planet, and improve the lives and prospects of everyone everywhere. The 17 Goals were adopted by all United Nations Member States in 2015 as part of the 2030 Agenda for Sustainable Development, which set out a 15-year plan to achieve the Goals.

To serve the unserved and underserved and to contribute to the country's economy, environment, and society, Converge is committed to help achieve the UN SDGs to build a more sustainable world for humanity.



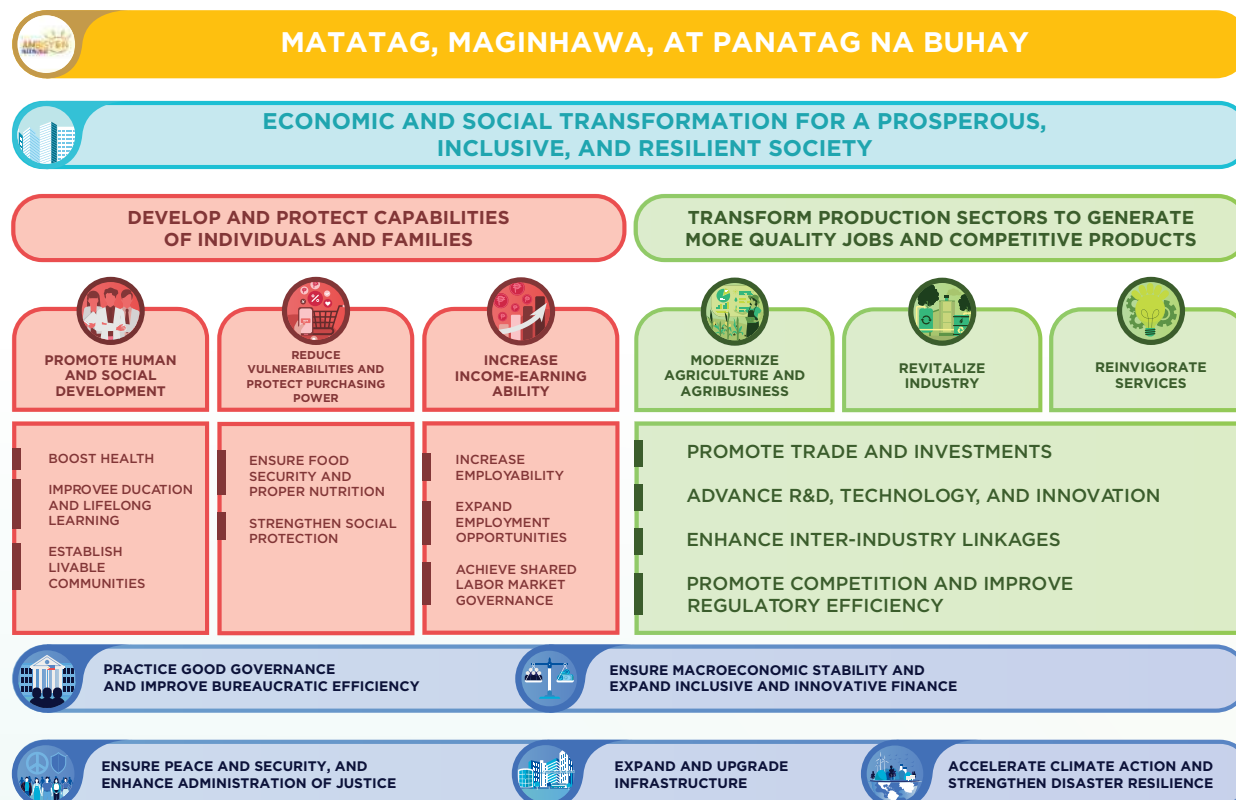
Glossary of Visuals

Philippine Development Plan (PDP) 2023–2028 icons

The Philippine Development Plan (PDP) 2023–2028 outlines strategies for significant economic and social change to create a prosperous, inclusive, and resilient society. It focuses on three main goals: improving the capabilities of individuals and families, revitalizing production sectors to create quality jobs and competitive products, and creating an enabling environment that supports prosperity, inclusivity, and resilience.

It highlights the key aspects of well-being cherished by Filipinos: strong connections, a fulfilling lifestyle, and economic stability. The government's role is pivotal in fostering development to support Filipinos in achieving these aspirations.

Converge is committed to mitigating adverse impacts on our communities and providing exceptional ICT solutions across the nation, ensuring that in our journey forward, we #LeaveNoOneBehind.



Restatements of Information

GRI 2-4

SASB Data Disclosure

In accordance with the release of the Sustainability Accounting Standards for Telecommunication Services ver. 2023-06, we have restated the 2022 data for the following metrics to ensure comparability with our 2023 data:

TCL-550a.1	2022 (Recalculated)	2022 (Reported)
System Average Interruption Frequency (SAIF)	6.62 service disruptions per customer	1.17 service disruptions per customer
Customer Average Interruption Duration (CAID)	741 mins	7.8 hrs

The updated SASB TCL-550a.1 version, effective June 2023, provides a formula for computing the SAIF and CAID. In contrast, the October 2018 version lacked this formula, leading to a varied interpretation in our previous disclosures. Furthermore, the recommended unit of measure for CAID changed from hours to minutes.

GRI Data Disclosure

We are also restating the following information disclosed in the 2022 Sustainability report attributed to erroneous data input:

GRI 405-2	Metric	2022 (Correct)	2022 (Error)
Ratio of basic salary and remuneration of women to men	Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.		
	Management	0.91	1.19
	Supervisors	1.14	0.91
	Team Members	0.98	1.14

As a control measure, we implemented a cloud-based ESG reporting platform to help ensure the reliability of our data by preventing errors during data capture and computation. This platform includes a robust data verification workflow, such as data approval before inclusion in reports, an audit trail, and facility for uploading supporting evidence, among other measures.

Bibliography

This section lists the relevant references used in developing this report.

1. Walk Free, The Global Slavery Index 2023, 2023,
2. Asian Legal Business, Anti-Corruption: Heightening Risks, 2023
3. Philippine News Agency, Groups 'wish' PBBM to tackle Open Access Act in SONA, (n.d.).
4. World Economic Forum, Global Risk Report 2024, 2024
5. Bündnis Entwicklung Hilft, World Risk Report 2023, 2023
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8. UN Environment Programme (UNEP), et al., Extended Producer Responsibility (EPR) Law of the Philippines: A White Paper, 2022
9. Office of the United Nations Secretary-General's Envoy on Technology and the International Telecommunication Union (ITU), Achieving universal and meaningful digital connectivity: Setting a baseline and targets for 2030, 2022
10. Internet Society, 2021 Internet Resilience Index (IRI), 2023

External Assurance Report

GRI 2-4



ASSURANCE STATEMENT

SGS PHILIPPINES, INC.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. 2023 SUSTAINABILITY REPORT

NATURE OF THE ASSURANCE/VERIFICATION

SGS Philippines, Inc. (hereinafter referred to as SGS) was commissioned by Converge Information and Communications Technology Solutions, Inc. (hereinafter referred to as CICT) to conduct an independent assurance of Converge Information and Communications Technology Solutions, Inc. 2023 Sustainability Report (hereinafter referred to as the Report).

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all CICT's Stakeholders.

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors or governing body (as applicable) and the management of CICT. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all CICT's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance (SRA) protocols used to conduct assurance are based upon internationally recognized assurance guidance and standards including the principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) GRI 1: Foundation 2021 for report quality, GRI 2 General Disclosure 2021 for organization's reporting practices and other organizational detail, GRI 3 2021 for organization's process of determining material topics, its list of material topics and how to manage each topic and the guidance on levels of assurance contained within the AA1000 series of standards.

The assurance of this Report has been conducted according to the following Assurance Standards:

Assurance Standard Options		Level of Assurance
A	SGS ESG & SRA Assurance Protocols [based on GRI Principles and guidance in AA1000]	n/a
B	AA1000 Assurance Standard v3 (AS v3) Type 2 [AA1000 Accountability Principles 2018 (AP 2018) Evaluation plus evaluation of Specified Performance Information]	Moderate

Assurance has been conducted at a moderate level of scrutiny.

SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

Reporting Criteria Options	
1	GRI 2021 (In Accordance with)
2	AA1000 Accountability Principles (2018)
3	The Telecommunications Sustainability Accounting Standard (Version 2023-06) of the Sustainability Accounting Standards Board (SASB)

SPECIFIED PERFORMANCE INFORMATION AND DISCLOSURES INCLUDED IN SCOPE

- AA1000 Assurance Standard v3 Type 2 [AA1000AP evaluation plus evaluation of specified performance information – Greenhouse Gas (GHG) Scope 1 Direct Emissions and Scope 2 Energy Indirect Emissions] at Moderate Level;
- Evaluation of the Report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (GRI 1, GRI 2, GRI 3, GRI 200 series, GRI 300 series and GRI 400 series) claimed in the GRI content index as material and in accordance with;
- Evaluation of the Report against the SASB Disclosures and Metrics included in the Telecommunication Services Industry Standard, Version 2023-06 and conducted alongside an evaluation of accuracy assurance at a moderate level of scrutiny.

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research and onsite interviews with relevant employees; documentation and record review and validation with external sources where relevant.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) related disclosures has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirms our independence from CICT, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised ESG or sustainability specialists that are qualified SRA assurers, ESG trainer, Climate Bonds verifiers, ISO 14021 verifier, Environmental Data and GHG verifier as well as auditors registered with ISO 28000, ISO 14001, ISO 45001, RBA, ISO 9001 Lead Auditors.

FINDINGS AND CONCLUSIONS

ASSURANCE/VERIFICATION OPINION

On the basis of the methodology described and the verification work performed, nothing has come to our attention that causes us to believe that the specified performance information included in the scope of assurance is not fairly stated and has not been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

QUALITY AND RELIABILITY OF SPECIFIED PERFORMANCE INFORMATION

CICT has an ESG platform to improve the efficiency of sustainability data collection and reporting processes that includes GHG data. Sufficient resources are allocated to manage GHG performances. It implements various measures to reduce GHG emissions and aspires to achieve Net Zero by 2050. Key findings regarding CICT's practices include the following:

- CICT has established a clear data verification process within its data collection system to ensure the quality and reliability of the gathered data.
- Roles of Topic and Data Owners were well-defined with regards to their responsibilities in managing GHG emissions.
- CICT has set specific GHG reduction targets for significant emission sources, with measurable indicators to assess its GHG performance.

Based on the aforementioned findings, CICT has demonstrated that the disclosed information on its GHG emissions and associated performance was prepared with a focus on data quality and reliability.

ADHERENCE TO AA1000 ACCOUNTABILITY PRINCIPLES (2018)**INCLUSIVITY**

CICT has upheld its commitment to stakeholder accountability by developing strategies that facilitate efficient engagement and open communication with its internal and external stakeholders. CICT uses various channels to communicate with stakeholders, including corporate website, meetings, social media campaigns, publications, and media coverage, demonstrating a commitment to transparency and engagement. Each business unit is responsible for identifying, planning, executing and monitoring their stakeholder engagements, indicating that stakeholder input is considered throughout various levels of the organization. This process is overseen by the Board Risk Oversight Committee and the Board of Directors, ensuring effective communication of stakeholder issues at the highest level. For future reporting, CICT may consider reflecting in the Report the specific metrics used to measure engagement effectiveness, outcomes and impact.

MATERIALITY

CICT has ensured that it has determined and assessed significant sustainability topics to their organization and its stakeholders, in accordance with the requirements of international standards, stakeholder engagements and its dynamic sustainability considerations. In terms of identifying relevant sustainability issues, CICT benchmarks potential impacts and topics by analyzing peer disclosures, SASB Materiality Map, current sustainability reporting trends and priorities of international organizations.

RESPONSIVENESS

CICT has established various channels for stakeholders to express their concerns and address conflicts. The disclosures in the Report specified the engagement methods for stakeholder feedback with reasonable and streamlined response turnaround time for customer feedback. CICT has demonstrated its commitment to responding to material issues by publicly committing to a number of key ESG initiatives, including UN Women's Empowerment Principles (WEPs), UN Global Compact (UNGC) and UN Sustainable Development Goals (UN SDGs).

IMPACT

CICT has developed ESG strategies based on various impacts that its operations have on its stakeholders. CICT has conducted change impact analysis to assess the impact of key organizational shifts to the stakeholders. Target setting and performance status in qualitative and quantitative have been measured and reported for material topics.

ADHERENCE TO REPORTING CRITERIA**GRI**

CICT 2023 Sustainability Report is adequately reported in accordance with the GRI standards. The significant impacts were assessed and disclosed with reference to the guidance defined in GRI 3: Material Topic 2021 and the relevant 200/300/400 series Topic Standard related to material topic have been disclosed. The material topics and their boundaries within and outside the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and stakeholder engagement, GRI 3 2021, are correctly located in content index and Report.

SASB

CICT makes reference with SASB Version 2023-06 standard, Telecommunication Services Industry Standard, to disclose information on material topics that are significant for enterprise value creation. The reporting boundaries of the abovementioned Standard aligned with the scope of CICT's 2023 Sustainability Report. The Report applied the accounting and activity metrics to assess and manage the topic-related risks and opportunities based on accurate and complete quantitative data to support the comparability of the reported information. Based on this information, CICT has identified which material topics and associated metrics are financially material to the business as presented in the content index. These disclosures are efficiently communicated, identified and assessed using GRI and SASB developing a comprehensive reporting preparation process.

Signed:

For and on behalf of SGS Philippines, Inc.



ROGER S. VILLANUEVA

Director

Makati, Philippines

29 February 2024

WWW.SGS.COM

3rd FLOOR ALEGRIA BUILDING

2229 CHINO ROCES AVENUE

MAKATI CITY 1231 PHILIPPINES



AA1000
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Data and Disclosures

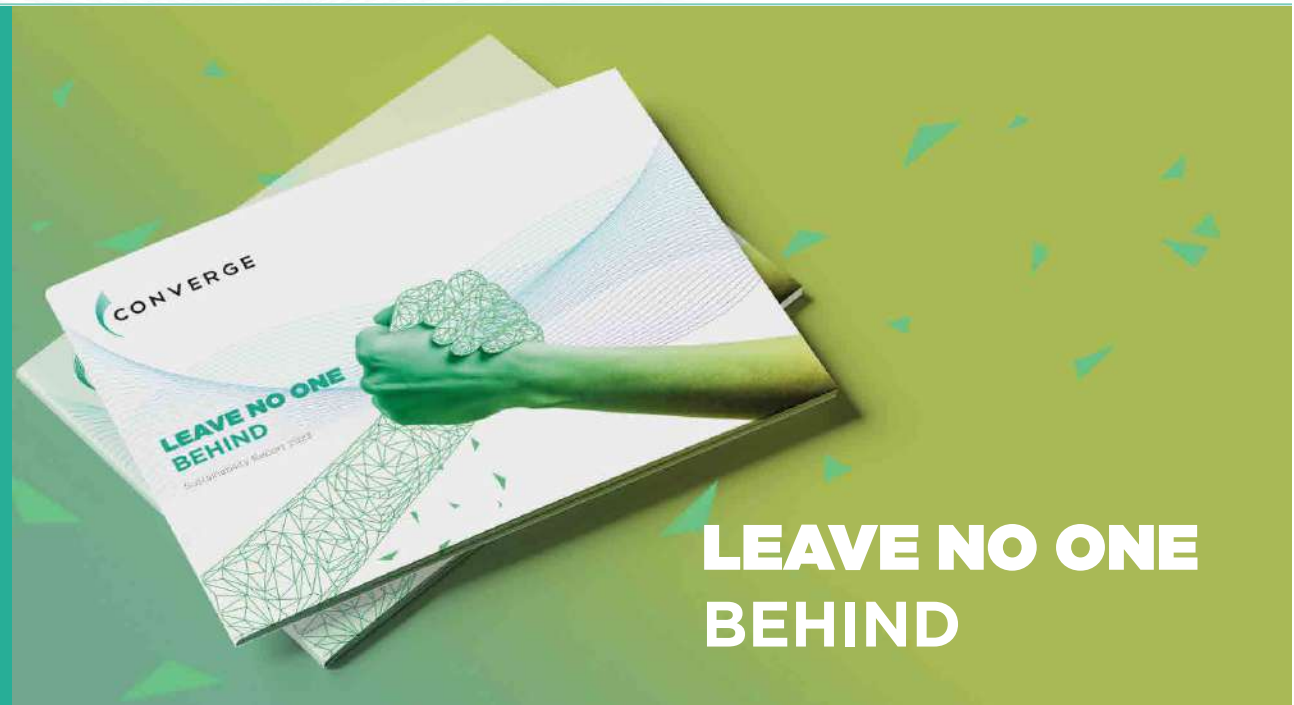
Performance Indicators

Scan the QR code to access information about our [sustainability performance indicators](#) and GRI, SASB and TCFD Indices.



Feedback form

For questions, comments or suggestions, please access our [Sustainability Feedback Form](#) by scanning the QR code below:



LEAVE NO ONE BEHIND

About the Theme

The 2023 Sustainability Report by Converge echoes our battlecry: “Leave No One Behind,” emphasizing our steadfast commitment to providing inclusive connectivity regardless of socio-economic circumstances. This theme underscores our dedication to ensuring equitable access to world-class connectivity for Filipinos across the country. The cover art illustrates this commitment. The digital hand represents Converge, extending ourselves to support and uplift the unserved and underserved. The gesture is a symbol of our togetherness with the Filipino people towards our dream to have a digitally empowered nation.

In this report, we highlight our proactive steps in reaching marginalized markets through innovative, affordable products like Surf2Sawa (S2S) and BIDA Fiber for the Residential market, and FlexiBiz for the enterprise market. These initiatives stem from our belief that everyone deserves access to high-speed internet services, reflecting our ethos of inclusivity and accessibility in the digital era.

Team Behind the Report

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Customer Experience
Enterprise Risk Management
Finance and Accounting
Human Resources
Information Security
Investor Relations
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Data and Disclosures

**LEAVE NO ONE
BEHIND**

Sustainability Report 2023



About This Report

The 2023 Converge Information and Communications Technology Solutions, Inc. (Converge) Sustainability Data and Disclosures were reported in accordance with the Global Reporting Initiative (GRI) Standards 2021 for the period from January 1 to December 31, 2023. The report also includes disclosures recommended under the Telecommunications Sustainability Accounting Standard (Version 2023-06) of the Sustainability Accounting Standards Board (SASB). We have also reported information with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

This report must be read in conjunction with the main 2023 Sustainability Report for more context on the sustainability ambition, plans, initiatives, and objectives of Converge.

Note: The 2022 Sustainability metrics adhere to GRI 2021 standards. Meanwhile metrics disclosed in 2021 were reported in accordance with GRI 2016, and metrics disclosed in 2020 were not in accordance with GRI, but in compliance with the requirements of SEC Reporting Template (Annex A of SEC MC No.4 s.2019).

All indexes for our GRI, SASB and TCFD disclosures are included in the GRI, SASB and TCFD indices section of this document.

External Assurance

GRI 2-4

As approved by our President and Chief Risk Officer, we have engaged SGS Philippines, Inc. to provide independent assurance on our 2023 Sustainability Report. The Board Risk Oversight Committee (BROC) and the Audit Committee were apprised of the selection process and decision. Further details can be found in the assurance report on page 70 of our main 2023 Sustainability Report.

Forward Looking Statements

Sustainability Report contains forward-looking statements and information that are, by their nature, subject to significant risks, uncertainties, and assumptions. These statements typically include words such as 'aims,' 'believes,' 'expects,' 'anticipates,' 'intends,' 'plans,' 'foresees,' 'seeks,' 'may,' 'might,' 'can,' 'could,' 'will,' 'would,' 'shall,' 'should,' 'is/are likely to,' or other words or phrases of similar import.

Similarly, statements that describe Converge's objectives, plans, or goals are also forward-looking statements, including statements regarding our sustainability targets, goals, commitments, and programs, as well as other business plans, initiatives, and objectives.

Actual results in our sustainability performance could differ materially from those contemplated by the relevant forward-looking statement. Our actual future results, including the attainment of our targets, goals, or commitments, may vary significantly from our projected results due to changes in circumstances, unrealized assumptions, or other known and unknown risks. Key factors impacting Converge's actual sustainability results may include economic and business conditions in the Philippines; slower than expected implementation of key government policies related to climate change mitigation; inability to implement our sustainability strategy; damage to our network from natural disasters; cyberattacks; disruption of our key suppliers and business partners' operations; changes in the legal and regulatory environment; political landscape shifts; and evolving environmental, social, and governance (ESG) standards and expectations.

The forward-looking statements included herein are made only as of the date of this report, and Converge undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

Feedback

For queries and feedback on Converge sustainability-related initiatives and overall performance, send us an email via sustainability@convergeict.com.

To download a digital copy of this report as well as our past reports, visit the Converge Website: <https://cnvrge.co/Sustainability>.

Feedback form

For questions, comments, or suggestions, please access our [Sustainability Feedback Form](#) by scanning the QR code:



Table of Contents

1. Performance Indicators Summary.....	2
2. GRI, SASB and TCFD Indices	56

Performance Indicators Summary

Pillar 1: Delighting customers by taking care of our own.....	3
1. Customer Privacy and Data Security	3
2. Customer Welfare	5
3. Workforce Welfare	9
4. Diversity, Equity and Inclusion.....	23
5. Supplier Social Assessment.....	31
Pillar 2: Operating a responsible company and leading with integrity and good governance	33
6. Anti-Corruption	33
7. Competitive Behavior and Open Internet.....	40
8. Climate Adaptation and Resilience	42
Pillar 3: Giving back to our planet	43
9. Energy and Emissions.....	43
10. Waste Management.....	47
11. Supplier Environmental Assessment	50
Pillar 4: Creating a positive community impact	51
12. Access to Information and Communications	51
13. Economic Contributions	52
14. Local Sourcing and Supplier Support	54
General Disclosures.....	55

Pillar 1: Delighting customers by taking care of our own

1. Customer Privacy and Data Security

GRI 418: Customer Privacy 2016

GRI 418-1-a Complaints concerning breaches of customer privacy

	FY2023	FY2022	FY2021	Unit
Total number of substantiated complaints received concerning breaches of customer privacy, categorized by:	16 ¹	0		#
i. complaints received from outside parties and substantiated by the organization;	16	0		#
ii. complaints from regulatory bodies.	0	0		#

GRI 418-1-b Data breaches

	FY2023	FY2022	FY2021	Unit
Total number of identified leaks, thefts, or losses of customer data	0 ²	1	1	#

TC-TL-220a: Data Privacy

TC-TL-220a.1 - Description of policies and practices relating to behavioral advertising and customer privacy

Converge does not engage in behavioral advertising as part of our marketing practices. However, we are actively exploring this option for potential future implementation. As we consider adopting behavioral advertising, we are committed to developing robust policies and practices to ensure the protection of customer privacy.

¹ In 2023, the Data Privacy Team received complaints primarily concerning the unauthorized use of personal information, such as email addresses or mobile numbers. These incidents were attributed to erroneous input during the customer acquisition process in our systems.

² There were no security incidents or data privacy breaches in 2023 that required mandatory notification to regulators.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

TC-TL-220a.2 - Number of customers whose information is used for secondary purposes

	FY2023	FY2022	FY2021	Unit
Number of customers whose information is used for secondary purposes	0	1,001 or more	0	#

TC-TL-220a.3 - Total amount of monetary losses as a result of legal proceedings associated with customer privacy

	FY2023	FY2022	FY2021	Unit
Total amount of monetary losses as a result of legal proceedings associated with customer privacy	0	0	0	PHP (₱)

TC-TL-220a.4 - (1) Number of law enforcement requests for customer information, (2) number of customers whose information was requested, (3) percentage resulting in disclosure

	FY2023	FY2022	FY2021	Unit
Number of law enforcement requests for customer information ³	21	2	1	#
Number of customers whose information was requested	21	2	11	#
Percentage resulting in disclosure	0	0	100	%

TC-TL-230a: Data Security

TC-TL-230a.1 - (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected

	FY2023	FY2022	FY2021	Unit
Number of data breaches	0 ⁴	1	1	#
Percentage involving personally identifiable information (PII)	0	100	100	%
Number of customers affected	0	1,001 or more	342	#

³ All requests received from law enforcement agencies in Q4 2023 were solely for the preservation of records.

⁴ There were no security incidents or data privacy breaches in 2023 that required mandatory notification to regulators.

2. Customer Welfare

GRI 416: Customer Health and Safety 2016

GRI 416-1-a Assessment of the health and safety impacts of product and service categories

	FY2023	FY2022	FY2021	Unit
Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	100% ⁵	100	100	%

GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

	FY2023	FY2022	FY2021	Unit
Total number of incidents of noncompliance with regulations and/ or voluntary codes concerning the health and safety impacts of products and services, by:				
Incidents of non-compliance with regulations resulting in a fine or penalty	0 ⁶	3	0	#
Incidents of non-compliance with regulations resulting in a warning	0	0	0	#
Incidents of non-compliance with voluntary codes	0	3	0	#

GRI 417: Marketing and Labeling 2016

GRI 417-1-a Requirements for product and service information and labeling

Converge does not disclose component sourcing details, as we procure finished items and do not engage in manufacturing. However, our Customer Premises Equipment (CPE) Manual provides comprehensive environmental and social impact information. We ensure vendor compliance and safety commitment through certification requirements. Marketing materials offer practical product usage guidance, including tips on preventing issues like modem overheating and phishing. QR codes

⁵ In lieu of conducting our own quality assessment for our products (CPEs), we require all suppliers to provide a certification indicating that their product has passed standard quality assessment and meets safety standards to ensure the safety of our customers.

⁶ There were no incidents of noncompliance with regulations and/ or voluntary codes concerning the health and safety impacts of Converge products and services in 2023. Reports related to fraudulent activities of personnel during installation/repair) were consolidated and reported under confirmed incidents of corruption (refer to material topic Anti-Corruption for more details).

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

on CPEs provide essential service impact information. Though disposal and environmental impacts are not in our marketing, we have CPE recovery processes upon customer deactivation.

GRI 417-1-b Product or service categories covered by and assessed for compliance

	FY2023	FY2022	FY2021	Unit
Percentage of significant product or service categories covered by and assessed for compliance with information and labeling	100	100		%

GRI 417-2-a Incidents of non-compliance concerning product and service information and labeling

	FY2023	FY2022	FY2021	Unit
Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling	0 ⁷	0	0	#
Incidents of non-compliance with regulations resulting in a fine or penalty	0	0	0	#
Incidents of non-compliance with regulations resulting in a warning	0	0	0	#
Incidents of non-compliance with voluntary codes	0	0	0	#

GRI 417-3 Incidents of non-compliance concerning marketing communications

	FY2023	FY2022	FY2021	Unit
Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	0 ⁸	5	0	#
i. incidents of non-compliance with regulations resulting in a fine or penalty	0	1	0	#

⁷ There were no incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling in 2023.

⁸ There were no incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications in 2023.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

	FY2023	FY2022	FY2021	Unit
ii. incidents of non-compliance with regulations resulting in a warning	0	4	0	#
iii. incidents of non-compliance with voluntary codes	0	0	0	#

TC-TL-550a: Managing Systemic Risks from Technology Disruptions

TC-TL-550a.1 - (1) System average interruption duration, (2) system average interruption frequency and (3) customer average interruption duration

Metric	FY2023	FY2022	FY2021	Unit
System average interruption duration (SAID)	2,583.60			Minutes
System average interruption frequency (SAIF)	5.11	6.62 ⁹		Disruption per customer
Customer average interruption duration (CAID)	505.80	741 ⁹		Minutes

⁹ Restated per SASB TC-TL-550a.1 ver 2023-06 guidance. The updated SASB TCL-550a.1 version, effective June 2023, provides a formula for computing the SAIF and CAID. In contrast, the October 2018 version lacked this formula, leading to a varied interpretation in our previous disclosures. Furthermore, the recommended unit of measure for CAID changed from hours to minutes.

Internal Metrics

	FY2023	FY2022	FY2021	Unit
Net Promoter Score (Result from external party) ¹⁰	54.7 ¹¹	+115		%
Net Promoter Score (Internally based/computed)	25 ¹²	49	34	%
Customer Effort Score (Result from external party)	84 ¹³			%
Customer Effort Score (Internal based/computed)	53 ¹⁴	26	38	%
Average monthly churn rate (Residential)	2.12	1.95	1.08	%
Average monthly churn rate (Enterprise)	1.30	1.18	0.93	%

¹⁰ The 2022 Net Promoter Score (NPS) used NPS+ Score (scale of -50 to 150) based on our external service provider's proprietary methodology. Score has two components: 1) brand performance, and 2) likelihood that a customer will recommend or promote a brand. Meanwhile, the 2023 Net Promoter Score used the traditional NPS computation, which measures the quality of our relationship with customers. NPS is calculated as % of promoters - % of detractors based on an external party survey. (In both metrics, the higher the score, the better.) We chose to revert to the traditional method as it is more widely used across different industries and to compare our performance against our competitors.

¹¹ Converge garnered a high NPS score compared to its industry peers, primarily attributed to fast internet speed and reliable connection. Converge also excelled in efficiency during installation and onboarding processes. Customers highly recommend the app and website but suggest that both field sales and aftersales channels could be enhanced.

¹² NPS (internally based/computed) is calculated as % of promoters - % of detractors based on our in-house customer satisfaction survey. (The higher the score, the better.) In 2023, there was a significant decrease in customer participation rate for voice, email and welcome (order to activate) surveys which contributed to the decrease in the NPS internal score. Customer concerns include delays in resolution of connection issues and completion of repairs.

¹³ Customer Effort Score (CES) measures the ease of customers' interaction with our brand. CES is calculated as the sum of all Customer Effort Scores divided by the total number of respondents x 100%. (The higher the score, the better.) Addressing technical issues remained a hurdle for Converge, despite generally higher satisfaction levels than competitors.

¹⁴ CES (internal based/computed) is calculated based on the count of 'Yes' answers for First Contact Resolution and 'Yes' and 'Too Early to Tell' answers for Issue Resolution, divided by the total number of valid surveys. (The higher the score, the better.) Increase in internal CES is attributed to information campaigns on outages and operational level agreements on non-tech related concerns. These kept customers updated about the status of their concern, which lessened their effort in follow up transactions.

3. Workforce Welfare

GRI 2-7: Employees

GRI 2-7 Total Workforce¹⁵

	FY2023	FY2022	FY2021	Unit
Total	3,379	4,565	4,308	#
By Gender				
Female	856	1,585	1,105	#
Male	2,523	2,980	3,203	#
By Region				
National Capital Region	2,236	2,289		#
Rest of Luzon	632	1,738		#
Visayas and Mindanao	509	537		#
Overseas	2	1		#
By Employment Contract				
Non-guaranteed Hours	0	0		#
Permanent	3,370	4,517		#
Temporary	9	48		#
By Employee Type				
Full-time	3,379	4,565		#
Part-time	0	0		#

GRI 2-7 Total Workforce (Gender per Business Unit)

Business Unit	FY2023	FY2022	FY2021	Unit
Converge PH				
Female	717	1,372	905	#
Male	1,211	858 ¹⁶	1,809	#
Converge SG				
Female	0			#

¹⁵ Total number of employees is determined based on headcount at the end of the reporting period.

¹⁶ Consolidated data from Converge PH and Hong Kong

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

Business Unit	FY2023	FY2022	FY2021	Unit
Male	2			#
MetroWorks				
Female	58	213 ¹⁷	200	#
Male	492	2,122 ¹⁷	1,394	#
Myriad				
Female	81	(17)		#
Male	818	(17)		#

GRI 2-7 Total Workforce (Region per Business Unit)

Business Unit	FY2023	FY2022	FY2021	Unit
Converge PH				
National Capital Region	1,320	1,350		#
Rest of Luzon	430	694		#
Visayas and Mindanao	178	185		#
Converge SG	2			#
MetroWorks				
National Capital Region	72	939 ¹⁷		#
Rest of Luzon	156	1,044 ¹⁷		#
Visayas and Mindanao	322	352 ¹⁷		#
Myriad				
National Capital Region	844	(17)		#
Rest of Luzon	46	(17)		#
Visayas and Mindanao	9	(17)		#

¹⁷ Consolidated data from MetroWorks and Myriad

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 2-7 Total Workforce (Gender per Employment Contract)

Employment Contract	FY2023	FY2022	FY2021	Unit
Non-guaranteed Hours				
Female	0	0		#
Male	0	0		#
Permanent				
Female	853	1,056		#
Male	2,517	3,461		#
Temporary				
Female	3	15		#
Male	6	33		#

GRI 2-7 Total Workforce (Region per Employment Contract)

Employment Contract	FY2023	FY2022	FY2021	Unit
Non-guaranteed Hours				
National Capital Region	0	0		#
Rest of Luzon	0	0		#
Visayas and Mindanao	0	0		#
Permanent				
National Capital Region	2,227	2,253		#
Rest of Luzon	632	1,726		#
Visayas and Mindanao	509	537		#
Overseas	2	1		
Temporary				
National Capital Region	9	36		#
Rest of Luzon	0	12		#
Visayas and Mindanao	0	0		#

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 2-7 Total Workforce (Gender per Employee Type)

Employee Type	FY2023	FY2022	FY2021	Unit
Full-time				
Female	856	1,071		#
Male	2,523	3,494		#
Part-time				
Female	0	0		#
Male	0	0		#

GRI 2-7 Total Workforce (Region per Employee Type)

Employee Type	FY2023	FY2022	FY2021	Unit
Full-time				
National Capital Region	2,236	2,289		#
Rest of Luzon	632	1,738		#
Visayas and Mindanao	509	537		#
Overseas	2	1		#
Part-time				
National Capital Region	0	0		#
Rest of Luzon	0	0		#
Visayas and Mindanao	0	0		#

GRI 2-8: Workers who are not employees

GRI 2-8-a Total no. of non-employee workers

Business Unit	FY2023	FY2022	FY2021	Unit
Groupwide	Over 10,000 ¹⁸	Over 16,000		#

¹⁸ Decrease in non-employee workers are mainly driven by the termination of our engagement with underperforming managed service providers and inactive agents. This decision was made to optimize efficiency and ensure that only the most effective partners are retained.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 2-30: Collective bargaining agreements

GRI 2-30-a Percentage of total employees covered by collective bargaining agreements

	FY2023	FY2022	FY2021	Unit
Percentage of total employees covered by collective bargaining agreements	0 ¹⁹	0	0	%

GRI 202: Market Presence 2016

GRI 202-1-a Ratio of standard entry level wage of employees compared to local minimum wage by gender and region compared to local minimum wage²⁰

	FY2023	FY2022	FY2021	Unit
Male				
BARMM	N/A	N/A		ratio
National Capital Region	1.22	1.00		ratio
Region CAR	2.26	1.39		ratio
Region I	1.65	1.03		ratio
Region II	1.70	1.44		ratio
Region III	1.51	1.05		ratio
Region IV-A	1.48	1.12		ratio
Region IV-B	2.03	1.51		ratio
Region IX	N/A	N/A		ratio
Region V	1.81	1.02		ratio
Region VI	1.57	1.11		ratio
Region VII	1.94	1.06		ratio
Region VIII	2.21	1.70		ratio
Region X	2.12	1.23		ratio
Region XI	2.15	1.26		ratio
Region XII	3.21	1.88		ratio
Region XIII	2.12	1.54		ratio
Female				

¹⁹ While there is no restriction on establishing a labor or trade union, there is currently no established union in Converge. Hence, no employees are covered by collective bargaining agreements.

²⁰ Minimum wage ratio was calculated using the entry level minimum wage requirements of the Department of Labor (DOLE) - National Wages and Productivity Commission per region.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

	FY2023	FY2022	FY2021	Unit
BARMM	N/A	N/A		ratio
National Capital Region	1.28	1.00		ratio
Region CAR	2.11	1.58		ratio
Region I	1.92	1.47		ratio
Region II	1.84	1.44		ratio
Region III	1.54	1.04		ratio
Region IV-A	1.54	1.22		ratio
Region IV-B	3.90	2.14		ratio
Region IX	N/A	N/A		ratio
Region V	1.29	1.26		ratio
Region VI	1.67	1.26		ratio
Region VII	1.66	1.32		ratio
Region VIII	2.65	1.64		ratio
Region X	1.88	1.42		ratio
Region XI	1.88	1.35		ratio
Region XII	2.45	1.88		ratio
Region XIII	2.44	1.64		ratio

GRI 202-1-b Ratio of standard entry level wage of non-employee workers compared to local minimum wage by gender and region compared to local minimum wage

We currently do not collect data on wages for non-employee workers. For 2024, we will continuously develop our supplier social assessment and strengthen our supplier engagement programs to cover other aspects of non-employee worker rights.

GRI 202-2-a Percentage of senior management at significant locations of operation that are hired from the local community

	FY2023	FY2022	FY2021	Unit
Percentage of senior management at significant locations of operation that are hired from the local community ²¹	100	100		%

²¹ Converge ICT Solutions' significant location of operations is in the Philippines based on the core operations of delivering internet services. Converge senior management (executives and senior leaders) consists of local hires based on the geographical areas they oversee or support.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 401: Employment 2016

GRI 401-1-a Total number of new employee hires during the reporting period

	FY2023	FY2022	FY2021	Unit
Total	1,226	937	1,843	#
By Age Group				
Under 30 years old	396	398	835	#
30 to 50 years old	741	509	950	#
Over 50 years old	(22)	30	58	#
51 to 60 years old	88			#
Over 61 years old	1			#
By Gender				
Female	218	237	465	#
Male	1,008	700	1,378	#
By Region				
National Capital Region	1,051	454		#
Rest of Luzon	118	260		#
Visayas and Mindanao	55	223		#
Overseas	2			#

GRI 401-1-a Rate of new employee hires during the reporting period

	FY2023	FY2022	FY2021	Unit
Total	30.9	21	51	%
By Age Group				
Under 30 years old	9.9	9	23	%
30 to 50 years old	18.7	11	26	%
Over 50 years old	(22)	1	2	%
51 to 60 years old	2.2			%
Over 61 years old	0.1			%
By Gender				
Female	5.5	5	13	%

²² The generational diversity classification for 2023 has been further detailed by breaking down the category "Over 50 years old" into "51 to 60 years old" and "Over 61 years old."

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

	FY2023	FY2022	FY2021	Unit
Male	25.5	16	38	%
By Region				
National Capital Region	26.5	10		%
Rest of Luzon	2.9	6		%
Visayas and Mindanao	1.4	5		%
Overseas	0.1			%

GRI 401-1-b Total number of employee turnover during the reporting period

	FY2023	FY2022	FY2021	Unit
Total	2,319	1,017	883	#
By Age Group				
Under 30 years old	640	442	389	#
30 to 50 years old	1,475	532	457	#
Over 50 years old	(23)	43	37	#
51 to 60 years old	202			#
Over 61 years old	2			#
By Gender				
Female	408	315	238	#
Male	1,911	702	645	#
By Region				
National Capital Region	1,027	415		#
Rest of Luzon	1,227	500		#
Visayas and Mindanao	65	102		#

²³ The generational diversity classification for 2023 has been further detailed by breaking down the category "Over 50 years old" into "51 to 60 years old" and "Over 61 years old."

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 401-1-b Rate of employee turnover

	FY2023	FY2022	FY2021	Unit
Total	58.4 ²⁴	23	24	%
By Age Group				
Under 30 years old	16.1	10	11	%
30 to 50 years old	37.1	12	12	%
Over 50 years old	(25)	1	1	%
51 to 60 years old	5.1			%
Over 61 years old	0.1			%
By Gender				
Female	10.3	7	6	%
Male	48.1	16	18	%
By Region				
National Capital Region	25.9	9		%
Rest of Luzon	30.9	11		%
Visayas and Mindanao	1.6	2		%

GRI 401-3 Parental leave

	FY2023	FY2022	FY2021	Unit
Employees entitled to parental leave				
Female	856	1,071		#
Male	2,521	3,493		#
Employees who availed for the year				
Female	101	100	70	#

²⁴ Turnover rate is calculated as no. of employee turnover (further classified as voluntary or involuntary) divided by the average employee headcount for 2023. Voluntary turnover comprises employee resignation, while involuntary turnover is from redundancy or employee transfer to MSPs.

²⁵ The generational diversity classification for 2023 has been further detailed by breaking down the category "Over 50 years old" into "51 to 60 years old" and "Over 61 years old."

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

	FY2023	FY2022	FY2021	Unit
Male	97	114	77	#
Employees who returned to work after parental leave				
Female	83	70		#
Male	94	114		#
Employees retained 12 months after returning to work				
Female	15	19		#
Male	1	26		#
Return to work rate				
Female	82	70		%
Male	97	100		%
Retention Rate				
Female	18	53		%
Male	1	42		%

GRI 402: Labor/Management Relations 2016

GRI 402-1-a Minimum notice periods regarding operational changes²⁶

	FY2023	FY2022	FY2021	Unit
Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.	4	4	4	#

²⁶ There are currently no workers council at Converge, but we ensure that all employees are freely able to communicate their work-related concerns. Establishing an Employee Council is part of our 2024 employee engagement program.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI403: Occupational Health and Safety 2016

GRI 403-8 Workers covered by an occupational health and safety management system²⁷

	FY2023	FY2022	FY2021	Unit
Number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system	3,877 ²⁸	4,423		#
	30	22		%
Number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been internally audited	2,478 ²⁹	4,423		#
	19	22		%
Number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been audited or certified by an external party	0 ³⁰	318		#
	0	2		%

GRI 403-9-a Work-related injuries (Employees)³¹

	FY2023	FY2022	FY2021	Unit
Work-related injury fatalities	0	0	0	#
	0	0	0	rate
High-consequence work-related injuries	0	1	0	#
	0	0.74	0	rate
Recordable work-related injuries	21 ³²	1	3	#
	1.53	0.74		rate

²⁷ Data has been compiled based on HR monitoring in 2023 and in compliance with Republic Act No. 11058 *An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof*

²⁸ This covers MetroWorks, Converge, and workers who are not employees that are rendering work within MetroWorks and Converge premises.

²⁹ This covers MetroWorks and Converge employees only.

³⁰ There were no external audits conducted in Converge sites for 2023.

³¹ The rates were calculated based on 1,000,000 hours worked.

³² Work-related injuries were primarily due to vehicular accidents. Employees involved in these incidents received assistance and were covered by the company's insurance policy. We have also implemented corrective measures to improve safety and prevent future occurrences.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

	FY2023	FY2022	FY2021	Unit
Hours worked	6,866,128	10,582,848	10,273,536	#

GRI 403-9-b Work-related injuries (Non-Employee Workers)

	FY2023	FY2022	FY2021	Unit
Work-related injury fatalities	0			#
	0			rate
High-consequence work-related injuries	0			#
	0			rate
Recordable work-related injuries	0			#
	0			rate
Hours worked	Information Unavailable ³³			#

GRI 403-10-a Work-related Ill Health (Employees)

	FY2023	FY2022	FY2021	Unit
Work-related ill health fatalities	0	0	0	#
Recordable work-related ill health cases	0	0	0	#

GRI 403-10-b Work-related Ill Health (Non-Employee Workers)

	FY2023	FY2022	FY2021	Unit
Work-related ill health fatalities	0			#
Recordable work-related ill health cases	0			#

³³ Data for hours worked by non-employee workers was not previously monitored. In 2024, we aim to enhance our safety initiatives and programs throughout the organization. This involves accrediting more safety officers per business unit across Converge, MetroWorks, and Myriad.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 404: Training and Education 2016

GRI 404-1-a Average hours of training per year per employee

	FY2023	FY2022	FY2021	Unit
Total	32.7 ³⁴	34	17	#
By Gender				
Female	40.3	55		#
Male	30.2	27		#
By Employee Category				
Management	(35)	34		#
Executives	5.6			#
Senior Leaders	24.4			#
Managers	38.1			#
Supervisors	45.1	48		#
Team Members	29.4	31		#

GRI 404-3-a Percentage of employees receiving regular performance and career development reviews

	FY2023	FY2022	FY2021	Unit
Percentage of total employees who received a regular performance and career development review during the reporting period	100	100	100	%
By Gender				
Male	100	100	100	%
Female	100	100	100	%
By Employee Category				
Management	(35)	100	100	%
Executives	100			%
Senior Leaders	100			%

³⁴ In 2023, our training hours decreased slightly due to lower employee participation. We acknowledge the importance of continuous improvement and are working to enhance our training initiatives.

³⁵ The classification for management in 2023 has been further refined to include "Executives," "Senior Leaders," and "Managers."

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

	FY2023	FY2022	FY2021	Unit
Managers	100			%
Supervisors	100	100	100	%
Team Members	100	100	100	%

Internal Metrics

Metric	FY2023	FY2022	FY2021	Unit
Employee Engagement Survey Result ³⁶	88	93		%

³⁶ The decline in engagement score can be attributed to shifting priorities and changes in Converge's business model, potentially reflecting employees' increased focus on career development and market value amidst organizational evolution and market dynamics. External factors like nationwide remote work arrangements and commuting constraints may have also influenced perceptions of work flexibility.

4. Diversity, Equity and Inclusion

GRI 2-21 Annual total compensation ratio

GRI 2-21-a,b Annual total compensation ratio

	FY2023	FY2022	FY2021	Unit
Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)	68.42	219.46		ratio
Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	0.45	1.60		ratio

GRI 405: Diversity and Equal Opportunity 2016

GRI 405-1-a Diversity of governance bodies

	FY2023	FY2022	FY2021	Unit
By Gender				
Female	29	14	14	%
Male	71	86	86	%
By Age Group				
Under 30 years old	0	0	0	%
30 to 50 years old	0	14	14	%
Over 50 years old	⁽³⁷⁾	86	86	%
51 to 60 years old	29			%
Over 61 years old	71			%

³⁷ The generational diversity classification for 2023 has been further detailed by breaking down the category "Over 50 years old" into "51 to 60 years old" and "Over 61 years old."

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 405-1-b Employee Diversity

	FY2023	FY2022	FY2021	Unit
By Gender				
Female	25	23	26	%
Male	75	77	74	%
By Age Group				
Under 30 years old	31	34	37	%
30 to 50 years old	61	59	57	%
Over 50 years old	(38)	7	6	%
51 to 60 years old	7			%
Over 61 years old	1			%
By Employee Category				
Management	(39)	8		%
Executives	1			%
Senior Leaders	2			%
Managers	8			%
Supervisors	18	15		%
Team Members	71	77		%
By Vulnerable Group				
Solo Parent	1	1	1	%

³⁸ The generational diversity classification for 2023 has been further detailed by breaking down the category “Over 50 years old” into “51 to 60 years old” and “Over 61 years old.”

³⁹ The classification for management in 2023 has been further refined to include “Executives,” “Senior Leaders,” and “Managers.”

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 405-1-b Employee Diversity (Gender per Business Unit)

Business Unit	FY2023	FY2022	FY2021	Unit
Converge PH				
Female	37	38	34	%
Male	63	62	66	%
Converge SG				
Female	0	N/A	N/A	%
Male	100	N/A	N/A	%
MetroWorks				
Female	11	9 ⁴⁰	13	%
Male	89	91 ⁴⁰	87	%
Myriad				
Female	9			%
Male	91			%

GRI 405-1-b Employee Diversity (Age Group per Business Unit)

Business Unit	FY2023	FY2022	FY2021	Unit
Converge PH				
Under 30 years old	37	40	42	%
30 to 50 years old	57	55	53	%
Over 50 years old	(41)	5	5	%
51 to 60 years old	5			%
Over 61 years old	1			%
Converge SG				
Under 30 years old	0			%
30 to 50 years old	50			%
Over 50 years old	(41)			%
51 to 60 years old	50			%
Over 61 years old	0			%

⁴⁰ Consolidated data from MetroWorks and Myriad

⁴¹ The generational diversity classification for 2023 has been further detailed by breaking down the category "Over 50 years old" into "51 to 60 years old" and "Over 61 years old."

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

Business Unit	FY2023	FY2022	FY2021	Unit
MetroWorks				
Under 30 years old	26	28 ⁴⁰	30	%
30 to 50 years old	63	63 ⁴⁰	63	%
Over 50 years old	(42)	9	7	%
51 to 60 years old	10			%
Over 61 years old	1			%
Myriad				
Under 30 years old	22			%
30 to 50 years old	69			%
Over 50 years old	(42)			%
51 to 60 years old	8			%
Over 61 years old	1			%

⁴² The generational diversity classification for 2023 has been further detailed by breaking down the category “Over 50 years old” into “51 to 60 years old” and “Over 61 years old.”

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 405-1-b Employee Diversity (Employee Rank per Business Unit)

Business Unit	FY2023	FY2022	FY2021	Unit
Converge PH				
Management	(43)	12		%
Executives	1			%
Senior Leaders	4			%
Managers	11			%
Supervisors	24	23		%
Team Members	60	65		%
Converge SG				
Management	(43)			%
Executives	50			%
Senior Leaders	50			%
Managers	0			%
Supervisors	0			%
Team Members	0			%
MetroWorks				
Management	(43)	4 ⁴⁴		%
Executives	1			%
Senior Leaders	1			%
Managers	4			%
Supervisors	12	8 ⁴⁴		%
Team Members	82	88 ⁴⁴		%
Myriad				
Management	(43)			%
Executives	0			%
Senior Leaders	1			%
Managers	2			%
Supervisors	9			%

⁴³ The classification for management in 2023 has been further refined to include "Executives," "Senior Leaders," and "Managers."

⁴⁴ Consolidated data from MetroWorks and Myriad

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

Business Unit	FY2023	FY2022	FY2021	Unit
Team Members	88			%

GRI 405-1-b Employee Diversity (Vulnerable Group per Business Unit)

Business Unit	FY2023	FY2022	FY2021	Unit
Converge PH				
Solo Parent	1	1	1	%
MetroWorks				
Solo Parent	0	1 ⁴⁵	1	%
Myriad				
Solo Parent	0			%

GRI 405-1-b Employee Diversity (Gender per Employee Rank)

Employee Rank	FY2023	FY2022	FY2021	Unit
Management				
Female	(46)	35		%
Male	(46)	6		%
Executives				
Female	34			%
Male	66			%
Senior Leaders				
Female	31			%
Male	69			%
Managers				
Female	32			%
Male	68			%
Supervisors				
Female	32	31		%

⁴⁵ Consolidated data from MetroWorks and Myriad

⁴⁶ The classification for management in 2023 has been further refined to include "Executives," "Senior Leaders," and "Managers."

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

Employee Rank	FY2023	FY2022	FY2021	Unit
Male	68	69		%
Team Members				
Female	23	21		%
Male	77	79		%

GRI 405-1-b Employee Diversity (Age Group per Employee Rank)

Employee Rank	FY2023	FY2022	FY2021	Unit
Management				
Under 30 years old	(47)	4		%
30 to 50 years old	(47)	73		%
Over 50 years old	(49) (48)	24		%
51 to 60 years old	(47)			%
Over 61 years old	(47)			%
Executives				
Under 30 years old	0			%
30 to 50 years old	40			%
Over 50 years old	(48)			%
51 to 60 years old	60			%
Over 61 years old	0			%
Managers				
Under 30 years old	6			%
30 to 50 years old	76			%
Over 50 years old	(48)			%
51 to 60 years old	17			%
Over 61 years old	1			%
Senior Leaders				
Under 30 years old	1			%
30 to 50 years old	72			%
Over 50 years old	(48)			%

⁴⁷ The classification for management in 2023 has been further refined to include “Executives,” “Senior Leaders,” and “Managers.”

⁴⁸ The generational diversity classification for 2023 has been further detailed by breaking down the category “Over 50 years old” into “51 to 60 years old” and “Over 61 years old.”

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

Employee Rank	FY2023	FY2022	FY2021	Unit
51 to 60 years old	24			%
Over 61 years old	3			%
Supervisors				
Under 30 years old	18	18		%
30 to 50 years old	71	72		%
Over 50 years old	(49)	10		%
51 to 60 years old	10			%
Over 61 years old	1			%
Team Members				
Under 30 years old	38	40		%
30 to 50 years old	57	55		%
Over 50 years old	(49)	5		%
51 to 60 years old	4			%
Over 61 years old	1			%

GRI 405-2-a Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation⁵⁰

Employee Rank	FY2023	FY2022	FY2021	Unit
Management	(51)	0.91 ⁵²		ratio
Executives	0.22			ratio
Senior Leaders	0.33			ratio
Managers	1.45			ratio
Supervisors	0.91	1.14 ⁵²		ratio
Team Members	0.74	0.98 ⁵²		ratio

⁴⁹ The generational diversity classification for 2023 has been further detailed by breaking down the category "Over 50 years old" into "51 to 60 years old" and "Over 61 years old."

⁵⁰ Converge ICT Solutions' significant location of operations is in the Philippines based on the core operations of delivering internet services.

⁵¹ The classification for management in 2023 has been further refined to include "Executives," "Senior Leaders," and "Managers."

⁵² Restated due to erroneous data input in the previous report.

5. Supplier Social Assessment

GRI 407: Freedom of Association and Collective Bargaining 2016

GRI 407-1-a,b Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

We uphold the rights of our employees and non-employee workers to freedom of association and collective bargaining. While there are no restrictions on forming labor or trade unions at Converge, we do not currently have an established union.

To ensure our suppliers and partners adhere to similar standards and mitigate risks in our operations, our Third Party Code of Conduct and Due Diligence Checklist/Declaration include criteria focused on social impact. This encompasses upholding freedom of association, recognizing the right to collective bargaining, eliminating forced and compulsory labor, abolishing child labor, and eradicating employment discrimination.

Our top 10 vendors follow a Sustainability Reporting Protocol, while the rest, particularly those accredited in 2023, undergo a Sustainability Assessment Checklist as part of their accreditation process. Additionally, our Human Rights Policy extends to our vendors, suppliers, and business partners, ensuring their commitment to upholding freedom of association and collective bargaining.

GRI 408: Child Labor 2016

GRI 408-1-a,b,c Operations and suppliers at significant risk for incidents of child labor

We adhere to Child Labor Laws and maintain a strict "No Child Labor" Policy, ensuring that individuals under the age of 18 are not employed by our company.

Through our Human Rights Due Diligence, we have conducted a risk assessment and found no significant incidents of child labor, forced labor, or compulsory labor in our operations. Furthermore, our top 10 vendors adhere to their Sustainability Reporting Protocol, while the rest, especially those accredited in 2023, undergo a Sustainability Assessment Checklist as part of their accreditation process.

GRI 409: Forced or Compulsory Labor 2016

GRI 409-1-a,b,c Operations and suppliers at significant risk for incidents of forced or compulsory labor

We are dedicated to eradicating all instances of forced or compulsory labor. Our Third Party Code of Conduct and Due Diligence Checklist/Declaration incorporate criteria aimed at evaluating social impact, including ensuring freedom of association, recognizing the right to collective bargaining, eliminating forced and compulsory labor, abolishing child labor, and eradicating employment and occupational discrimination. Moreover, our top 10 vendors adhere to their Sustainability Reporting Protocol, while the remaining vendors, especially those accredited in 2023, undergo a Sustainability Assessment Checklist as part of their accreditation process.

PILLAR 1: DELIGHTING CUSTOMERS BY TAKING CARE OF OUR OWN

GRI 414: Supplier Social Assessment 2016

GRI 414-1-a New suppliers that were screened using social criteria

	FY2023	FY2022	FY2021	Unit
Percentage of new suppliers that were screened using social criteria	99	63		%

GRI 414-2 Negative social impacts in the supply chain and actions taken

	FY2023	FY2022	FY2021	Unit
Number of suppliers assessed for social impact	301	207		#
Number of suppliers identified as having significant actual and potential negative social impacts	33 ⁵³	14		#
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	0	4		%
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment	0	0		%

⁵³ Supplier assessments relied on responses to our Third-Party Due Diligence questionnaire, focusing on sustainability criteria. Risks were flagged if suppliers answered 'No'. While there were no specific instances of non-compliance, the absence of documented policies poses potential issues for both environmental and social factors due to the lack of controls or monitoring. Nevertheless, these partners have expressed commitment to establishing their policies and compliance frameworks going forward.

Pillar 2: Operating a responsible company and leading with integrity and good governance

6. Anti-Corruption

GRI 205: Anti-Corruption 2016

GRI 205-1-a Total no. of operations assessed for risks related to corruption

Business Unit	FY2023	FY2022	FY2021	Unit
Groupwide	15	12	0	#

GRI 205-1-a Percentage of operations assessed for risks related to corruption

Business Unit	FY2023	FY2022	FY2021	Unit
Groupwide	100	22	0	%

GRI 205-1-b Significant risks related to corruption identified through the risk assessment

Fraud has been identified as a high-risk area associated with corruption according to the company's risk assessment profile. For a more detailed discussion on risk factor assessment and mitigation, please refer to the Converge 2023 Annual Report.

GRI 205-2-a Total no. of governance body members that the organization's anti-corruption policies and procedures have been communicated to

	FY2023	FY2022	FY2021	Unit
Total	7	7	7	#
By Region				
National Capital Region	7	7	7	#
Rest of Luzon	0	0	0	#
Visayas and Mindanao	0	0	0	#

PILLAR 2: OPERATING IN A SUSTAINABLE COMPANY AND LEADING WITH INTEGRITY AND GOOD GOVERNANCE

GRI 205-2-a Percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to

	FY2023	FY2022	FY2021	Unit
Total	100	100	100	%
By Region				
National Capital Region	100	100	100	%
Rest of Luzon	N/A	N/A	N/A	%
Visayas and Mindanao	N/A	N/A	N/A	%

GRI 205-2-b Total no. of employees that the organization's anti-corruption policies and procedures have been communicated to

	FY2023	FY2022	FY2021	Unit
Total	3,379	4,423	2,000	#
By Employee Rank				
Management	(54)	366	291	#
Executives	15			#
Senior Leaders	74			#
Managers	269			#
Supervisors	611	697	125	#
Team Members	2,410	3,360	1,584	#
By Region				
National Capital Region	2,236	2,192	1,075	#
Rest of Luzon	632	1,695	888	#
Visayas and Mindanao	509	535	37	#
Overseas	2	1		#

⁵⁴ The classification for management in 2023 has been further refined to include "Executives," "Senior Leaders," and "Managers."

PILLAR 2: OPERATING IN A SUSTAINABLE COMPANY AND LEADING WITH INTEGRITY AND GOOD GOVERNANCE

GRI 205-2-b Percentage of employees that the organization's anti-corruption policies and procedures have been communicated to

	FY2023	FY2022	FY2021	Unit
Total	100	97	86	%
By Employee Rank				
Management	(55)	96	47	%
Executives	100			%
Senior Leaders	100			%
Managers	100			%
Supervisors	100	100	78	%
Team Members	100	96	89	%
By Region				
National Capital Region	100	96	83	%
Rest of Luzon	100	98	69	%
Visayas and Mindanao	100	100	84	%
Overseas	100	100		%

GRI 205-2-c Total no. of business partners that the organization's anti-corruption policies and procedures have been communicated to

	FY2023	FY2022	FY2021	Unit
Total	40	87	74	#
By Type of Business Partner ⁵⁶				
Supplier	22			#
Contractor	3			#
SLI/MSA	7			#
MSP	3	9		#
MSA (Until 2022 only)		51		#

⁵⁵ The classification for management in 2023 has been further refined to include "Executives," "Senior Leaders," and "Managers."

⁵⁶ The classification of business partner types for 2023 was adjusted to align with the new business model.

PILLAR 2: OPERATING IN A SUSTAINABLE COMPANY AND LEADING WITH INTEGRITY AND GOOD GOVERNANCE

	FY2023	FY2022	FY2021	Unit
SLI (Until 2022 only)		12		#
Super SLI (Until 2022 only)		15		#
Other Service Provider	5			#
By Region				
National Capital Region	26	29		#
Rest of Luzon	13	36		#
Visayas and Mindanao	1	22		#

GRI 205-2-c Percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to

	FY2023	FY2022	FY2021	Unit
Total	100	100	68	%
By Type of Business Partner ⁵⁷				
Supplier	100			%
Contractor	100			%
SLI/MSA	100			%
MSP	100			%
MSA (Until 2022 only)		100		%
SLI (Until 2022 only)		100		%
Super SLI (Until 2022 only)		100		%
Other Service Provider	100	100		%
By Region				
National Capital Region	100	100		%
Rest of Luzon	100	100		%
Visayas and Mindanao	100	100		%

⁵⁷ The classification of business partner types for 2023 was adjusted to align with the new business model.

PILLAR 2: OPERATING IN A SUSTAINABLE COMPANY AND LEADING WITH INTEGRITY AND GOOD GOVERNANCE

GRI 205-2-d Total no. of governance body members that have received training on anti-corruption

	FY2023	FY2022	FY2021	Unit
Total	7	7	7	#
By Region				
National Capital Region	7	7	7	#
Rest of Luzon	N/A	N/A	N/A	#
Visayas and Mindanao	N/A	N/A	N/A	#

GRI 205-2-d Percentage of governance body members that have received training on anti-corruption

	FY2023	FY2022	FY2021	Unit
Total	100	100	100	%
By Region				
National Capital Region	100	100	100	%
Rest of Luzon	N/A	N/A	N/A	%
Visayas and Mindanao	N/A	N/A	N/A	%

GRI 205-2-e Total no. of employees that have received training on anti-corruption

	FY2023	FY2022	FY2021	Unit
Total	2,737	2,861	1,761	#
By Employee Rank				
Management	⁽⁵⁸⁾	249	316	#
Executives	10			#
Senior Leaders	59			#
Managers	224			#
Supervisors	526	541	159	#
Team Members	1,918	2,071	1,286	#

⁵⁸ The classification for management in 2023 has been further refined to include "Executives," "Senior Leaders," and "Managers."

PILLAR 2: OPERATING IN A SUSTAINABLE COMPANY AND LEADING WITH INTEGRITY AND GOOD GOVERNANCE

	FY2023	FY2022	FY2021	Unit
By Region				
National Capital Region	1,731	1,707	967	#
Rest of Luzon	537	838	753	#
Visayas and Mindanao	467	315	41	#
Overseas	2	1		#

GRI 205-2-e Percentage of employees that have received training on anti-corruption

	FY2023	FY2022	FY2021	Unit
Total	81%	63	75	%
By Employee Rank				
Management	(59)	65	45	%
Executives	67			%
Managers	83			%
Senior Leaders	80			%
Supervisors	86	78	80	%
Team Members	80	59	47	%
By Region				
National Capital Region	77	75	75	%
Rest of Luzon	85	48	50	%
Visayas and Mindanao	92	59	77	%
Overseas	100	100		%

⁵⁹ The classification for management in 2023 has been further refined to include “Executives,” “Senior Leaders,” and “Managers.”

PILLAR 2: OPERATING IN A SUSTAINABLE COMPANY AND LEADING WITH INTEGRITY AND GOOD GOVERNANCE

GRI 205-3-a,b,c Confirmed incidents of corruption and actions taken

	FY2023	FY2022	FY2021	Unit
Total no. of confirmed incidents of corruption	4 ⁶⁰	10	0	#
Total no. of confirmed incidents in which employees were dismissed or disciplined for corruption	4	10	0	#
Total no. of confirmed incidents when contracts with business partners were terminated	0	2	0	#

GRI 205-3-d Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.

No public legal cases regarding corruption have been brought against the organization or its employees.

⁶⁰ The confirmed incidents of corruption involved solicitation of bribes and receiving kickbacks in exchange for subscriber referrals. Following a thorough investigation, employees implicated in these incidents faced disciplinary action, including termination.

7. Competitive Behavior and Open Internet

GRI206: Anti-Competitive Behavior 2016

GRI 206-1-a Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

	FY2023	FY2022	FY2021	Unit
Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant	0	0	0	#

TC-TL-520a: Competitive Behaviour & Open Internet

TC-TL-520a.1 - Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations

	FY2023	FY2022	FY2021	Unit
Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour regulations	0	0	0	PHP (₱)

TC-TL-520a.2 - Average actual sustained download speed of (1) owned and commercially-associated content and (2) non-associated content

Metric	FY2023	FY2022	FY2021	Unit
Average actual sustained download speed of owned and commercially-associated content	3 (Vision); 150-600 (BlasTV) ⁶¹	2 - 40	2 - 40	Megabits per second (Mbps)
Average actual sustained download speed of non-associated content	176 ⁶²	119	45	Megabits per second (Mbps)

⁶¹ Measured by Converge

⁶² Measured by Ookla®. Ookla® is the global leader in mobile and broadband network intelligence, testing applications, and related technologies.

PILLAR 2: OPERATING IN A SUSTAINABLE COMPANY AND LEADING WITH INTEGRITY AND GOOD GOVERNANCE

TC-TL-520a.3 - Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices

Unfair competition in the ICT sector can inflate prices, consolidate market control, and disrupt economic stability. A key concern is the absence of net neutrality rules in the Philippines, which may enable internet service providers to show preference to specific content or users. Proposed legislation, Senate Bill No. 2103 *Internet Consumer Protection And Net Neutrality Act Of 2021*, seeks to address this issue by introducing regulations to ensure fair competition and consumer safeguarding. Upon enactment, this law could substantially influence internet access and services nationwide.

8. Climate Adaptation and Resilience

TCFD Metrics and Targets

TCFD MT c) Assets (based on asset value) that are potentially exposed to physical risks (chronic and acute risks)

Metric	FY2023	FY2022	FY2021	Unit
Assets (based on asset value) that are potentially exposed to physical risks (chronic and acute risks)	0.021 to 0.257	0.021 to 0.248		%

Pillar 3: Giving back to our planet

9. Energy and Emissions

GRI 302: Energy 2016

Note:

The data for electricity and fuel consumption were collected from different sites' representatives. For the 2023 report, representatives provided the electricity consumption (in kilowatt-hour) and fuel consumption (in liters) per month based on the invoices, billing, and Statement of Accounts from local distribution utilities.

Conversion factors for energy consumption were based on [IOR Energy Engineering Conversion Factors](#). Conversion factors for GHG emissions were based on the [Intergovernmental Panel on Climate Change 2006 Guidelines for National Greenhouse Gas Inventories Volume 2](#).

For grid electricity, we used the [2015-2017 National Grid Emission Factor \(NGEF\)](#) from the Department of Energy. We used the Simple Operating Margin (OM) emission factor of 0.7122 tCO₂/MWh for the Luzon and Visayas grid, and 0.7797 tCO₂/MWh for the Mindanao grid.

GRI 302-1-a,b Energy consumption within the organization

	FY2023	FY2022	FY2021	Unit
Non-Renewable	100,717.5 ⁶³	113,538.4	82,217.1	(GJ)
Renewable	0	0		(GJ)

⁶³ Fuel consumption from diesel and gasoline used for vehicle, genset and forklift, breakdown as follows:

Gasoline = 51,474.2 GJ

Diesel = 49,243.3 GJ

PILLAR 3: GIVING BACK TO OUR PLANET

GRI 302-1-c Electricity, Heating, Cooling, Steam Consumption

	FY2023	FY2022	FY2021	Unit
Electricity	158,857.4	145,269.5	41,603.7	(GJ)
Heating	0	0	0	(GJ)
Cooling	0	0	0	(GJ)
Steam	0	0	0	(GJ)
Total	158,857.4	145,269.5	41,603.7	(GJ)

GRI 302-1-e Total Energy Consumption within the Organization

Business Unit	FY2023	FY2022	FY2021	Unit
Groupwide	259,574.9	258,807.9	149,235.1	(GJ)

GRI 302-2-a Energy consumption outside of the organization

	FY2023	FY2022	FY2021	Unit
Network Energy Intensity	17.9 ⁶⁴	23.3		(GJ/ petabyte)
Employee Energy Intensity	76.8 ⁶⁵	57		(GJ/ employee)

⁶⁴ GHG emissions intensity ratio was computed as the organization's electricity and fuel emissions (in GJ) within the organization divided by the total network traffic (in petabytes) as of the end of the reporting period.

⁶⁵ Energy intensity ratio was computed as electricity and fuel consumption (in GJ) within the organization divided by total number of employees at the end of the reporting period.

GRI305: Emissions 2016

Note:

The data for electricity and fuel consumption were collected from different sites' representatives. For the 2023 report, representatives provided the electricity consumption (in kilowatt-hour) and fuel consumption (in liters) per month based on the invoices, billing, and Statement of Accounts from local distribution utilities.

Conversion factors for energy consumption were based on [IOR Energy Engineering Conversion Factors](#). Conversion factors for GHG emissions were based on the [Intergovernmental Panel on Climate Change 2006 Guidelines for National Greenhouse Gas Inventories Volume 2](#).

For grid electricity, we used the [2015-2017 National Grid Emission Factor \(NGEF\)](#) from the Department of Energy. We used the Simple Operating Margin (OM) emission factor of 0.7122 tCO₂/MWh for the Luzon and Visayas grid, and 0.7797 tCO₂/MWh for the Mindanao grid.

GRI 305-1-a Direct (Scope 1) GHG emissions

Business Unit	FY2023	FY2022	FY2021	Unit
Groupwide	7,309.4	7,781.2	4,874.4	(tCO ₂ e)

GRI 305-2-a Energy indirect (Scope 2) GHG Emissions

Business Unit	FY2023	FY2022	FY2021	Unit
Groupwide	25,583.8	21,145	7,150.7	(tCO ₂ e)

GRI 305-4-a GHG emissions intensity ratio for the organization

	FY2023	FY2022	FY2021	Unit
Network GHG Intensity	2.3 ⁶⁶	2.6		(tCO ₂ e/ petabyte)
Employee GHG Intensity	9.7 ⁶⁷	6		(tCO ₂ e/ Employee)

⁶⁶ GHG emissions intensity ratio was computed as the organization's electricity and fuel emissions (in tCO₂e) within the organization divided by the total network traffic (in petabytes) as of the end of the reporting period.

⁶⁷ GHG emissions intensity ratio was computed as electricity and fuel emissions (in tCO₂e) within the organization divided by total number of employees as of the end of reporting period.

PILLAR 3: GIVING BACK TO OUR PLANET

GRI 305-5-a Reduction of GHG emissions as a direct result of reduction initiatives

	FY2023	FY2022	FY2021	Unit
Total	10,078.8	7,594.2	1,079.9	(tCO2e)

TC-TL-130a.1: Environmental Footprint of Operations

TC-TL-130a.1. - (1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable

	FY2023	FY2022	FY2021	Unit
Total energy consumed	259,574.9	258,808	149,235.1	(GJ)
Percentage grid electricity	67.9	41.3	86.9	%
Percentage renewable	19.6	14.8	13.1	%

Internal Metrics

Ratio of power usage effectiveness

	FY2023	FY2022	FY2021	Unit
Ratio of power usage effectiveness (PUE) ⁶⁸	1.64	1.65	1.8	ratio

⁶⁸ PUE was calculated as the average total facility energy usage (in kW) divided by IT equipment energy usage (in kW) of the Data Center in Pasig and Clark.

10. Waste Management

GRI306: Waste 2020

GRI 306-3-a Waste generated

	FY2023	FY2022	FY2021	Unit
Hazardous Waste	92.5	115.50		(t)
Non-Hazardous Waste	79.2	271.90	15.60	(t)
Total	171.7	387.40	15.60	(t)

GRI 306-4-a,b,c Waste diverted from disposal (by composition of waste)

Disposal Type	FY2023	FY2022	FY2021	Unit
Hazardous				
Total Hazardous	68	115.5		(t)
Commercial Accredited Hauler (Recycling)	0	115		(t)
Commercial Accredited Hauler (Treatment)	0			(t)
Other recovery options	0	0.5		(t)
Preparation for reuse	39.4	0		(t)
Resell	28.6			(t)
Non-Hazardous				
Total Non-Hazardous	1.3	263.9	0.4	(t)
Commercial Accredited Hauler (Recycling)	1.3	263.9	0.4	(t)
Commercial Accredited Hauler (Shredding and Recycling)	0			(t)
Other recovery options	0	0		(t)
Preparation for reuse	0	0		(t)
Resell	0			
Waste Diverted from Disposal				
Total	69.3	379.40	0.40	(t)

PILLAR 3: GIVING BACK TO OUR PLANET

GRI 306-4-d Waste diverted from disposal (by site)

Onsite/Offsite	FY2023	FY2022	FY2021	Unit
Onsite				
Total	69.3	0		(t)
Hazardous Waste	68	0		(t)
Non-Hazardous Waste	1.3	0		(t)
Offsite				
Total	0	379.4		(t)
Hazardous Waste	0	115.5		(t)
Non-Hazardous Waste	0	263.9		(t)
Waste Diverted from Disposal				
Total	69.3	379.4		(t)

GRI 306-5-a,b,c Waste Directed to Disposal (by composition of waste)

Disposal Type	FY2023	FY2022	FY2021	Unit
Hazardous				
Total Hazardous	24.6	0		(t)
Incineration (with energy recovery)	0	0		(t)
Incineration (without energy recovery)	0	0		(t)
Landfill	0	0		(t)
Other disposal operations	24.6	0		(t)
Non-Hazardous				
Total Non-Hazardous	79.2	8		(t)
Incineration (with energy recovery)	0	0		(t)
Incineration (without energy recovery)	0	0		(t)
Landfill	79.2	8		(t)
Other disposal operations	0	0		(t)
Waste Directed to Disposal				
Total	103.8	8		(t)

PILLAR 3: GIVING BACK TO OUR PLANET

GRI 306-5-d Waste directed to disposal (by site)

Onsite/Offsite	FY2023	FY2022	FY2021	Unit
Onsite				
Total	24.6	8.00		(t)
Hazardous Waste	24.6	0		(t)
Non-Hazardous Waste	0	0		(t)
Offsite				
Total	79.2	8.00		(t)
Hazardous Waste	0	0		(t)
Non-Hazardous Waste	79.2	8.00		(t)
Waste Directed to Disposal				
Total	103.8	8.00		(t)

GRI 306: Effluents and Waste 2016

GRI 306-3-a Waste Spills

	FY2023	FY2022	FY2021	Unit
Total number of significant spills	0	0		#
Volume of significant spills	0	0		liters

TC-TL-440a.1 Product End-of-life Management

TC-TL-440a.1 - (1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled

	FY2023	FY2022	FY2021	Unit
Materials recovered through take back programs	68	61.3	18.4	Metric tonnes (t)
Percentage of recovered materials that were reused	58 ⁶⁹	43	27	%
Percentage of recovered materials that were recycled	42	57	19	%
Percentage of recovered materials that were landfilled	0	0	54	%

⁶⁹ Refurbished CPEs

11. Supplier Environmental Assessment

GRI308: Supplier Environmental Assessment 2016

GRI 308-1-a New suppliers that were screened using environmental criteria

	FY2023	FY2022	FY2021	Unit
Percentage of new suppliers that were screened using environmental criteria	99	63		%

GRI 308-2 Negative environmental impacts in the supply chain and actions taken

	FY2023	FY2022	FY2021	Unit
Number of suppliers assessed for environmental impact	301	207		#
Number of suppliers identified as having significant actual and potential negative environmental impacts	98 ⁷⁰	65		#
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment	0	20		%
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment	0	0		%

⁷⁰ Supplier assessments relied on responses to our Third-Party Due Diligence questionnaire, focusing on sustainability criteria. Risks were flagged if suppliers answered 'No'. While there were no specific instances of non-compliance, the absence of documented policies poses potential issues for both environmental and social factors due to the lack of controls or monitoring. Nevertheless, these partners have expressed commitment to establishing their policies and compliance frameworks going forward.

Pillar 4: Creating a positive community impact

12. Access to Information and Communications

TC-TL-000 Activity Metrics

TC-TL-000.C - Number of broadband subscribers

	FY2023	FY2022	FY2021	Unit
Number of broadband subscribers ⁷¹	2,176,202	1,915,103	1,717,588	#

TC-TL-000.D - Network Traffic

	FY2023	FY2022	FY2021	Unit
Network Traffic	14,495	11,115.8		Petabytes

Internal Metrics

Metric	FY2023	FY2022	FY2021	Unit
Total homes passed	16,845,468	14,940,081	10,900,000	#
Number of cities and municipalities covered by our network (in the Philippines)	780			#

⁷¹ Number of broadband subscribers consists of 2,128,052 residential subscribers (Fiber X, HFC, BIDA, S2S) and 48,150 enterprise customers (SME, Enterprise, Wholesale).

13. Economic Contributions

GRI201: Economic Performance 2016

GRI 201-1-a Direct economic value generated and distributed

	FY2023	FY2022	FY2021	Unit
Economic Value Generated	36,432	34,010	26,612	Million PHP (₱)
Economic Value Distributed	27,333	26,571	19,454	Million PHP (₱)
Operating Costs	20,012	20,176	14,438	Million PHP (₱)
Payments to Employees	1,850	1,796	1,725	Million PHP (₱)
Payments to Capital Providers	2,079	1,732	486	Million PHP (₱)
Payments to government	3,344	2,855	2,789	Million PHP (₱)
Community investments	48,7	12	16	Million PHP (₱)
Economic Value Retained	9,099	7,439	7,158	Million PHP (₱)

GRI 201-1-a Payments to Government by Country

Country	FY2023	FY2022	FY2021	Unit
Hong Kong	0	3		Million PHP (₱)
Philippines	3,341	2,852		Million PHP (₱)
Singapore	3			Million PHP (₱)

GRI 201-4 Financial assistance received from government

	FY2023	FY2022	FY2021	Unit
Total monetary value of financial assistance received by the organization from any government	None (Note 1)	None (Note 1)		Million PHP (₱)
Tax relief and tax credits	None (Note 1)	None (Note 1)		Million PHP (₱)
Subsidies	None (Note 1)	None (Note 1)		Million PHP (₱)
Investment grants, research and development grants, and other relevant types of grant	None (Note 1)	None (Note 1)		Million PHP (₱)

PILLAR 4: CREATING A POSITIVE COMMUNITY IMPACT

	FY2023	FY2022	FY2021	Unit
Awards	None (Note 1)	None (Note 1)		Million PHP (₱)
Royalty holidays	None (Note 1)	None (Note 1)		Million PHP (₱)
Financial incentives; other financial benefits received or receivable from any government for any operation	None (Note 1)	None (Note 1)		Million PHP (₱)
Financial assistance from Export Credit Agencies (ECAs)	None (Note 1)	None (Note 1)		Million PHP (₱)
Other financial benefits received or receivable from any government for any operation	None (Note 1)	None (Note 1)		Million PHP (₱)

Note 1 We have not availed of the tax incentives granted by the Fiscal Incentives Review Board in 2022 and 2023.

14. Local Sourcing and Supplier Support

GRI 204: Procurement Practices 2016

GRI 204-1-a,b,c Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally) ⁷²

Business Unit	2023	2022	2021	Unit
Converge	64 ⁷³	68	66	%
MetroWorks	100	89	95	%
Myriad	100			%

⁷² Converge ICT Solutions' significant location of operations is in the Philippines based on the core operations of delivering internet services. Local suppliers are those whose operations are located in the same geographical areas as the services they provide to Converge and its subsidiaries.

⁷³ For Converge, the procurement budget spent for local sourcing has slightly decreased. Prices of locally produced materials have increased, driven by inflation and other market forces. As such, we have shifted some of these planned spend to foreign resources for better prices, leveraging on volume purchases.

General Disclosures

GRI 2-27: Compliance with laws and regulations

GRI 2-27 Significant instances of non-compliance with laws and regulations

	FY2023	FY2022	FY2021	Unit
Total number of significant instances of non-compliance with laws and regulations during the reporting period	0 ⁷⁴	1		#
instances for which fines were incurred	0	1		#
instances for which non-monetary sanctions were incurred	0	0		#
Total monetary fines	0	1,000,000		PHP (₱)

⁷⁴ The company's improved performance was a result of Converge's implementation of controls and compliance measures. By reviewing past compliance, addressing gaps, and collaborating with stakeholders, we aim to uphold a culture of compliance.

GRI, SASB and TCFD Indices

GRI content index.....	57
SASB content index	65
TCFD content index.....	67

Global Reporting Initiative (GRI)

Content index

Statement of use	Converge Information and Communications Technology Solutions, Inc. has reported in accordance with the GRI Standards for the period January 1, 2023 to December 31, 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

GRI STANDARD/ OTHER SOURCE		LOCATION / RESPONSE	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GENERAL DISCLOSURES					
GRI 2: General Disclosures 2021	2-1 Organizational details	Company Profile (pages 3-5)			
	2-2 Entities included in the organization’s sustainability reporting	Company Profile (pages 3-5)			
	2-3 Reporting period, frequency and contact point	About This Report (inside front cover)			
	2-4 Restatements of information	Restatement of Information (page 69)			
	2-5 External assurance	External Assurance (pages 70-71)			
	2-6 Activities, value chain and other business relationships	Company Profile (pages 3-5); Activities, Value Chain and Other Business Relationships (page 5) ; SEC Form 17-A - Business			
	2-7 Employees	Company Profile (pages 3-5); Performance Indicators Summary-Workforce Welfare (pages 9-22)			
	2-8 Workers who are not employees	Company Profile (pages 3-5); Performance Indicators Summary-Workforce Welfare Workforce Welfare (pages 9-22)			
	2-9 Governance structure and composition	Sustainability Governance and Management (pages 11); Manual on Corporate Governance; Board Committees ; SEC Form 17-A - Corporate Governance			
	2-10 Nomination and selection of the highest governance body	Refer to Nomination and Election Policy for nomination and selection process for the Board; Manual on Corporate Governance; Board Charter			
	2-11 Chair of the highest governance body	See Part IV - Corporate Governance of our SEC Form 17-A for details.			
	2-12 Role of the highest governance body in overseeing the management of impacts	Sustainability Governance and Management and Management of Sustainability-related Risks and Opportunities (pages 11-12); Manual on Corporate Governance; Sustainability Policy			
	2-13 Delegation of responsibility for managing impacts	Sustainability Governance and Management and Management of Sustainability-related Risks and Opportunities (pages 11-12); Manual on Corporate Governance; Sustainability Policy			

GRI STANDARD/ OTHER SOURCE		LOCATION / RESPONSE	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance and Management (pages 11); Manual on Corporate Governance; Sustainability Policy			
	2-15 Conflicts of interest	Manual on Corporate Governance			
	2-16 Communication of critical concerns	Management of Sustainability-related Risks and Opportunities (pages 11-12)			
	2-17 Collective knowledge of the highest governance body	Management of Sustainability-related Risks and Opportunities (pages 11-12)			
	2-18 Evaluation of the performance of the highest governance body	Management of Sustainability-related Risks and Opportunities (pages 11-12)			
	2-19 Remuneration policies	Management of Sustainability-related Risks and Opportunities (pages 11-12)			
	2-20 Process to determine remuneration	Management of Sustainability-related Risks and Opportunities (pages 11-12)			
	2-21 Annual total compensation ratio	Performance Indicators Summary- Diversity, Equity and Inclusion (pages 23-30)			
	2-22 Statement on sustainable development strategy	Joint Statement (Chairman of the Board Risk Oversight Committee, CEO and President) (pages 7-8), Message of the Chief Sustainability Officer (pages 9-10)			
	2-23 Policy commitments	Policy commitments (page 16)			
	2-24 Embedding policy commitments	Approach to Sustainability (pages 10-11)			
	2-25 Processes to remediate negative impacts	Stakeholder Engagement (pages 13-16)			
	2-26 Mechanisms for seeking advice and raising concerns	Stakeholder Engagement (pages 13-16)			
	2-27 Compliance with laws and regulations	Performance Indicators Summary - General Disclosures (page 55)			
	2-28 Membership associations	Company Profile (pages 3-5)			
	2-29 Approach to stakeholder engagement	Stakeholder Engagement (pages 13-16)			
	2-30 Collective bargaining agreements	Performance Indicators Summary - Workforce Welfare (pages 9-22)			
MATERIAL TOPICS					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Material Topics (pages 17-19)			
	3-2 List of material topics	Material Topics (pages 17-19)			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Contributions (page 60)			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Contributions (page 60); Performance Indicators Summary - Economic Contributions (pages 52-53)			
	201-2 Financial implications and other risks and opportunities due to climate change	Climate Adaptation and Resilience (pages 43-48)			
	201-3 Defined benefit plan obligations and other retirement plans	Workforce Welfare (pages 29-33)			

GRI Content Index

GRI STANDARD/ OTHER SOURCE		LOCATION / RESPONSE	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	201-4 Financial assistance received from government	Performance Indicators Summary - Economic Contributions (pages 52-53)			
Market Presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	Workforce Welfare (pages 29-33)			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Workforce Welfare (pages 29-33); Performance Indicators Summary - Workforce Welfare (pages 9-22)			
	202-2 Proportion of senior management hired from the local community	Performance Indicators Summary - Workforce Welfare (pages 9-22)			
Indirect economic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics	Access to Information and Communications (pages 58-59)			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Access to Information and Communications (pages 58-59); SEC Form 17-A			
	203-2 Significant indirect economic impacts	Access to Information and Communications (pages 58-59); SEC Form 17-A			
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	Local Sourcing and Supplier Support (page 62)			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Local Sourcing and Supplier Support (page 62); Performance Indicators Summary - Local Sourcing and Supplier Support (page 54)			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-corruption (page 39-40)			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Performance Indicators Summary - Anti-corruption (pages 33-39)			
	205-2 Communication and training about anti-corruption policies and procedures	Performance Indicators Summary - Anti-corruption (pages 33-39)			
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption (page 39-40); Performance Indicators Summary - Anti-corruption (pages 33-39)			
Anti-competitive behavior					
GRI 3: Material Topics 2021	3-3 Management of material topics	Competitive Behavior and Open Internet (pages 41-42)			
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Competitive Behavior and Open Internet (pages 41-42); Performance Indicators Summary - Competitive Behavior and Open Internet (pages 40-41)			
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Energy and Emissions (pages 50-52)			

GRI Content Index

GRI STANDARD/ OTHER SOURCE		LOCATION / RESPONSE	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy and Emissions (pages 50-52); Performance Indicators Summary - Energy and Emissions (pages 43-46)	GRI 302-1-d	Not applicable	(75)
	302-2 Energy consumption outside of the organization	Performance Indicators Summary - Energy and Emissions (pages 43-46)	GRI 302-2	Information unavailable/incomplete	(76)
	302-3 Energy intensity	Energy and Emissions (pages 50-52); Performance Indicators Summary - Energy and Emissions (pages 43-46)			
	302-4 Reduction of energy consumption	Information unavailable	GR1 302-4	Information unavailable/incomplete	(77)
	302-5 Reductions in energy requirements of products and services	Information unavailable	GRI 302-5	Information unavailable/incomplete	(78)
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	Energy and Emissions (pages 50-52)			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Energy and Emissions (pages 50-52); Performance Indicators Summary - Energy and Emissions (pages 43-46)	GRI 305-1-b	Information unavailable/incomplete	(79, 80)
			GRI 305-1-c	Information unavailable/incomplete	(81)
	305-2 Energy indirect (Scope 2) GHG emissions	Energy and Emissions (pages 50-52); Performance Indicators Summary - Energy and Emissions (pages 43-46)	GRI 305-2-b	Not applicable	We are using a location-based energy indirect (Scope 2) GHG emissions.
			GRI 305-2-c	Information unavailable/incomplete	(79, 80)
	305-3 Other indirect (Scope 3) GHG emissions	Information unavailable	GRI 305-3	Information unavailable/incomplete	(82)

⁷⁵ Not applicable as the Company does not sell electricity, heating, cooling, and steam energy.

⁷⁶ We are currently developing our capability to quantify our upstream and downstream energy consumption. We aim to start reporting this information in 2024.

⁷⁷ We do not have enough data currently to track reductions in energy consumption achieved as a direct result of conservation efficiency initiatives and the reductions in energy requirements of our services. In 2023, we conducted an electrical audit of our facilities, with rectification activities ongoing until Q1 2024. Following this, we will proceed with our roadmap for ISO 50001 Energy Management System certification, which includes the quantification of energy consumption.

⁷⁸ We currently lack sufficient data to track reductions in energy consumption achieved as a direct result of conservation efficiency initiatives and the reductions in energy requirements of our services. In 2023, there was no project aimed at reducing the energy requirements of our products and services. This will be part of our roadmap for ISO 50001 Energy Management System certification in 2024.

⁷⁹ We do not currently track absolute emissions of Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), and Hydrofluorocarbons (HFCs). We plan to include this information in our 2024 report.

⁸⁰ We do not have any potential sources of Perfluorocarbons (PFCs), Sulfur Hexafluoride (SF₆), or Nitrogen Trifluoride (NF₃) in our operations.

⁸¹ We do not currently track Ozone-Depleting Substances (ODS) emissions. We plan to include this in our 2024 report.

⁸² We do not currently track Scope 3 GHG Emissions. We intend to start estimating the consumption outside the organization in 2024.

GRI Content Index

GRI STANDARD/ OTHER SOURCE		LOCATION / RESPONSE	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	305-4 GHG emissions intensity	Energy and Emissions (pages 50-52); Performance Indicators Summary - Energy and Emissions (pages 43-46)			
	305-5 Reduction of GHG emissions	Performance Indicators Summary - Energy and Emissions (pages 43-46)			
	305-6 Emissions of ozone-depleting substances (ODS)	Information unavailable	GRI 305-6	Information unavailable/incomplete	(81)
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not applicable	GRI 305-7	Not applicable	(83)
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	Waste Management (pages 53-54)			
GRI 306: Effluents and Waste 2016	306-3 Significant spills	Performance Indicators Summary - Waste Management (pages 47-49)			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste Management (pages 53-54)			
	306-2 Management of significant waste-related impacts	Waste Management (pages 53-54)			
	306-3 Waste generated	Waste Management (pages 53-54); Performance Indicators Summary - Waste Management (pages 47-49)			
	306-4 Waste diverted from disposal	Waste Management (pages 53-54); Performance Indicators Summary - Waste Management (pages 47-49)			
	306-5 Waste directed to disposal	Waste Management (pages 53-54); Performance Indicators Summary - Waste Management (pages 47-49)			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Supplier Environmental Assessment (page 56)			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supplier Environmental Assessment (page 56); Performance Indicators Summary - Supplier Environmental Assessment (page 50)			
	308-2 Negative environmental impacts in the supply chain and actions taken	Supplier Environmental Assessment (page 56); Performance Indicators Summary - Supplier Environmental Assessment (page 50)			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Workforce Welfare (pages 29-33)			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Workforce Welfare (pages 29-33); Performance Indicators Summary - Workforce Welfare (pages 9-22)			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Workforce Welfare (pages 29-33)			
	401-3 Parental leave	Performance Indicators Summary - Workforce Welfare (pages 9-22)			

⁸³ Air pollution was evaluated to be immaterial following the SASB materiality finder for telecommunication services.

GRI Content Index

GRI STANDARD/ OTHER SOURCE		LOCATION / RESPONSE	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	Workforce Welfare (pages 29-33)			
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Performance Indicators Summary - Workforce Welfare (pages 9-22)			
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	Workforce Welfare (pages 29-33)			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Workforce Welfare (pages 29-33)			
	403-2 Hazard identification, risk assessment, and incident investigation	Workforce Welfare (pages 29-33)			
	403-3 Occupational health services	Workforce Welfare (pages 29-33); Health and Safety Manual ; Health and Wellness Manual			
	403-4 Worker participation, consultation, and communication on occupational health and safety	Workforce Welfare (pages 29-33)			
	403-5 Worker training on occupational health and safety	Workforce Welfare (pages 29-33)			
	403-6 Promotion of worker health	Workforce Welfare (pages 29-33)			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Workforce Welfare (pages 29-33)			
	403-8 Workers covered by an occupational health and safety management system	Performance Indicators Summary - Workforce Welfare (pages 9-22)			
	403-9 Work-related injuries	Workforce Welfare (pages 29-33); Performance Indicators Summary - Workforce Welfare (pages 9-22)			
	403-10 Work-related ill health	Performance Indicators Summary - Workforce Welfare (pages 9-22)			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	Workforce Welfare (pages 29-33)			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Workforce Welfare (pages 29-33); Performance Indicators Summary - Workforce Welfare (pages 9-22)			
	404-2 Programs for upgrading employee skills and transition assistance programs	Workforce Welfare (pages 29-33)			
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance Indicators Summary - Workforce Welfare (pages 9-22)			

GRI Content Index

GRI STANDARD/ OTHER SOURCE		LOCATION / RESPONSE	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	Diversity, Equity and Inclusion (pages 35-36)			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversity, Equity and Inclusion (pages 35-36); Performance Indicators Summary - Diversity, Equity and Inclusion (pages 23-30)			
	405-2 Ratio of basic salary and remuneration of women to men	Performance Indicators Summary - Diversity, Equity and Inclusion (pages 23-30)			
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	Workforce Welfare (pages 29-33); Supplier Social Assessment (page 37)			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Performance Indicators Summary - Supplier Social Assessment (pages 31-32)			
Child labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	Workforce Welfare (pages 29-33); Supplier Social Assessment (page 37)			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Performance Indicators Summary - Supplier Social Assessment (pages 31-32)			
Forced or compulsory labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	Workforce Welfare (pages 29-33); Supplier Social Assessment (page 37)			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Performance Indicators Summary - Supplier Social Assessment (pages 31-32)			
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Supplier Social Assessment (page 37)			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supplier Social Assessment (page 37); Performance Indicators Summary - Supplier Social Assessment (pages 31-32)			
	414-2 Negative social impacts in the supply chain and actions taken	Supplier Social Assessment (page 37); Performance Indicators Summary - Supplier Social Assessment (pages 31-32)			
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	Customer Welfare (pages 24-27)			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Performance Indicators Summary - Customer Welfare (pages 5-8)			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Customer Welfare (pages 24-27); Performance Indicators Summary - Customer Welfare (pages 5-8)			

GRI Content Index

GRI STANDARD/ OTHER SOURCE		LOCATION / RESPONSE	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Marketing and labeling					
GRI 3: Material Topics 2021	3-3 Management of material topics	Customer Welfare (pages 24-27)			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Customer Welfare (pages 24-27); Performance Indicators Summary - Customer Welfare (pages 5-8)			
	417-2 Incidents of non-compliance concerning product and service information and labeling	Customer Welfare (pages 24-27); Performance Indicators Summary - Customer Welfare (pages 5-8)			
	417-3 Incidents of non-compliance concerning marketing communications	Customer Welfare (pages 24-27); Performance Indicators Summary - Customer Welfare (pages 5-8)			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Customer Privacy and Data Security (pages 21-22)			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy and Data Security (pages 21-22); Performance Indicators Summary - Customer Privacy and Data Security (pages 3-4)			

Sustainability Accounting Standards Board (SASB)

Content index

Sustainability Disclosure Topics and Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	REPORT SECTION
Energy and Emissions					
Environmental Footprint of Operations	(1) Total energy consumed, (2) Percentage grid electricity, (3) Percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	TC-TL-130a.1	Energy and Emissions (pages 50-52); Performance Indicator Summary - Energy and Emissions (pages 43-46)
Customer Privacy and Data Security					
Data Privacy	Description of policies and practices relating to behavioral advertising and customer privacy	Discussion and Analysis	n/a	TC-TL-220a.1	Customer Privacy and Data Security (pages 21-22); Performance Indicator Summary - Customer Privacy and Data Security (pages 3-4)
	Number of customers whose information is used for secondary purposes	Quantitative	Number, Percentage (%)	TC-TL-220a.2	Performance Indicators Summary - Customer Privacy and Data Security (pages 3-4)
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Quantitative	Reporting currency	TC-TL-220a.3	Customer Privacy and Data Security (pages 21-22); Performance Indicators Summary - Customer Privacy and Data Security (pages 3-4)
	(1) Number of law enforcement requests for customer information, (2) Number of customers whose information was requested, (3) Percentage resulting in disclosure	Quantitative	Number, Percentage (%)	TC-TL-220a.4	Performance Indicators Summary - Customer Privacy and Data Security (pages 3-4)
Data Security	(1) Number of data breaches, (2) Percentage involving personally identifiable information (PII), (3) Number of customers affected	Quantitative	Number, Percentage (%)	TC-TL-230a.1	Customer Privacy and Data Security (pages 21-22); Performance Indicators Summary - Customer Privacy and Data Security (pages 3-4)
	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	Discussion and Analysis	n/a	TC-TL-230a.2	Customer Privacy and Data Security (pages 21-22)
Waste Management					
Product End-of-life Management	(1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled	Quantitative	Metric tons (t), Percentage (%)	TC-TL-440a.1	Performance Indicators Summary - Waste Management (pages 47-49)
Competitive Behavior and Open Internet					
Competitive Behavior & Open Internet	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	Quantitative	Reporting currency	TC-TL-520a.1	Competitive Behavior and Open Internet (pages 41-42); Performance Indicators Summary - Competitive Behavior and Open Internet (pages 40-41)
	Average actual sustained download speed of (1) Owned and commercially-associated content and (2) Non-associated content	Quantitative	Megabits per second (Mbps)	TC-TL-520a.2	Competitive Behavior and Open Internet (pages 41-42); Performance Indicators Summary - Competitive Behavior and Open Internet (pages 40-41)
	Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices	Discussion and Analysis	n/a	TC-TL-520a.3	Performance Indicators Summary - Competitive Behavior and Open Internet (pages 40-41)

SASB Content Index

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	REPORT SECTION
Systemic Risk Management					
Managing System Risks from Technology Disruptions	(1) System average interruption duration, (2) system average interruption frequency and (3) customer average interruption duration	Quantitative	Disruptions per customer, Hours per customer	TC-TL-550a.1	Performance Indicators Summary - Customer Welfare (pages 5-8)
	Discussion of systems to provide unimpeded service during service interruptions	Discussion and Analysis	n/a	TC-TL-550a.2	Customer Welfare (pages 24-27)

Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE	REPORT SECTION
Number of wireless subscribers	Quantitative	Number	TC-TL-000.A	N/A ⁸⁴
Number of wireline subscribers	Quantitative	Number	TC-TL-000.B	N/A ⁸⁵
Number of broadband subscribers	Quantitative	Number	TC-TL-000.C	Access to Information and Communications (pages 58-59); Performance Indicators Summary - Access to Information and Communications (page 51)
Network traffic	Quantitative	Petabytes	TC-TL-000.D	Performance Indicators Summary - Access to Information and Communications (page 51)

⁸⁴ Not applicable. The company does not have wireless operations.
⁸⁵ Not applicable. The company does not have wireline (voice) operations.

Task Force on Climate-Related Financial Disclosures (TCFD)

Content index

CORE ELEMENTS	RECOMMENDED DISCLOSURES	REPORT SECTION/RESPONSE	PAGE REFERENCE
Governance Disclose the organization's governance around climate related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	Sustainability Governance and Management Sustainability Policy	page 11
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Sustainability Governance and Management Sustainability Policy	page 11
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Climate Adaptation and Resilience	pages 43-48
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Climate Adaptation and Resilience	pages 43-48
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Climate Adaptation and Resilience	pages 43-48
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	Sustainability Governance and Management Climate Adaptation and Resilience	page 11 pages 43-48
	b) Describe the organization's processes for managing climate-related risks.	Sustainability Governance and Management Climate Adaptation and Resilience	page 11 pages 43-48
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Sustainability Governance and Management	page 11
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Performance Indicators Summary - Climate Adaptation and Resilience	page 42
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Performance Indicators Summary - Energy and Emissions	pages 43-46
		Performance Indicators Summary - Energy and Emissions	pages 43-46
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Message from the Chief Sustainability Officer Performance Indicators Summary - Energy and Emissions Our targets are also disclosed on our Sustainability webpage .	pages 9-10 pages 43-46

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Jose Pamintuan de Jesus**, Filipino, of legal age and a resident of 30 Mangyan Road, La Vista, Diliman, Quezon City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Converge Information and Communications Technology Solutions, Inc. and have been its independent director since 8 June 2020.
2. I am affiliated with the following companies or organizations:

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
AirAsia, Inc.	Director	August 2023 - present
Philippines AirAsia, Inc.	Director	August 2023 - present
SMC TPLEX Corporation	Director	March 2013 - present
SMC SLEX Inc.	Director	March 2013 - present
Petron Corporation	Director	May 2014 - present
SMC Skyway Corporation	Director	June 2014 - present
Alviera Country Club	Independent Director	October 2017 - present
Comstech Integration Alliance Inc.	Director	December 2020 - present
Kapampangan Development Foundation	Trustee	1987 - present
Holy Angel University	Trustee	August 2008 - present
Bantayog ng mga Bayani Foundation	Member, Board of Advisors	April 2022 - present

I am not affiliated with any Government-Owned and Controlled Corporation.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Converge Information and Communications Technology Solutions, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the director/officer/substantial shareholder of Converge Information and Communications Technology Solutions, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NOT APPLICABLE		

6. I am not an elected public servant nor an appointed and/or employee in any government agency.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.
8. I shall inform the Corporate Secretary of Converge Information and Communications Technology Solutions, Inc. of any changes in the abovementioned information within five days from its occurrence.

MAR 13 2024

PASIG CITY

Done, this _____ day of _____ at _____.


Jose Pamintuan de Jesus
 Independent Director

SUBSCRIBED AND SWORN TO before me this MAR 13 2024 at PASIG CITY, affiant personally appeared before me and exhibited to me his Unified Multi-Purpose ID no. 0003 0057075 1 issued at Quezon City in September 2012.

Doc. No. 174
Page No. 28
Book No. 6
Series of 2024.

NOTARY PUBLIC
ATTY. GERNALD P. RUBIO
Notary Public-Pasig City, San Juan and Paleros
Until December 31, 2024
ROLL NO. 84083
IBP NO. 384108
PTR NO. 1504028
APPOINTMENT NO. 276 (2023-2024)
MCLE EXEMPTION NO. VIII-BEP002249
TIN NO. 238-919-765

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Amando M. Tetangco, Jr.**, Filipino, of legal age and a resident of Don Gavino Street, Don Enrique Heights, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **Converge Information and Communications Technology Solutions, Inc.** (the "Corporation") and have been its Independent Director since 8 June 2020.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
SM Investments Corporation	Chairman of the Board and Independent Director	June 16, 2023 to present
SM Prime Holdings, Inc	Vice Chairman of the Board and Independent Director	April 20, 2021 to present
Belle Corporation	Independent Director	Dec 4, 2017 to present
Shell Pilipinas Corporation	Independent Director	May 2021 to present
Toyota Motor Philippines	Independent Director	March 2019 to present
Manila Hotel	Independent Director	August 2018 to present
CIBI Information, Inc.	Independent Director	June 26, 2020 to present
St. Luke's Medical Center	Trustee/Director	August 2017 to present
Tan Yan Kee Foundation	Trustee	December 2017 to present
Foundation for Liberty and Prosperity	Trustee	May 2019 to present

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the SRC. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable		

5. To the best of my knowledge, I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

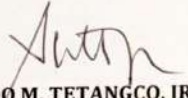
OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
See Notes below		

¹ A criminal and administrative case (OMB-C-C-13-0092) filed by Maxy Abad et al. against Mr. Amando M. Tetangco, Jr. et al. with the Ombudsman was dismissed on May 13, 2015. The dismissal was elevated to the Court of Appeals (CA) (CA-G.R. SP No. 144038), which sustained the dismissal on May 15, 2017. The CA's resolution was assailed with the Supreme Court (SC) (G.R. 234696) upon the filing of a Petition for Review dated November 29, 2017. In its Resolution dated October 3, 2022, the Supreme Court denied the Petition for Review of the petitioners and affirmed the May 15, 2017 Decision and October 4, 2017 Resolution of the Court of Appeals. To date, we have not yet received a Motion for Reconsideration on the said Resolution nor an Entry of Judgment.

² A complaint for damages was filed by Mr. Antonio Tiu, et al. against Mr. Amando M. Tetangco, Jr., et. al in connection with the Report of the Anti-Money Laundering Council (AMLC), which served as the basis of AMLCs ex-parte petition for the issuance of Freeze Order issued by the Court of Appeals in CA G.R. AMLA No. 00134 dated 11 May 2015. Mr. Tetangco, Jr., et. al., were impleaded in their official capacity as members and/or officers of the AMLC.

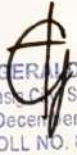
6. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 13 2024 day of PASIG CITY.


AMANDO M. TETANGCO, JR.
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 13 2024 day of PASIG CITY
affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) Card with
TIN 149-275-345.

Doc. No. 133;
Page No. 28;
Book No. 6;
Series of 2024.


ATTY. GERARDO P. RUBIO
Notary Public-Pasig City, San Juan and Pateros
Until December 31, 2024
ROLL NO. 84083
IBP NO. 384108
PTR NO. 1504028
APPOINTMENT NO. 276 (2023-2024)
MCLE EXEMPTION NO. VIII-BEP002249
TIN NO. 236-919-785

In an order dated 27 March 2020, the Regional Trial Court of Quezon City dismissed the Complaint for Damages (Civil Case No. R-QZN-15-04513-CV) as to plaintiff Spouses James and Ann Lorraine Tiu against Mr. Tetangco Jr., Ms. Teresita Herbosa, Mr. Emmanuel Dooc, and Ms. Julia Abad; and ordered Mr. Antonio Tiu to amend his complaint. Plaintiffs filed a Motion for Reconsideration, to which the Office of the Solicitor General (in representation of defendants Tetangco, et al) filed its Comment. In an Order dated 9 February 2021, the trial court denied the Motion for Reconsideration filed by the Spouses Tiu and upheld its earlier 27 March 2020 Order dismissing the case. Aggrieved Tiu, et al filed a Petition for Certiorari with the Court of Appeals (CA-G.R. SP No. 169478), assailing the 27 March 2020 and 09 February 2021 Orders. The CA, in its Decision dated 13 November 2023, dismissed the Petition for Certiorari and upheld the 27 March 2020 and 09 February 2021 Orders. On 21 December 2023, a Motion for Reconsideration was filed in relation to the said Decision. To date, we have not received a Resolution/Order from the CA.

³ A Subpoena dated November 8, 2022 was reportedly issued by the Office of the City Prosecutor – Manila in connection with the Joint Complaint-Affidavit filed by Perry Y. Uy and Cesar M. Mayo, Jr. against Mr. Amando M. Tetangco, Jr. and several other respondents including former members of the Monetary Board, for alleged violation of the Central Bank Act, as amended (R.A. 7653 as amended by R.A. 11211). As of this date, no official service of subpoena or complaint has been made on Mr. Tetangco. The other respondents who have officially received the subpoena and/or voluntarily submitted to the jurisdiction of the OCP- Manila filed their respective counter-affidavits and their joint rejoinder-affidavit. In a Resolution dated 10 February 2023, the OCP-Manila dismissed the complaint against all respondents, including Mr. Tetangco, for lack of probable cause. Consequently, complainants requested a reconsideration of the said resolution which was eventually denied by the OCP-Manila in a Resolution dated 03 May 2023. Accordingly, complainants filed a Petition for Review dated 02 June 2023 with the Department of Justice (“DOJ”). On 23 June 2023, the other respondents filed a Verified Comment [To Petition for Review dated 02 June 2023] of even date. To date, we have not received any resolution/order from the DOJ.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Roman Felipe S. Reyes**, Filipino, of legal age and a resident of Jefferson St., Greenhills West, San Juan, Metro Manila, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

- 1. I am a nominee for independent director of Converge Information and Communications Technology Solutions, Inc. and have been its independent director since 8 June 2020.
- 2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Reyes Tacandong & Co.	Founding Partner & Chairman	May 2010 to present
Maharlika Investment Corporation	Independent Director	January 2024 – present
Philippine Geothermal Production Company	Member, Independent Director – Board of Directors	November 2012 to present
All-Asian Countertrade	Member, Independent Director – Board of Directors	2010 to present
Pasudeco	Member, Independent Director – Board of Directors	2010 to present
RPN 9	Member, Independent Director – Board of Directors	June 3, 2010 to present
San Beda University Manila	Member – Board of Trustees	January 26, 2015 to present
San Beda College Alabang	Chairman of the Board of Trustees Member – Board of Trustees	March 16, 2018 to present September 26, 2016 to present
San Beda College Alumni Association Foundation	Trustee	2002 to present
Nicanor Reyes Memorial Foundation	Chairman, Board of Governors	2011 to present
Rockwell Club	Board Advisor	2022 to present

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Converge Information and Communications Technology Solutions, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
- 4. I am not related to any of the director/officer/substantial shareholder of Converge Information and Communications Technology Solutions, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

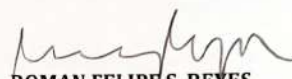
NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NOT APPLICABLE		

- 5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NOT APPLICABLE		

6. I am not an elected public servant nor appointed personnel and/or employee in any government agency.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Converge Information and Communications Technology Solutions, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of _____ at _____.


ROMAN FELIPE S. REYES
Independent Director

SUBSCRIBED AND SWORN TO before me this MAR 13 2024 day of PASIG CITY, affiant personally appeared before me and exhibited to me his _____ issued at _____ on _____ expiring on _____.

Doc. No. 175
Page No. 28
Book No. C
Series of 2024.

 NOTARY PUBLIC
ATTY. GERARDO P. RUBIO
Notary Public-Pasig City, San Juan and Paleros
Until December 31, 2024
ROLL NO. 84083
IBP NO. 384108
PTR NO. 1504028
APPOINTMENT NO. 276 (2023-2024)
MCLE EXEMPTION NO. VIII-BEP002249
TIN NO. 238-919-765

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Estela M. Perlas-Bernabe**, Filipino, of legal age and a resident of Columbia St., Northeast Greenhills, San Juan City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Converge Information and Communications Technology Solutions, Inc. (the "Corporation") and have been its independent director since 26 May 2023.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
BDO Unibank, Inc.	Independent Director	July 31, 2022 – present
San Miguel Food and Beverage Inc.	Independent Director	August 3, 2022 – present
Petrogen Insurance Corporation	Independent Director	March 23, 2023 – present
PHILJA Development Center, Inc.	Independent Director	November 13, 2023 – present
Foundation for Liberty and Prosperity	Trustee	December 6, 2022 – present

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other SEC issuances.
4. I am not related to any of the director/officer/substantial shareholder of Converge Information and Communications Technology Solutions, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

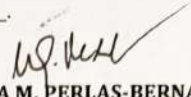
NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NOT APPLICABLE		

5. To the best of my knowledge, I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NOT APPLICABLE		

6. I am not an elected public servant nor an appointed personnel and/or employee in any government agency.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.
8. I shall inform the Corporate Secretary of Converge Information and Communications Technology Solutions, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 13 2024 day of PASIG CITY at _____.


ESTELA M. PERLAS-BERNABE
Independent Director

MAR 13 2024 PASIG CITY
SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____,
affiant personally appeared before me and exhibited to me her Driver's License No. C07-76-014802
expiring on May 14, 2032.

Doc. No. 136 ;
Page No. 28 ;
Book No. 6 ;
Series of 2024


ATTY. GERARDO P. RUBIO
Notary Public-Pasig City, San Juan and Pateros
Until December 31, 2024
ROLL NO. 84083
IBP NO. 384108
PTR NO. 1504028
APPOINTMENT NO. 276 (2023-2024)
MCLE EXEMPTION NO. VIII-BEP082249
TIN NO. 238-919-765



April 22, 2024

THE SECURITIES AND EXCHANGE COMMISSION

17/F, The SEC Headquarters
7907 Makati Avenue, Salcedo Village
Bel-Air, 1209 Makati City

Attention : HON. ATTY. OLIVER O. LEONARDO
Director, Markets and Securities Regulation Department

Gentlemen:

This is to certify that to the best of my and the Corporation's knowledge, information, and belief, with the exception of Mr. Roman Felipe S. Reyes who is an Independent Director of Maharlika Investment Corporation, none of the directors, independent directors, and/or officers of the Corporation is connected with and/or employee in any government agency.

This Certification is in compliance with the requirement to be attached to the Information Statement or SEC Form 20-IS.

We trust the Commission finds everything in order.

Very truly yours,


MARIA GRACE C. DE JESUS
Assistant Corporate Secretary

ANNEX “E” MANAGEMENT REPORT

KEY PERFORMANCE INDICATORS

Converge is committed to efficiently managing the Company’s resources and enhancing shareholder value. The Company regularly reviews its performance against its operating and financial plans and strategies, and uses key performance indicators to monitor its progress.

Some of its key performance indicators are set out below. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards (“PFRS”) and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

Average Revenue Per Unit (“ARPU”)

ARPU for our Residential Business is calculated by dividing (i) the revenue generated by residential subscribers during a period by (ii) the average number of subscribers during that period, then dividing the quotient by the number of months during that period. The average number of subscribers during a period, is calculated by the sum of the subscribers at the beginning and at the end of the period, divided by two.

ARPU for our Enterprise Business is calculated by dividing (i) the revenue generated by the enterprise users during a period by (ii) the average number of enterprise users during that period, then dividing the quotient by the number of months during that period. The average number of enterprise users during a period, is calculated by the sum of the enterprise users at the beginning and at the end of the period, divided by two.

Average Monthly Churn Rate

The percentage measure of the number of customers who have, voluntarily or involuntarily, discontinued a service for which the customer had subscribed for the relevant period over the number of customers for that period.

Our churn rate is calculated by dividing (i) the sum of the number of permanent subscriber discontinuations in a month, by (ii) the average number of subscribers during the respective month and multiplying the result by 100%. The average number of subscribers during a month, is calculated by the sum of the subscribers at the beginning and at the end of the month, divided by two.

EBITDA

EBITDA is calculated as our profit for the year before depreciation and amortization (other than amortization of installation fees as their corresponding revenue impact has not been adjusted), finance costs, income tax expense. This measure provides useful information regarding a company’s ability to generate cash flows, incur and service debt, finance capital expenditures and working capital changes. As the Company’s method of calculating EBITDA may differ from other companies, it may not be comparable to similarly titled measures presented by other companies.

Net Income

As presented in the unaudited condensed consolidated financial statements for applicable periods, net income provides an indication of how well the Company performed after all costs of the business have been factored in.

EBITDA and Net Income Margins

EBITDA and Net Income Margins are calculated as a percentage of revenues.

Return on Invested Capital (“ROIC”)

Return on Invested Capital is tax-adjusted (25% corporate income tax rate with the CREATE Law approved this year to be applied starting July 2020) profit from operations divided by average invested capital. Invested Capital is the sum of our total equity and total debt (comprising loans payable (non-current and current portions)), less cash and cash equivalents and capital expenditures in progress. This measure provides useful information regarding a company’s ability to deploy capital efficiently.

MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Description of Key Line Items

Revenues

We operate two businesses: (i) our Residential Business, which primarily offers high-speed fixed broadband internet services to our residential customers; and (ii) our Enterprise Business, which offers high-speed fixed broadband internet services, private data network solutions, cloud and colocation services and other connectivity solutions to our enterprise customers of varying sizes, industries and types. Our Residential and Enterprise Business revenues also include installation revenue that we generate from each new subscriber or customer.

The table below summarizes the revenue contribution of each business to our total revenues for the periods indicated. Historically, the majority of our revenue has been derived from our Residential Business. For the year ended December 31, 2023, revenues from our Residential Business grew 2.8% to reach ₱30,282.1 million and revenues from our Enterprise Business registered a hefty increase of 19.9% to reach ₱5,077.3 million.

Revenues from both our Residential Business and our Enterprise Business are primarily generated from fixed-term contracts that we enter into with our customers to sell our high-speed fixed broadband internet services and other connectivity solutions. In addition, we generate revenue from the sale of additional connectivity solutions, such as our “speed boost” add-on for our residential subscribers and our “bandwidth on demand” add-on for our enterprise customers.

Revenue from our fixed term subscription contracts is recognized on a straight-line basis over the subscriber’s subscription period. Additional services are charged separately and recognized as provided or used. For more information on revenue recognition, see Notes 14 and 25.15 of our audited consolidated financial statements.

We also charge our residential customers a one-time installation fee at the time of sign-up. These up-front payments of installation fees are capitalized and recorded as deferred revenues in our consolidated statement of financial position and recognized as revenue on a straight-line basis over the term of the subscription contract.

Cost of Services

Cost of services comprises the following:

- Depreciation and amortization, primarily consist of (i) depreciation of property, plant and equipment, namely our fiber network infrastructure, (ii) amortization of right-of-use assets which relates to various network and co-located sites, office space, warehouses and transportation equipment that we lease, and (iii) amortization of intangible assets such as our customer list, telecommunication franchise, and software and licenses;
- Amortization of deferred contract costs relates to the straight-line amortization of the incremental costs incurred to obtain and fulfill our contracts with customers;

- Repairs and maintenance related to our fiber network, which do not qualify for capitalization;
- Rent pertains to pole rentals, co-location and short-term rentals of land and office spaces used for our network infrastructure;
- Bandwidth and leased line costs primarily relate to international bandwidth costs in connection with the transmission of data between the Philippines and an international location, to the extent that we do not have proprietary access to international bandwidth. In addition, we incur transit costs in connection with the transmission of data between one or more international locations. On occasion, we may also incur short-term bandwidth and leased line costs tied to providing domestic connectivity;
- Utilities pertain to costs of electricity and water used in various network and co-located sites;
- Service fees relate to charges of content providers whose services are included in some of our bundled cable TV services offered to Hybrid-Fiber Coaxial (HFC) subscribers;
- Personnel costs in the cost of services relate to salaries and other employee benefits of our network operations team;
- Cost of network materials and supplies used relates to various consumable installation materials which we use in providing our services to customers (e.g. cable wires, tapes, and connectors);
- Others include retirement benefit expense, meals and transportation and other incidental costs attributable to providing our services to customers.

General and Administrative Expenses

General and administrative expenses primarily consist of the following:

- Managed service fees relate to fees paid to third-party service providers who handle sales and post-sales activities for the Company in local cities and municipalities;
- Personnel costs (other than personnel costs recorded as cost of services) primarily pertain to headquarter, general and administrative personnel;
- Outside services mainly relate to janitorial, security services and other business support functions used in the operations of the Company;
- Promotions pertain to our marketing and advertising costs to promote our brand and obtain more customers;
- Depreciation and amortization, primarily comprise of (i) depreciation of property, plant and equipment (other than those recorded as cost of services), (ii) amortization of right-of-use assets, which relates to office space, warehouses and transportation equipment that we lease (other than amortization expense recorded under cost of services), and (iii) amortization of intangible assets such as software and licenses (other than amortization expense recorded under cost of services);
- Taxes and license costs relate to business permits and local government taxes;
- Repairs and maintenance represent minor renovations in the upkeep of our facilities, in the ordinary course of business;
- Other components of general and administrative expenses include office supplies, meals and transportation, professional fees, utilities, insurance, rent, retirement benefit expense, provision (reversal) for probable losses and other expenses including representation, permits, trainings and seminars, membership dues, and miscellaneous expense.

Provision for Impairment of Trade and Other Receivables

Provision for impairment of trade and other receivables reflects expected credit losses (ECL) on such receivables.

ECL are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions. We used relevant historical information and loss experience to determine the probability of default of the receivables and due from related parties and incorporated forward-looking information, which involved significant estimates and judgements. For more information, see Note 3 to our audited consolidated financial statements.

Other Expense, Net

Other expense, net, primarily comprises net foreign exchange gain, interest income on cash and cash equivalents, interest income on finance lease receivable arising from our sale and leaseback agreement with our related parties, interest income on financial assets at FVTPL arising from the issuance of exchangeable bonds from the ultimate parent, and commensurate management fees from related parties in connection with the Company providing administrative and finance support. Other expense, net, also includes non-recurring items such as provision for impairment on property, plant and equipment, provision for inventory obsolescence, loss (gains) on disposal/retirement of property, plant and equipment and intangible assets, and miscellaneous income.

Finance Costs

Finance costs consist of borrowing costs for our long-term loans and bonds payable, and interest arising from the recognition of lease liabilities related to various network and co-located sites, office space, warehouses and transportation equipment that we lease.

Income Tax Expense

Income tax expense represents taxes on profit for the year. We are subject to the regular income tax rate of 25% imposed on corporations incorporated in the Philippines. For year 2023, the Company opted for an Itemized deduction as the method of deductibility in its income tax returns. For more information, see Note 18 to our audited consolidated financial statements.

Remeasurement Gain (Loss) on Retirement Benefit Obligation, Net of Tax

We provide retirement benefits for qualified employees under a defined benefit plan. An independent actuary conducts a periodic actuarial valuation of the defined benefit plan using the projected unit credit method.

Remeasurement represents changes in the retirement benefit obligation arising from experience adjustments and changes in actuarial assumptions.

RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenues

Revenues registered a year-on-year growth of 4.9% or an increase of ₱1,663.7 million from ₱33,695.6 million in 2022 to ₱35,359.3 million in 2023, mainly due to higher revenue contributions of our Residential and Enterprise Businesses.

Residential Business revenues, which accounts for 86% of total revenues, grew 2.8% or by ₱819.9 million, to ₱30,282.1 million in 2023 from the ₱29,462.2 million reported in 2022, on the back of 13.4% increase in residential subscribers or an additional 250,691 subscribers from 1,877,361 subscribers as of end-December 2022 to 2,128,052 subscribers as of end-December 2023. Fiber-to-the-Home (FTTH) subscribers grew 16.8% or by 284,295 subscribers, from 1,692,205 FTTH subscribers as of December 31, 2022 to 1,976,500 FTTH subscribers as of December 31, 2023. HFC subscribers decreased by 18.1%, or 33,604 subscribers, from 185,156 HFC subscribers as of December 31, 2022 to 151,552 HFC subscribers as of December 31, 2023. The residential subscriber increase was driven by our ability to deepen our presence in existing areas and expand our network to new areas, increasing our ports from 7,895,785 as of December 31, 2022 to 8,853,089 as of December 31, 2023

and attract new subscribers to take-up available ports. Our residential blended ARPU decreased by 7.2% from ₱1,275 as of December 31, 2022 to ₱1,183 as of December 31, 2023.

Enterprise Business full-year revenues posted an all-time high ₱5,077.3 million, up by 19.9% or ₱843.8 million higher than the ₱4,233.5 million revenues reported in 2022. The year-on-year robust growth was largely driven by the 28.2% increase in unique enterprise customers or an incremental 10,587 customers from the 37,563 as of end-December 2022 to 48,150 as of end-December 2023. Monthly ARPU decreased by 13.0% from ₱11,070 for the year ended December 31, 2022 to ₱9,636 for the year ended December 31, 2023, which reflects the significant growth of the SME segment, which has a relatively lower ARPU than large corporates and enterprises.

Cost of Services

Cost of services amounted to ₱12,710.4 million in 2023, a cost savings of 5.4% or ₱727.2 million, from ₱13,437.6 million recorded in 2022, due to the decrease in network materials and supplies used, lower amortization of deferred contract costs for active subscriber accounts, and savings on bandwidth and leased line costs and service fees, partially offset by higher repairs and maintenance, rent, utilities and personnel costs.

Network materials and supplies used in 2023 amounted to ₱187.6 million, lower by 84.0% or ₱984.8 million over last year's ₱1,172.4 million, due to capitalization of material costs under deferred contract costs of subscriber accounts. Improvements in the back office digital systems enabled Converge to improve accounting recognition to align with other subscriber contract costs. The remaining costs included in network materials and supplies used pertain to additional material costs beyond standard installation costs paid for by customers and installation materials for prepaid subscribers and enterprise customers.

Amortization of deferred contract cost decreased by 24.4% or ₱688.4 million, from ₱2,823.5 million in 2022 to ₱2,135.1 million in 2023, mainly due to the reduced base-balance of deferred contract costs from active subscribers, coupled with lower level of accelerated amortizations related to the acquisition and installation costs from disconnected subscribers.

Bandwidth and leased line costs dropped year-on-year by 18.9% or ₱156.8 million, from ₱828.8 million to ₱672.0 million, brought about by the activations of our long-term international bandwidth capacities with key partners, and as a result, contracts with existing providers were not renewed.

Service fees decreased by 10% or ₱49.3 million, from ₱493.3 million to ₱444.0 million due to decline in subscribers with bundled cable TV services.

Repairs and maintenance, meanwhile, increased by 57.8% or ₱580.9 million, from ₱1,004.3 million in 2022 to ₱1,585.2 million in 2023, primarily due to the normal repairs and maintenance activities done on our fiber network facilities and trouble ticket resolution with our subscribers.

Rent, likewise, increased by 74.2% or ₱339.6 million, from ₱457.6 million in 2022 to ₱797.2 million in 2023, mainly due to rentals related to the expansion of our network infrastructure.

Utilities increased by 88.4% or ₱211.7 million, from ₱239.6 million in 2022 to ₱451.3 million in 2023 due to higher electricity costs.

Personnel cost amounted to ₱358.3 million in 2023, up 9.9% from ₱326.0 million in 2022, on account mainly of higher headcount and salary rate for the year.

Gross Profit

Gross profit soared 11.8% to ₱22,648.9 million in 2023, or a ₱2,391.0 million increase from ₱20,258.0 million reported in 2022. Gross margin, or gross profit as a percentage of consolidated revenues, registered at 64.1% in

2023, higher than the gross profit margin of 60% a year ago, as a result of cost savings, as previously discussed in the preceding section.

General and Administrative Expenses

General and administrative expenses amounted to ₱6,946.9 million in 2023, up by 5.2% or ₱345.9 million, from ₱6,601.0 million reported in 2022, primarily due to higher managed service fees, partly cushioned by the decreases in promotions, outside services and taxes and licenses.

Managed service fees increased by 82.8% or ₱981.7 million, to ₱2,167.9 million in 2023 from ₱1,186.2 million in 2022, as we implemented low-cost support service models in additional provinces to serve our growing subscriber base.

Promotions, meanwhile, decreased by 26.1%, or ₱155.1 million, from ₱594.1 million reported in 2022 to ₱439.0 million in 2023 attributed to lower spend on brand building and trade marketing.

Outside services also decreased from ₱1,203.4 million in 2022 to ₱1,080.3 million in 2023, down by 10.2%, or ₱123.1 million, mainly on account of lower expenses incurred on outsourced services as we implemented low-cost support service models.

Taxes and licenses decreased by 24.2%, or ₱102.3 million, from ₱423.3 million in 2022 to ₱321.0 million in 2023, as a result of lower NTC supervision fees and local taxes.

Provision for Impairment of Trade and Other Receivables

Provision for impairment of trade and other receivables amounted to ₱1,369.1 million in 2023, 17.5% or ₱291.2 million lower than the ₱1,660.3 million recorded in 2022, mainly as a result of combined impact of provision recalculation and ECL rate updates. For more information, see Note 3 and Note 24.2 of our audited consolidated financial statements.

Equity Share in Net Income of Joint Ventures

Equity share in net income of joint ventures posted a rise of 386.7% or ₱197.1 million, from ₱51.0 million in 2022 to ₱248.1 million in 2023, ascribed mainly to the higher net income generated by the joint ventures. For more information, see Note 8, Investment in Associate and Joint ventures of our audited consolidated financial statements.

Other Expense, Net

Other expense, net, decreased by 15.4% or ₱69.7 million, from ₱453.7 million in 2022 to ₱384.0 million in 2023, due to higher interest income earned from cash in bank and short-term placements and increases in net foreign exchange gain, gain on disposal/retirement of property and equipment, and miscellaneous income, which altogether outpaced the increase in provision for impairment of property and equipment.

Profit from Operations

As a result of the foregoing, profit from operations climbed 22.6% to ₱14,200.6 million in 2023, higher by ₱2,613.1 million over the reported profit of ₱11,587.5 million in 2022. The robust growth in gross profit surpassed the increase in general and administrative expenses, and was further accompanied by lower provision for impairment of trade and other receivables and other expenses, and with a higher recognized share in net income of joint ventures.

Finance Costs

Finance costs increased by 20% to ₱2,078.8 million in 2023, or an incremental of ₱346.9 million from ₱1,731.9 million in previous year, which mainly came from the additional loan availments during the year.

Profit Before Income Tax

With higher profit generated in 2023 that outpaced the increase in financing costs, our profit before income tax in 2023, reached an all-time high of ₱12,121.8 million, posting a double-digit growth of 23.0% from ₱9,855.6 million in 2022.

Income Tax Expense

Income tax expense increased by 25.1% or ₱606.7 million, from ₱2,416.3 million in 2022 to ₱3,023.0 million in 2023, directly related to higher profit before income tax. The Company maintained our effective tax rate, which is income tax expense as a percentage of profit before income tax, at 25%, both in 2023 and 2022.

Profit for the Period

Converge ended 2023 with ₱9,098.8 profit, a rise of 22.3% or higher by ₱1,659.5 million over the ₱7,439.3 million profit in 2022.

Remeasurement (Loss) Gain on Retirement Benefit Obligation, Net of Tax

Remeasurement loss on retirement benefit obligation, net of tax, in 2023, amounted to ₱25.1 million, or a decrease of ₱26.5 million from the ₱1.4 million remeasurement gain in 2022, as a result mainly of experience adjustments and changes in economic and financial assumptions used in the actuarial valuations.

Total Comprehensive Income For the Period

Total comprehensive income increased to ₱9,073.7 million in 2023, up by 21.9% or ₱1,633.0 million from ₱7,440.8 million in 2022.

STATEMENT OF FINANCIAL POSITION**As of December 31, 2023 compared to December 31, 2022****Total Assets**

Total assets as of December 31, 2023 stood at ₱101,145.0 million, an increase of 3.1% or ₱3,046.7 million, compared to ₱98,098.3 million as of December 31, 2022.

Significant increase was noted in the following asset accounts:

Cash and cash equivalents increased by 34.1%, or ₱3,480.1 million to ₱13,694.1 million as of end-2023 from ₱10,214.1 million as of end of 2022 due to the net effect of cash flows generated from operations and additional loan availments, offset by the loan and interest payments and expenditures for our network expansion.

Trade and other receivables, net was higher by 3.6% or ₱118.9 million, to ₱3,456.0 million as of December 31, 2023 from ₱3,337.1 million as of December 31, 2022, mainly attributable to other receivables from sale of assets to partners, partially offset by lower level of net trade receivables on account of provision for doubtful accounts recorded for the period.

Property, plant and equipment, net reached ₱67,530.5 million as of December 31, 2023, an 8.0% or ₱4,996.4 million increase over the ₱62,534.0 million balance as of December 31, 2022 attributed to the additions of almost one million deployed ports, more than 20,000 kilometers of fiber network backbone, installation of CPEs, core equipment, office equipment and furniture, transportation equipment and leasehold improvements, heavy equipment and tools.

Investment in associate and joint ventures increased by 54.1% or ₱248.1 million to ₱706.4 million as at December 31, 2023 from ₱458.3 million as at December 31, 2022 ascribed mainly to the Company's share in the net profit of the joint ventures recognized for the current year.

The increase in asset accounts discussed above was offset by the following material movements:

Due from related parties, net (combined current and noncurrent) decreased by 52.7% or ₱404.2 million, to ₱362.3 million as of December 31, 2023 from ₱766.5 million as of December 31, 2022 primarily due to collections of long outstanding receivables.

Network materials and supplies decreased by 53.8% or ₱2,360.8 million, to ₱2,024.3 million as of December 31, 2023 from ₱4,385.1 million as of December 31, 2022 because of lower purchases made during the year, utilization in the ongoing network infrastructure build out, and allowance for inventory obsolescence recognized for HFC-related inventories.

Other current assets decreased by 41.3%, or ₱1,258.6 million, to ₱1,787.5 million as of December 31, 2023 from ₱3,046.1 million as of December 31, 2022 primarily due to the utilization of input VAT upon application against output VAT.

Right-of-use assets, net decreased by 13.4%, or ₱440.4 million, to ₱2,853.2 million as of December 31, 2023 from ₱3,293.6 million as of December 31, 2022 on account mainly of the amortization during the year, partly offset by additional network assets and co-located sites, office and warehouse spaces during the year.

Intangible assets, net ended at ₱2,144.8 million as of December 31, 2023, lower by 10.1%, or ₱239.8 million, from the balance of ₱2,384.6 million as of December 31, 2022 primarily due to amortization during the year, partly offset by purchase of software and licenses.

Advances to fixed asset suppliers, net of current portion, amounted to ₱3,604.8 million as of end of 2023, down by 16.5% or ₱712.5 million, from ₱4,317.3 million as of end-December 2022, as a result of application of advances to existing liabilities.

Deferred income tax assets, net reduced by 13.8%, or ₱246.9 million, at ₱1,545.8 million as of December 31, 2023 from ₱1,792.7 million as of December 31, 2022, due to the decrease in deferred tax pertaining to lower level of allowance for impairment of trade and other receivables from the write-off of some bad debts, coupled with higher deferred tax liabilities recognized for net unrealized forex gain and deferred contract costs.

Total Liabilities

Total liabilities as of December 31, 2023 was at ₱55,899.3 million, a decline of 9.8%, or ₱6,088.2 million, compared to ₱61,987.5 million as of December 31, 2022, with the following significant movements:

Borrowings (current and noncurrent) decreased by 7.8% or ₱2,996.2 million, to ₱35,243.6 million as of December 31, 2023 from ₱38,239.8 million as of December 31, 2022 due to principal payments on existing loans partially offset by the additional drawdown of ₱500.0 million from our loan facility during the year.

Deferred revenue (current and noncurrent) decreased by 35.4%, or ₱306.0 million, to ₱557.9 million as of December 31, 2023 from ₱863.9 million as of December 31, 2022 due to amortization of deferred revenues for active subscribers during the year.

Trade and other current liabilities decreased by 5.0%, or ₱856.3 million, to ₱16,199.0 million as of December 31, 2023 from ₱17,055.4 million as of December 31, 2022, on account of the application of long-term advances of suppliers against the existing liabilities, as previously mentioned.

Due to related parties decreased by 62.1% or ₱69.0 million, to ₱42.1 million as of December 31, 2023 from ₱111.1 million as of December 31, 2022, attributed to the payments made to related parties.

Liquidity and Capital Resources

Our principal liquidity requirements have primarily been for, and are projected to continue to be for, (i) capital expenditures to extend and augment our end-to-end fiber network and build digital capabilities through investments in IT platforms, (ii) operating and maintenance costs related to our existing fiber network, (iii) operating expenses for after sales support and administrative overhead to support the rapid expansion of our network and subscriber base and (iv) debt service payments.

Our principal sources of funding for our capital requirements have been (a) capital contributions from our shareholders, (b) cash flows generated from our operations, (c) bank financing, and (d) issuance of retail bonds. We maintain a strong and conservatively levered balance sheet. The Company's net debt position (as measured by total financial debt less cash and cash equivalents) is at ₱21,549.4 million as of December 31, 2023 compared to ₱28,025.7 million as of December 31, 2022. We believe that our strong balance sheet and conservative leverage position provide us with significant financial flexibility and sufficient leverage headroom to fund our growth plans.

Looking ahead, we expect to fund our capital requirements through a combination of (a) the available cash on our balance sheet (₱13,694.1 million as of December 31, 2023), (b) further cash to be generated from operations, (c) debt facilities of ₱5,500.0 million available for drawdown as of December 31, 2023, and (d) an available ₱10,000.0 million peso-denominated facility under the debt securities issuance program in 2022.

We believe that our sources of liquidity described above will be sufficient to fund our currently anticipated capital expenditures, working capital requirements, and debt service requirements for at least the next 12 months.

Cash Flows

The following discussion of our cash flows for the years ended December 31, 2023 and 2022 should be read in conjunction with the statements of cash flows included in the audited financial statements.

Net cash flows from operating activities

Our cash from operations primarily comprises cash payments received from subscribers under the terms of their subscription plans.

Net cash from operating activities was ₱17,628.5 million for the year ended December 31, 2023. Our cash flows generated from operating activities for 2023 are calculated by adjusting our profit before income tax of ₱ 12,121.8 million, by (i) non-cash and other items, primarily comprising ₱6,445.0 million of depreciation and amortization, ₱2,135.1 million of amortization of deferred contract costs, ₱2,078.8 million in finance costs, ₱1,369.1 million in provision for impairment of trade and other receivables, and ₱1,059.1 million in provision for impairment of property, plant and equipment, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular decrease in due from related parties of ₱445.2 million, decrease in other current and noncurrent assets of ₱1,373.7 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular, the ₱1,049.1 million increase in trade and other receivable, a ₱2,119.8 million increase in deferred contract costs, a ₱1,007.5 million decrease in trade and other current liabilities, a ₱784.8 million decrease in subscribers' deposits, a ₱69.0 million decrease in due to related parties, a ₱305.9 million decrease in deferred revenue, and (iv) income taxes paid during the year amounting to ₱3,449.0 million.

Net cash from operating activities was ₱11,605.2 million for the year ended December 31, 2022. Our cash flows generated from operating activities for 2022 are calculated by adjusting our profit before income tax of ₱9,855.6 million, by (i) non-cash and other items, primarily comprising ₱6,557.9 million of depreciation and amortization, ₱1,660.3 million in provision for impairment of trade and other receivables, ₱2,823.5 million of amortization of deferred contract costs, ₱1,731.9 million in finance costs, and ₱543.6 million in provision for impairment of property, plant and equipment, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular decrease in due from related parties of ₱587.1 million, decrease in other

current and noncurrent assets of ₱560.5 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,961.6 million increase in trade and other receivable, a ₱2,277.0 million increase in network materials and supplies, a ₱1,553.5 million increase in deferred contract costs, a ₱2,332.8 million decrease in trade and other current liabilities, a ₱444.2 million decrease in due to related parties, a ₱491.1 million decrease in deferred revenue, and (iv) income taxes paid during the year amounting to ₱3,392.0 million.

Net cash flows used in investing activities

Net cash used in investing activities was ₱8,802.8 million and ₱19,396.7 million for the year ended December 31, 2023 and 2022, respectively. During each such period, we made significant investments in capital expenditures to expand our network infrastructure and acquire software.

Cash used for acquisitions of property, plant and equipment was ₱8,595.4 million and ₱18,387.7 million for the year ended December 31, 2023 and 2022, respectively. Over that period, we made the following significant investments: (i) additions in outside plant equipment, which primarily consists of passive network equipment related to the construction of our end-to-end fiber network, (ii) additions in inside plant equipment, which primarily consists of active network equipment such as dense wavelength division multiplexing equipment and routers and (iii) additions in other property, plant and equipment, which primarily consists of customer premise equipment, transportation, leasehold improvements, and general IT related investments to build our digital capabilities and laptop computers and other office IT equipment.

Others include cash used for acquisitions of intangible assets was ₱259.6 million and ₱804.4 million for the year ended December 31, 2023 and 2022, respectively. Over that period, we made the following significant investments: (i) additions in software and licenses, (ii) additions in intangible assets relating to customer list acquisitions, and (iii) additional investments in intangible assets relating to the franchise of a professional basketball team.

Cash used for acquisition of right-of-use assets was ₱243.0 million for the year ended December 31, 2022 (nil in 2023) with significant investments in indefeasible right of use of international cable systems.

Net cash flows (used in) from financing activities

Net cash used in financing activities was ₱5,522.6 million during the year ended December 31, 2023. Cash flows used in financing activities primarily consisted of ₱3,522.8 million of repayments of borrowings, ₱1,937.5 million of payments for interests on borrowings, ₱385.7 million of payments on lease liabilities, and ₱176.5 million of payments for interests on lease liabilities, which were partially offset by the ₱500.0 million of proceeds from loan availments.

Net cash from financing activities was ₱9,639.5 million during the year ended December 31, 2022. Cash flows from financing activities primarily consisted of ₱11,500.0 million of proceeds from loans and the ₱10,000 million of proceeds from issuance of bonds, which were partially offset by ₱6,498.5 million of payments for treasury shares, ₱2,986.8 million of repayments of borrowings, ₱1,525.7 million of payments for interests on borrowings, ₱428.8 million of payments on lease liabilities, ₱188.1 million of payments for interests on lease liabilities and ₱232.5 million payments for bond issuance cost.

Contractual Obligations and Commitments

As of December 31, 2023, we have unused credit lines from local banks amounting to ₱5.5 billion (2022 - ₱8.5 billion) and ₱10.0 billion unissued retail bonds. Refer to Note 10 to our audited consolidated financial statements for further discussions. As of December 31, 2023, we have entered into agreements with various suppliers for the construction, delivery and installation of property and equipment. As of December 31, 2023, the Group has commitments amounting to ₱12.8 billion (2022 - ₱13.0 billion). See Note 9 to our audited consolidated financial statements for further discussions.

Capital Expenditures

The Company has and is continuing to deploy capital expenditures to extend and augment our proprietary end-to-end fiber network, comprising of domestic backbone, distribution and last-mile networks, and international cable connectivity networks.

The Company categorize our capital expenditures as follows:

- Domestic backbone which connects the three major Philippine islands of Luzon, Visayas and Mindanao in a single continuous loop. The primary Luzon, Visayas, and Mindanao segments were already operational and completed last November 2021, supported by over 20 cable landing stations across the archipelago. The domestic backbone comprises of both outside plant equipment, or passive or not electrically powered network equipment (e.g. fiber), and inside plant equipment, or active or electrically powered network equipment (e.g. routers). We estimate our domestic backbone capital expenditures on a per kilometer basis according to the length of the network that we are planning to develop;
- Distribution network, which connects the domestic backbone with the network access points (“NAPs”), and the ports mounted on the NAPs. We construct poles to support our distribution network, particularly where NAPs are hoisted.;
- Customer premise equipment (CPE), which are the modems and routers provided to residential subscribers. The cost for each CPE for a FTTH subscriber is approximately U.S.\$55, and it is depreciated over three years. The annual CPE cost that we incur is directly correlated to the volume of gross residential subscriber additions in a given year;
- International connectivity, which connects our domestic network with key international networks. We actively seek to form partnerships with global carriers in order to secure proprietary access to bandwidth capacity on certain key international network routes. For example, in August 2020, we entered into an agreement with Telstra International Limited to purchase 5Tbps of international bandwidth capacity, providing a 15-year IRU on two major intra-Asia networks at an attractive cost. This 5Tbps of bandwidth capacity is equivalent to approximately seven times our current leased bandwidth capacity, and has been priced at an aggregate unit cost that is meaningfully lower compared to our average contracted lease costs at present. This IRU is subject to certain conditions.

In May 2021, Converge secured its participation in the Bifrost Cable System with the signing of definitive agreements with Keppel Telecommunications & Transportation’s wholly-owned subsidiary, Keppel Midgard Holdings Pte. Ltd. (KMH). The agreement aims to grant Converge an IRU for one fiber pair on the main trunk of Bifrost Cable System, which directly connects Singapore to the west coast of North America. KMH and Converge will also jointly develop a branch on the Bifrost Cable System that will land in Davao, Philippines, with Converge also being granted an IRU on the entire Davao branch. The additional branch will significantly increase internet speeds and network diversity for businesses and consumers in the Philippines.

In March 2022, Converge announced that it will participate in the South-East Asia Hainan-Hong Kong Express Cable System. This project is intended to address the tremendous growth of the telecommunications traffic between South East Asia and Hong Kong by building and implementing a state of the art fiber-optic submarine cable system connecting: Singapore, Thailand, Malaysia, Philippines, Hainan China and Hong Kong SAR.

Going forward, Converge intends to continue to secure proprietary access to international bandwidth capacity through similar agreements with other international carriers, which can provide us with significant cost savings; and

- Other property, plant and equipment and intangible assets, such as IT platforms and equipment.

In 2023, Converge’s capital expenditures were allocated as follows (classified based on function):

- 45% to our proprietary backbone network that allows us to expand into new service areas nationwide, as well as redundancy backbone infrastructure to minimize subscriber impacts of isolated and localized cable disruptions.
- 35% to our access infrastructure which extends our end-to-end fiber network to individual homes. This includes the distribution network, optical distribution network, node facilities, and routers that deliver our services to our customers.
- 19% to other capital expenditures, which include Right-of-Use Assets, intangible assets (such as IT enhancements and platforms), transportation and heavy equipment, land, office equipment and furniture, leasehold improvements and tools and facility equipment.

RESULTS OF OPERATIONS

Year ended December 31, 2022 compared to year ended December 31, 2021

Revenues

Revenues increased by 27.3%, or ₱7,216.9 million, from ₱26,478.8 million for the year ended December 31, 2021 to ₱33,695.6 million for the year ended December 31, 2022 due to increases in revenue from our Residential and Enterprise Businesses.

Residential Business revenue increased by 27.4%, or ₱6,333.1 million, from ₱23,129.1 million for the year ended December 31, 2021 to ₱29,462.2 million for the year ended December 31, 2022 primarily due to an increase in residential subscribers of 11.0%, or 185,811 subscribers, from 1,691,550 subscribers as of December 31, 2021 to 1,877,361 subscribers as of December 31, 2022. FTTH subscribers increased by 15%, or 215,982 subscribers, from 1,476,223 FTTH subscribers as of December 31, 2021 to 1,692,205 FTTH subscribers as of December 31, 2022. HFC subscribers decreased by 14%, or 30,171 subscribers, from 215,327 HFC subscribers as of December 31, 2021 to 185,156 HFC subscribers as of December 31, 2022. The residential subscriber increase was driven by our ability to deepen our presence in existing areas and expand our network to new areas, increasing our ports from 5,882,333 as of December 31, 2021 to 7,895,785 as of December 31, 2022 and attract new subscribers to take-up available ports. Our residential blended ARPU decreased by 6% from ₱1,353 as of December 31, 2021 to ₱1,275 as of December 31, 2022.

Enterprise Business revenue increased by 26.4%, or ₱883.8 million, from ₱3,349.7 million for the year ended December 31, 2021 to ₱4,233.5 million for the year ended December 31, 2022 primarily due to the 44.3% increase in unique enterprise customers, or 11,525 customers, from 26,038 customers as of December 31, 2021 to 37,563 customers as of December 31, 2022. Monthly ARPU decreased by 26.3% or ₱3,953, from ₱15,023 for the year ended December 31, 2021 to ₱11,070 for the year ended December 31, 2022, which reflects the significant growth of the SME segment, which has a relatively lower ARPU than large corporates and enterprises.

Cost of Services

Cost of services increased by 27.9%, or ₱2,930.2 million, from ₱10,507.4 million for the year ended December 31, 2021 to ₱13,437.6 million for the year ended December 31, 2022. The increase was primarily attributable to increases in depreciation and amortization costs, amortization of deferred contract cost, repairs and maintenance expenses, offset by the decreases in network materials and supplies used, and bandwidth and leased line costs.

Depreciation and amortization costs increased by 61.8%, or ₱2,314.8 million, from ₱3,748.5 million for the year ended December 31, 2021 to ₱6,063.3 million for the year ended December 31, 2022 primarily due to the expansion of our fiber network, additional issuances of modems or routers due to new subscriber installations, increase in our intangible assets and additional right-of-use assets.

Amortization of deferred contract cost increased by 60.4%, or ₱1,063.6 million, from ₱1,759.9 million for the year ended December 31, 2021 to ₱2,823.5 million for the year ended December 31, 2022 due to additional

subscriber acquisition costs and installation costs reflecting our expanding and increasing residential subscriber base. The Company also recognized accelerated amortizations during the year for the unamortized acquisition and installation costs of disconnected subscribers.

Network materials and supplies used decreased by 34.8%, or ₱625.3 million, from ₱1,797.7 million for the year ended December 31, 2021 to ₱1,172.4 million for the year ended December 31, 2022 due to lower overall material costs used in subscriber installations during 2022.

Repairs and maintenance expenses increased by 55.2%, or ₱357.1 million, from ₱647.2 million for the year ended December 31, 2021 to ₱1,004.3 million for the year ended December 31, 2022 primarily due to the normal repairs done on our fiber network facilities. Also, there is an increase in headcount for contracted services to support subscriber line repairs and maintenance for our expanded network infrastructure.

Bandwidth and leased line costs decreased by 17.7%, or ₱178.1 million, from ₱1,006.9 million for the year ended December 31, 2021 to ₱828.8 million for the year ended December 31, 2022 due to activations of our long term international bandwidth capacities with key partners.

Gross Profit

Gross profit increased by 26.8%, or ₱4,286.6 million, from ₱15,971.3 million for the year ended December 31, 2021 to ₱20,258.0 million for the year ended December 31, 2022. Gross margin, or gross profit as a percentage of consolidated revenue, is maintained at 60% for both years as the increase in revenue is matched with almost the same level of increase in costs in total, each as described above.

General and Administrative Expenses

General and administrative expenses increased by 38.4%, or ₱1,830.5 million, from ₱4,770.5 million for the year ended December 31, 2021 to ₱6,601.0 million for the year ended December 31, 2022. The increase was primarily attributable to an increase in personnel costs, outside services, managed service fees, depreciation and amortization, and repairs and maintenance.

Personnel costs increased by 14.4%, or ₱181.1 million, from ₱1,254.3 million for the year ended December 31, 2021 to ₱1,435.3 million for the year ended December 31, 2022 due to increase in headcount for general and administrative functions to support the business.

Outside services increased by 128.7%, or ₱677.3 million, from ₱526.1 million for the year ended December 31, 2021 to ₱1,203.4 million for the year ended December 31, 2022 primarily due to additional contact center seats to improve customer handling turnaround time and to better serve our growing subscriber base.

Managed service fees increased by 61.1%, or ₱450.0 million, from ₱736.2 million for the year ended December 31, 2021 to ₱1,186.2 million for the year ended December 31, 2022 primarily due to transitions of after sales services and repairs for key geographic areas to our managed service partners, to efficiently serve our growing subscriber base.

Depreciation and amortization increased by 46.9%, or ₱157.9 million, from ₱336.7 million for the year ended December 31, 2021 to ₱494.6 million for the year ended December 31, 2022 reflecting the increase in our right of use assets as the Company has additional leased areas.

Provision for Impairment of Trade and Other Receivables

Provision for impairment of trade and other receivables increased by 65.2%, or ₱655.2 million, from ₱1,005.1 million for the year ended December 31, 2021 to ₱1,660.3 million for the year ended December 31, 2022. The increase in provisions in 2022 was driven by the higher level of outstanding trade receivables as at December 2022 stemming from the higher subscriber base. Also, higher expected loss rates were used in provisioning for

bad debts for the year due to the lower reconnection experience with defaulting subscribers in the first half of the year.

Equity share in net income of joint ventures

Equity share in net income of joint ventures increased by 32.1%, or ₱12.4 million, from ₱38.6 million for the year ended December 31, 2021 to ₱51.0 million for the year ended December 31, 2022, due to the higher net income recognized by the joint ventures. For more information, see Note 8, Investment in Associate and Joint ventures of our audited consolidated financial statements.

Other expense, net

Other expense, net increased by 157.7%, or ₱277.6 million, from ₱176.0 million for the year ended December 31, 2021 to ₱453.7 million for the year ended December 31, 2022, mainly from the recognition of impairment of modems or routers which are deemed unrecoverable from subscribers. This was offset by the net foreign exchange gain which the Group registered from the natural hedge it had against the strengthening dollar by accumulating over USD\$ 100 million from the proceeds of its maiden peso-bond issuance that was converted to USD\$ in May 2022. Also, the group recognized gain on the reversals of long outstanding accruals, interest income, and management fees.

Profit from Operations

Profit from operations increased by 15.4%, or ₱1,548.9 million, from ₱10,038.7 million for the year ended December 31, 2021 to ₱11,587.5 million for the year ended December 31, 2022 for the reasons described above, in particular the increase in gross profit, offset by the increases in general and administrative expenses, provision for impairment of trade and other receivables and other expense, net.

Finance Costs

Finance costs increased by 256.7%, or ₱1,246.4 million, from ₱485.5 million for the year ended December 31, 2021 to ₱1,731.9 million for the year ended December 31, 2022, due to the additional loan availments during the year and the issuance of the ₱10 billion bonds.

Profit Before Income Tax

Profit before income tax increased by 3.2%, or ₱302.5 million, from ₱9,553.2 million for the year ended December 31, 2021 to ₱9,855.6 million for the year ended December 31, 2022 for the reasons described above, in particular the increase in profit from operations in 2022, offset by the increase in our financing costs.

Income Tax Expense

Income tax expense increased by 0.9%, or ₱21.3 million, from ₱2,395.0 million for the year ended December 31, 2021 to ₱2,416.3 million for the year ended December 31, 2022 due to the slight increase in the profit before tax. The Company maintained our effective tax rate, which is our income tax expenses as a percentage of profit before income tax at 25% for the years ended December 31, 2021 and 2022.

Profit for the Period

For the reasons discussed above, profit for the year increased by 3.9%, or ₱281.2 million, from ₱7,158.1 million for the year ended December 31, 2021 to ₱7,439.3 million for the year ended December 31, 2022.

Remeasurement gain (loss) on retirement benefit obligation, net of tax

Remeasurement gain on retirement benefit obligation, net of tax decreased by 96%, or ₱34.4 million, from ₱35.8 million for the year ended December 31, 2021 to ₱1.4 million for the year ended December 31, 2022 due to experience adjustments and changes in economic and financial assumptions used in the actuarial valuations.

Total comprehensive income for the period

Total comprehensive income for the period increased by 3.4%, or ₱246.8 million, from ₱7,194.0 million for the year ended December 31, 2021 to ₱7,440.8 million for the year ended December 31, 2022.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2022 compared to December 31, 2021

Total Assets

Total assets as of December 31, 2021 stood at ₱98,098.3 million, an increase of 19.8%, or ₱16,234.3 million, compared to ₱81,864.0 million as of December 31, 2021. This increase was due to the following:

- Cash and cash equivalents increased by 26.4%, or ₱2,130.2 million, to ₱10,214.1 million as of December 31, 2022 from ₱8,083.9 million as of December 31, 2021 primarily due to cash from operations and the additional loan availments and the issuance of the ₱10 billion bonds during the year, offset by the purchase of treasury shares and expenditures for our network expansion.
- Trade and other receivables, net increased by 10.0%, or ₱304.3 million, to ₱3,337.1 million as of December 31, 2022 from ₱3,032.8 million as of December 31, 2021 primarily due to the increase in revenues brought about by the higher subscriber base, offset by the increase in allowance for doubtful accounts.
- Network materials and supplies increased by 25.8%, or ₱900.3 million, to ₱4,385.1 million as of December 31, 2022 from ₱3,484.9 million as of December 31, 2021 significantly because of the expected increase in the demand for materials to serve expansion areas and cater to new target segments.
- Property, plant and equipment, net increased by 29.4%, or ₱14,193.1 million, to ₱62,534.0 million as of December 31, 2022 from ₱48,341.0 million as of December 31, 2021 primarily due to addition of two million deployed ports, 40,000 kilometers of fiber network backbone, installation of CPEs, core equipment, office equipment and furniture, transportation equipment and leasehold improvements, heavy equipment and tools.
- Intangible assets, net increased by 21.1%, or ₱416.0 million, to ₱2,384.6 million as of December 31, 2022 from ₱1,968.6 million as of December 31, 2021 primarily due to additional IT and network software and licenses, customer lists acquired during the year, and the franchise of a professional basketball team.
- Investment in associates and joint ventures increased by 14.0% or ₱56.3 million to ₱458.3 million in December 31, 2022 from ₱402.1 million in December 31, 2021 due to the Company's share in the net profit of the joint ventures for the current year.
- Deferred income tax assets, net increased by 79.7%, or ₱795.0 million, to ₱1,792.7 million as of December 31, 2022 from ₱997.6 million as of December 31, 2021 from the additional deferred taxes on temporary differences during the year such as provisions for impairment of accounts receivable and property plant and equipment.

The increases in assets were offset by the decreases in the following:

- Amounts due from related parties (current and noncurrent) decreased by 42.95%, or ₱577.1 million, to ₱766.5 million as of December 31, 2022 from ₱1,343.6 million as of December 31, 2021 primarily due to collections of long outstanding receivables.
- Deferred contract costs (current and noncurrent) decreased by 50%, or ₱1,269.9 million, to ₱1,270.4 million as of December 31, 2022 from ₱2,540.4 million as of December 31, 2021 primarily due to the accelerated amortizations of contract costs of the disconnected subscribers.
- Other current assets decreased by 10.1%, or ₱342.5 million, to ₱3,046.1 million as of December 31, 2022 from ₱3,388.6 million as of December 31, 2021 primarily due to the applications of advances to suppliers to existing liabilities.
- Right-of-use assets, net decreased by 4.4%, or ₱152.6 million, to ₱3,293.6 million as of December 31, 2022 from ₱3,446.2 million as of December 31, 2021 primarily due to the higher amortization amounts offset by additions in network assets and co-located sites, office and warehouse spaces added during the period.

- Deferred input VAT (net of current portion) decreased by 47.8%, or ₱191.1 million, to ₱209.0 million as of December 31, 2022 from ₱400.1 million as of December 31, 2021 primarily due to amortization of deferred input VAT for network equipment purchased in previous years.

Total Liabilities

Total liabilities as of December 31, 2022 stood at ₱61,987.5 million, an increase of 32.6%, or ₱15,234.5 million, compared to ₱46,753.0 million as of December 31, 2021. This increase was due to the following:

Borrowings (current and noncurrent) increased by 92.7%, or ₱18,393.5 million, to ₱38,239.8 million as of December 31, 2022 from ₱19,846.2 million as of December 31, 2021 due to additional drawdowns from our loan facilities during the period and the issuance of the Parent Company's ₱10 billion retail bonds.

The increases in liabilities were offset by the decreases in the following:

- Deferred revenue (current and noncurrent) decreased by 36.2%, or ₱491.1 million, to ₱863.9 million as of December 31, 2022 from ₱1,355.0 million as of December 31, 2021 due to the accelerated amortization of deferred revenues for disconnected subscribers.
- Trade and other current liabilities decreased by 8.3%, or ₱1,543.0 million, to ₱17,055.4 million as of December 31, 2022 from ₱18,598.4 million as of December 31, 2021. The decrease is primarily related to the application of long-term advances to suppliers to the existing liabilities.
- Amounts due to related parties decreased by 80.0% or ₱444.2 million, to ₱111.1 million as of December 31, 2022 from ₱555.3 million as of December 31, 2021, mainly from the payments made to related parties.

Liquidity and Capital Resources

Our principal liquidity requirements have primarily been for, and are projected to continue to be for, (i) capital expenditures to extend and augment our end-to-end fiber network and build digital capabilities through investments in IT platforms, (ii) operating and maintenance costs related to our existing fiber network, (iii) operating expenses for after sales support and administrative overhead to support the rapid expansion of our network and subscriber base and (iv) debt service payments.

Our principal sources of funding for our capital requirements have been (a) capital contributions from our shareholders, (b) cash flows generated from our operations, (c) bank financings, and (d) issuance of retail bonds. We maintain a strong and conservatively levered balance sheet. The Company's net debt position (as measured by total financial debt less cash and cash equivalents) is at ₱28,025.7 million as of December 31, 2022 compared to ₱11,762.3 million as of December 31, 2021. We believe that our strong balance sheet and conservative leverage position provide us with significant financial flexibility and sufficient leverage headroom to fund our growth plans.

Looking ahead, we expect to fund our capital requirements through a combination of (a) the available cash on our balance sheet (₱10,214 million as of December 31, 2022), (b) further cash to be generated from operations, (c) debt facilities of ₱8,500 million available for drawdown as of December 31, 2022, and (d) an available ₱10,000 million peso-denominated facility under the debt securities issuance program in 2022.

Cash Flows

Net cash flows from operating activities

Our cash from operations primarily comprises cash payments received from subscribers under the terms of their subscription plans.

Net cash from operating activities was ₱11,605 million for the year ended December 31, 2022. Our cash flows generated from operating activities for 2022 are calculated by adjusting our profit before income tax of ₱9,855.6 million, by (i) non-cash and other items, primarily comprising ₱6,557.9 million of depreciation and amortization, ₱1,660.3 million in provision for impairment of trade and other receivables, ₱2,823.5 million of amortization of deferred contract costs, ₱1,731.9 million in finance costs, and ₱543.6 million in provision for impairment of

property, plant and equipment, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular decreases in due from related parties of ₱587.1 million, decrease in other current and noncurrent assets of ₱369.4 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,961.6 million increase in trade and other receivable, a ₱2,277.0 million increase in network materials and supplies, a ₱1,553.5 million increase in deferred contract costs, a ₱2,332.8 million decrease in trade and other current liabilities, a ₱444.2 million decrease in due to related parties, a ₱491.1 million decrease in deferred revenue, and (iv) income taxes paid during the year amounting to ₱3,392.0 million.

Net cash from operating activities was ₱7,648.5 million for the year ended December 31, 2021. Our cash flows generated from operating activities for 2021 are calculated by adjusting our profit before income tax of ₱9,553.2 million by (i) non-cash and other items, primarily comprising ₱4,085.2 million of depreciation and amortization, ₱1,005.1 million in provision for impairment of trade and other receivables, ₱1,759.9 million of amortization of deferred contract costs, and ₱485.5 million in finance costs, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular increases in trade and other payables of ₱1,500.3 million, increase in subscriber deposits of ₱290.0 million, increase in deferred revenues of ₱686.2 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,861.7 million increase in trade and other receivable, a ₱4,082.3 increase in network materials and supplies, a ₱2,647.4 million increase in deferred contract costs, a ₱1,775.7 million increase in other current and non-current assets, and (iv) income taxes paid during the year amounting to ₱2,006.8 million.

Net cash flows used in investing activities

Net cash used in investing activities was ₱19,879.3 million and ₱19,396.7 million for the year ended December 31, 2021 and 2022, respectively. During each such period, we made significant investments in capital expenditures to expand our network and acquire key intangible assets (our customer list and software and licenses).

Cash used for acquisitions of property, plant and equipment was ₱18,146.8 million and ₱18,387.7 million for the year ended December 31, 2021 and 2022, respectively. Over that period, we made the following significant investments: (i) additions in outside plant equipment, which primarily consists of passive network equipment related to the construction of our end-to-end fiber network, (ii) additions in inside plant equipment, which primarily consists of active network equipment such as dense wavelength division multiplexing equipment and routers and (iii) additions in other property, plant and equipment, which primarily consists of customer premise equipment, transportation and heavy equipment, leasehold improvements, and general IT related investments to build our digital capabilities and laptop computers and other office IT equipment.

Cash used for acquisitions of intangible assets was ₱1,102.3 million and ₱804.4 million for the year ended December 31, 2021 and 2022, respectively. Over that period, we made the following significant investments: (i) additions in software and licenses, (ii) additions in intangible assets relating to customer list acquisitions, and (iii) additional investments in intangible assets relating to the franchise of a professional basketball team.

Cash used for acquisition of right-of-use assets was ₱272.2 million and ₱243.0 million for the year ended December 31, 2021 and 2022, respectively, with significant investments in indefeasible right of use of international cable systems.

Net cash flows from financing activities

Net cash from financing activities was ₱9,639.5 million during the year ended December 31, 2022. Cash flows from financing activities primarily consisted of ₱11,500.0 million of proceeds from loans and the ₱10,000 million of proceeds from issuance of bonds, which were partially offset by ₱6,498.5 million of payments for treasury shares, ₱2,986.8 million of repayments of borrowings, ₱1,525.7 million of payments for interests on borrowings,

₱428.8 million of payments on lease liabilities, ₱188.1 million of payments for interests on lease liabilities and ₱232 million payments for bond issuance cost.

Net cash from financing activities was ₱7,324.6 million during the year ended December 31, 2021. Cash flows from financing activities primarily consisted of ₱10,818.3 million of proceeds from borrowings, which were partially offset by ₱622.0 million of payments for interests on borrowings, ₱451.5 million of payments on lease liabilities and ₱134.3 million of payments for interests on lease liabilities.

Off-Balance Sheet Arrangements

We did not have any other off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Schedule of Financial Soundness Indicators as indicated in the consolidated Audited Financial Statements

	December 31, 2023	December 31, 2022	December 31, 2021
Current ratio ^a	0.9x	0.9x	0.8x
Acid test ratio ^b	0.7x	0.6x	0.5x
Solvency ratio ^c	0.5x	0.4x	0.7x
Debt-to-equity ratio ^d	0.8x	1.1x	0.6x
Asset-to-equity ratio ^e	2.2x	2.7x	2.3x
Interest rate coverage ratio ^f	10.4x	11.2x	30.5x
Debt service coverage ratio ^g	2.4x	3.9x	4.4x
Net debt/ EBITDA ^h	1.0x	1.4x	0.8x
Earnings per share (₱) ⁱ	1.25	1.01	0.95
Book value per share ^j	6.23	4.97	4.67
Return on Assets ^k	8.9%	8.3%	10.3%
Return on Equity ^l	20.7%	20.9%	22.8%
Net profit margin ^m	25.7%	22.1%	27.0%

^aCurrent assets/ current liabilities

^bCash and cash equivalents + Trade and other receivables, net + Due from related parties current portion / Current liabilities

^cNet operating profit after tax + depreciation and amortization for the last 12 months / Loans payable

^dLoans payable/ Total equity

^eTotal assets/ Total equity

^fEarnings before interest, taxes, depreciation and amortization, amortization for SAC for the last 12 months / Interest expense

^gEarnings before interest, taxes, depreciation and amortization, amortization for SAC for the last 12 months / (annual debt service requirements due over the same corresponding period which are the interests, principal and lease payments.)

^hLoans payable less cash and cash equivalents/ Earnings before interest, taxes, depreciation and amortization, amortization for SAC for the last 12 months

ⁱNet income attributable to ordinary equity holders of the Parent Company/ Weighted average number of ordinary shares

Earnings per share information have been retroactively adjusted to reflect the stock split

^jTotal equity less Preferred Equity/ Total number of shares outstanding

Book value per share information have been retroactively adjusted to reflect the stock split

^kNet income attributable to owners of the Parent Company / Average total assets

^lNet income attributable to owners of the Parent Company / Average total equity

^mNet income/ Revenues

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

We are exposed to the market risks in the course of our normal business activities. These market risks principally involve the possibility of adverse consequences on our results of operations due to factors that are generally beyond our control. The most important types of risk the Company manages are credit risk, market risk and liquidity risk.

The following parameters pertain to various qualitative and quantitative factors that may affect the operations of the Company:

- i. There are no other known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- ii. There are no other known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of obligation.
- iii. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- iv. The Company's financial performance depends on various risk factors outlined our 2023 Annual Report under *Major Risk Factors and Risk Management*. The Company's business may be affected by these risks. Nonetheless, this Company takes steps to augment and manage these risks through various means as indicated in our 2023 under *Major Risk Factors and Risk Management*.
- v. There are no other significant elements of income or loss that did not arise from the Company's continuing operations.
- vi. There are no seasonal aspects that may have a material effect on the financial condition or results of operations.

List of Top Stockholders

As of March 31, 2024, the stockholders of the Company own 7,266,573,061 or 100% of issued and outstanding common shares.

	Name	No. of Shares	Percentage
1	COMCLARK NETWORK AND TECHNOLOGY CORP.	4,797,417,274*	66.02%
2	PCD NON FILIPINO	1,255,221,373	17.27%
3	PCD FILIPINO***	1,213,171,907**	17.00%
4	CAROUSEL HOLDINGS, INC.	317,500	0.00%
5	LAARNI N. ENRIQUEZ	150,000	0.00%
6	DIOSDADO M. PERALTA	120,000	0.00%
7	BERCK Y. CHENG OR ALVIN Y. CHENG OR DIANA Y. CHENG OR CHERYL Y. CHENG	50,000	0.00%
8	JINGYU SHANG	45,000	0.00%
9	OMRY YADAN	29,000	0.00%
10	WEIXI	15,000	0.00%
11	ARACELI Z. LORAYES	12,000	0.00%
12	MYRA P. VILLANUEVA	10,000	0.00%
13	MYLENE C. ARNIGO	3,000	0.00%
14	MANUEL JORGE L. CRISTOBAL OR LORNA T. CRISTOBAL	2,000	0.00%
15	JOSELITO C. HERRERA	2,000	0.00%
16	GABRIELLE CLAUDIA F. HERRERA	2,000	0.00%
17	MYRNA P. VILLANUEVA	1,000	0.00%
18	MILAGROSA P. VILLANUEVA	1,000	0.00%
19	MARIETTA V. CABREZA	1,000	0.00%
20	JAYBEE C. BARAQUEL	1,000	0.00%
21	JUAN CARLOS V. CABREZA	1,000	0.00%

	Name	No. of Shares	Percentage
22	JOSE P. DE JESUS	1	0.00%
23	AMANDO M. TETANGCO, JR.	1	0.00%
24	ROMAN FELIPE S. REYES	1	0.00%
25	SAURABH AGARWAL	1	0.00%
26	FRANCISCO ED LIM	1	0.00%
27	JOSELITO TANWANGCO BAUTISTA	1	0.00%
28	JOHN RHEY OLLERO ALBAY	1	0.00%
	Total	7,266,573,061	100%

Market for Issuer's Common Equity and Related Stockholder Matters

2023	Number of shares	Amount at par
Authorized shares		
Common shares at P0.25 par value per share	16,900,000,000	4,225,000,000
Preferred shares at P0.25 par value per share	3,060,000,000	765,000,000
Preferred B shares at P0.0025 par value per share	4,000,000,000	10,000,000
Total	23,960,000,000	5,000,000,000
Issued and outstanding		
Common shares	7,266,573,061	1,816,643,265
Preferred shares	-	-
Total	7,266,573,061	1,816,643,265

For details of the equity components listed in the table above, please see Note 13 of the attached consolidated financial statements.

Converge was listed on the PSE on October 26, 2020 under the ticker symbol CNVRG at ₱16.80 per share. The quarterly high and low prices are as follows:

Quarter	High (₱)	Low (₱)
4Q2020	16.98	13.20
1Q2021	21.20	14.54
2Q2021	23.45	17.58
3Q2021	40.40	22.25
4Q2021	45.40	27.90
1Q2022	32.20	21.50
2Q2022	31.50	18.24
3Q2022	22.40	12.66
4Q2022	16.78	11.02
1Q2023	19.98	12.80
2Q2023	13.00	10.06
3Q2023	11.18	7.77
4Q2023	10.40	7.63

Dividends

Converge did not make any dividend payments in 2023. The Board of Directors, may, at any time, modify such dividend policy depending upon the results of operations and future projects and plans and other considerations.

Dividends, if any, shall be declared and paid out of the Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of the outstanding stock held by them. Unless otherwise required by law, the Board, has sole discretion to determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of earnings, cash flow, return on equity and retained earnings;
- the results for and financial condition at the end of the year in respect of which the dividend is to be paid and expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on Converge by any current or future financing arrangements and current or prospective debt service requirements; and
- such other factors as the Board deems appropriate.
- the Company may also, in the future, enter into certain financing arrangements that would restrict its ability to pay dividends.

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

On August 8, 2019, the Company, the Founders, Comclark and Coherent Cloud entered into a share subscription agreement pursuant to which we agreed to issue, and Coherent Cloud agreed to subscribe for the 51,136,363 Preferred Shares for an aggregate consideration of U.S.\$225,000,000. The subscription was completed in two tranches as follows:

No. of Preferred		
Date of issuance	Shares*	Consideration
August 23, 2019	30,681,818	U.S.\$135,000,000
February 7, 2020	20,454,545	U.S.\$90,000,000

**Number of Shares before the Stock Split and the Conversion.*

Each convertible preferred share confers upon a shareholder: a) the right to vote at any shareholders' meeting or on any resolution of the shareholders; and b) the right to distribution of income on a pari passu basis with all other shareholders based on actual shareholding percentage. Each convertible preferred share shall be convertible into a fully paid ordinary share on a one-to-one basis.

The Company applied for a stock split and was approved by the SEC on September 28, 2020. As a result of the stock split, the above convertible preferred shares were exchanged for 2,045,454,520 newly issued preferred shares, each with a par value of P0.25 per share.

On October 8, 2020, Coherent Cloud Investments B.V. exercised its conversion right to convert all 2,045,454,520 issued and outstanding preferred shares held in its name to common shares and the Company has issued 2,045,454,520 common shares to Coherent Cloud on the same date at a conversion ratio of one preferred shares to one common share.

As of December 31, 2023, the Company has no outstanding preferred shares. Refer to Note 13 of our consolidated financial statements for a detailed discussion on the movements of our share capital.

Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of 20.0%.

R.A. No. 9707 mandates the Company to offer at least 30% of its outstanding capital stock or higher percentage that may hereafter be provided by law in any securities exchange in the operations in compliance with the constitutional provision to encourage public participation in public utilities (the “Converge Public Offering”), which shall occur within five years from the commencement of operations of the Company pursuant to Section 16 of R.A. No. 9707 otherwise, the franchise may be revoked. Nevertheless, under Section 17 of R.A. No. 9707, which provide that “any advantage, favor, privilege, exemption or immunity granted under existing franchises for telecommunications system, or which may hereafter be granted, shall ipso facto become part of this franchise and shall be accorded immediately and unconditionally to the herein grantee”, the applicable period for the Converge Public Offering is in fact ten years from the commencement of operations of the Company. Considering that at least two legislative franchises granted in June 1998 under Republic Act No. 8645 for Mindoro Telecommunications Corporation and Republic Act No. 8678 for Sear Telecommunications Inc. provide that the public offering requirement of least 30% of their outstanding capital stock or higher percentage be undertaken within 10 years from commencement of operations, the period for the Converge Public Offering should likewise be deemed automatically extended from five years to ten years. On June 18, 2020, in reply to the letter from the Company requesting for clarification on this matter, the NTC confirmed that the applicable period for the Converge Public Offering is 10 years from commencement of the Company’s operations in 2012. As of May 2022, the Company has reached 30.9% public float. Please see *Item 10. Security Ownership of Certain Beneficial Owners, Directors, and Executive Officers* of the Company’s SEC 17-A 2023 for more details.

Corporate Governance

In compliance with pertinent regulations, the Integrated Annual Corporate Governance Report (iACGR) will replace the Corporate Governance section of this Report, the previous SEC Form ACGR and PSE’s CGR-1 and shall be submitted by the Company to pertinent regulatory agencies on or before May 30 of every year. The iACGR will be available on the Company website upon completion and submission to the regulatory agencies.

On October 8, 2021, the Board amended the Manual on Corporate Governance (Manual), to cover compliance of requirements under SEC Memorandum Circular No. 19, Series of 2016, which institutionalizes the principles of good corporate governance in the entire organization. We believe that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization.

In 2023, the Board made additional amendments to the Manual to reflect the separation of the Audit and Related Party Transactions (ARPT) Committee to be standalone committees. The Company now has a separate Audit Committee and Related Party Transactions Committee. This separation enables the organization to ensure that the board’s oversight responsibilities are well executed. Following this, the amended manual was made available publicly in February 2024. We strive and commit to improving the Company’s corporate governance practices to align with industry and global best standards (such as the OECD Principles of Corporate Governance, ICGN Global Governance Principles, and ASEAN Corporate Governance Scorecard), as evidenced by our continued efforts in enhancing our processes and procedures. In 2023, the Institute of Corporate Directors awarded Converge with a Three-Arrow rating for its as it improved its adherence to corporate governance best practices and aligned its business operations to global standards.

The Manual provides that it is the Board that has the primary responsibility for the governance of the corporation. In addition to setting the policies for the accomplishment of corporate objectives, it has the duty to provide an independent check on the Management. The Board is mandated to hold its regular and special meetings in person or through teleconferencing.

In adopting the Manual and its revisions, we understand the responsibilities of the Board and its members, in governing the conduct of our business, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices. The Manual establishes, among others, the composition of the board committees, and principles on adequate and timely information, accountability and audit, stockholders' rights and protection of minority stockholders' interests, communication process, training, disclosures, self-assessment, and sustainability. An evaluation process of compliance with Manual has likewise been established.

The Company's Amended Manual on Corporate Governance and other governance documents may be found here: <https://corporate.convergeict.com/corporate-governance/>.

For further details on the Company's Corporate Governance initiatives, please refer to Exhibit 2 Sustainability Report – Sustainability at Converge section of the Company's SEC 17-A 2023.

Annex "F"

**Manual on Corporate
Governance Compliance
Evaluation**

of

**Converge Information and
Communication
Technology Solutions, Inc.**

The Manual on Corporate Governance Compliance Evaluation

I. Introduction

Converge Information and Communication Technology Solutions, Inc. (the “Company”) aims to accelerate steps to promote corporate governance, assisting sound corporate development, and safeguarding the interests of investors. The Company aims to institutionalize this corporate governance evaluation to better understand how the Company implements its governance initiatives towards developing a corporate culture which encourages voluntary effort to improve sound governance practice.

This evaluation on the compliance of the Manual on Corporate Governance is being implemented by the Company in order to ensure its compliance with SEC Memorandum Circular No. 19 Series of 2016 or the Code of Corporate Governance of Publicly Listed Companies.

II. Categories

Evaluation Categories and Weight

Category	Category Weightings
Protecting Shareholder Rights and Interests and Treating Shareholders Equitably	20%
Enhancing Board Composition and Operation	30%
Increasing Information Transparency	20%
Promoting Sustainable Development	30%
Total	<u>100%</u>

III. Self-Evaluation Period

Self-evaluation for the year will commence on January 1 of the FY and must be completed by no later than January 31 of the following year.

IV. Questionnaires

1. Questionnaire procedures

In Q4 of the FY, questionnaires will be sent to the board directors, chief risk officer, corporate secretary, chief internal auditor and the external auditor of the Company to collect their observations regarding the degrees to which the boards and board members of the companies under evaluation are conscious of and take seriously their duty to oversee corporate governance. The feedback and practical suggestions collected in the returned questionnaires will be gone through and organized.

2. Questionnaire response period

The directors and officers are required to complete the questionnaires no later than December 31 of the FY.

MANUAL ON CORPORATE GOVERNANCE EVALUATION CRITERIA	
Item No.	Evaluation Indicator
I. Protecting Shareholder Rights and Interests and Treating Shareholders Equitably	
1.1	Right to vote on all matters that require consent or approval: Did the Company provide the stockholders the right to nominate, elect, remove and replace directors?
1.2	Right to vote on all matters that require consent or approval: Did the Company provide in its Information Statement the right of a stockholder to call for a special meeting in accordance with SEC regulations (i.e. propose matters in the agenda)?
1.3	Pre-emptive right: Does the Company allow the exercise of a stockholders' pre-emptive right?
1.4	Right to inspect corporate books and records: Did the Company receive any request for inspection of corporate books and records, and if so, allowed the stockholder to exercise its right to inspect?
1.5	Right to information: Did the Company provide periodic reports and disclose personal and professional information about the directors and officers?
1.6	Right to dividends: Should the Board decide to pay out dividends based on the proper criteria indicated in the Manual on Corporate Governance, are all stockholders able to receive said dividends?
1.7	Appraisal Right: Is the appraisal right of the stockholders explicitly stated in the Company's Manual on Corporate Governance?
1.8	Did the Company conduct its Annual Stockholders' Meeting (ASM) in accordance with its By-Laws?
1.9	Did the Chairman of the Board attend the ASM in person and/or virtually?
1.10	Was there a full attendance of the directors in the ASM?
1.11	Were stockholders able to attend the ASM in person or virtually or was able to appoint a proxy?

1.12	Were there no extraordinary motions passed in the ASM, and were there no changes to the agenda or motions within the 7 days prior to the day of the ASM?
1.13	Did the Company disclose the shareholders meeting agenda and other information in the Information Statement at least 28 days prior to the day of the ASM?
1.14	Did the Company disclose the implementation status of the ASM resolutions of the preceding fiscal year in the Annual Report?
1.15	Did the Company adopt a policy prohibiting insiders, including directors and employees, from using information not publicly disclosed in the market to trade securities, with content including (but not limited to) a prohibition against directors trading the company's stock during a blackout period of at least 10 days before the publication of the company's annual and quarterly financial reports and 2 days after the publication of said reports?
II. Enhancing Board Composition and Operation	
2.1	Are the compositions of the Board and its committees appropriate and in accordance with the Code of Corporate Governance?
2.2	Has the Company adopted corporate governance best practice principles under the Code of Corporate Governance and have they been passed by the Board? Has the Company submitted its Integrated Annual Corporate Governance Report (IACGR) on or before May 30 of the year?
2.3	Did the Company adopt a board diversity policy and disclose the specific management objectives as well as the status of implementation of the diversity policy on the company's website and in the annual report?
2.4	Is it true that the Company's Chairman of the Board and Chief Executive Officer are neither the same person?
2.5	Did the Company's board members include at least one female director?
2.6	Did the Company's independent directors reach one-third or more of all of the directors?
2.7	Were the continuous terms of service of the independent directors no more than 9 years each?

2.8	Has the Company adopted succession planning for board members and key executives?
2.9	Did the Company disclose the professional qualifications and experience of the Audit Committee members as well as the key tasks and status of operations of the Audit Committee for that fiscal year (Audit Committee Report)?
2.10	Were the Company's interim financial reports all approved by the Audit Committee and submitted to the Board for discussion and resolution?
2.11	Did the members of the Remuneration Committee each attend at least two Committee meetings a year, and disclose information such as regarding their periodical reviews of the policies, systems, standards, and structure for the performance assessment and remuneration of the directors, supervisors, and managerial officers?
2.12	Did the Company have any non-statutory functional committees such as a corporate governance committee, nomination committee, risk management committee, or sustainable development committee, and did such functional committees have not less than three members, with at least majority of the members being independent directors, and with one or more members possessing the particular professional competences required by the respective committees, and did the company disclose the organization, functions, and operations of such committees?
2.13	Did the Board regularly (at least once a year) review the independence of the external auditors?
2.14	Did the Board carry out regular annual assessment of its performance, its directors, its committees?
2.15	In the year being evaluated, did the average rate of actual attendance of all directors at Board meetings reach 85% or more?
2.16	Were at least two independent directors personally in attendance at each board meeting of the Company?
2.17	Has the Company appointed a Corporate Secretary and disclosed on the Company's website and in its annual report the scope of the Company Secretary's authority?
2.18	Has the Company adopted risk management policies and procedures that have been passed by the Board, and disclosed the scope of risk management, the corresponding organizational structure in place, and the status of risk management operations, and did it report to the Board of Directors on these at least twice a year?

2.19	Does the Manual on Corporate Governance of the Company adopted the performance assessment framework of the Board of Directors with the express requirement that an external assessment be carried out at least once every three years?
2.20	Has the Company established a cyber security risk management framework, adopted cyber security policies and concrete management programs, and invested in resources for cyber security management?
2.21	Did all of the Company's directors complete the number of hours of continuing education required by the Code of Corporate Governance?
III. Increasing Information Transparency	
3.1	Did the Company comply with the PSE Disclosure Rules and thus avoid incurring any monetary penalty?
3.2	Did the company file its Audited Annual Financial Statement before the annual deadline of April 15?
3.3	Is it true that the Company did not restate its financial reports for the ~~fy~~ year evaluated?
3.4	Did the Company voluntarily disclose its quarterly FS, without having any corrections ordered by the competent authority?
3.5	Did the Company disclose a specific and clear dividend policy in the Annual Report?
3.6	Did the Company voluntarily disclose the individual remuneration details of each non-executive director in its Annual Report?
3.7	Did the Company disclose its performance incentive framework in the IACGR?
3.8	Did the Company disclose and published on its website the list of its Top 100 Stockholders and its Public Ownership Report quarterly?
3.9	Did the Company website disclose information related to the Company's finances, business and corporate governance?
3.10	Did the Company make information relating to its ASM available on its website, including, at least, the most recent Annual Report to shareholders, the meeting notice, the agenda, and the meeting minutes?
3.11	Did the Company voluntarily hold investor conferences at least two times in the year being evaluated?

IV. Promoting Sustainable Development	
4.1	Did the Company have a designated unit in charge of promoting sustainable development that, following the principle of materiality, conducted risk assessment on environmental, social, or corporate governance issues related to the Company's operations, and adopted relevant risk management policies or strategies, and did the board of directors oversee the promotion of sustainable development, and did it disclose the same on the Company's website and in its annual report?
4.2	Did the Company have a designated unit in charge of promoting ethical corporate management, with responsibility for establishing and supervising the implementation of the ethical corporate management policies and prevention programs?
4.3	Did the Company regularly disclose on the company website or in its annual report or sustainability report its concrete plans for promoting environmental, social, and governance (ESG) practices and the results of the implementation of those plans?
4.4	Is the Company ISO certified in terms of its environmental compliance and information security compliance?
4.5	Did the Company adopt and disclose in detail on its website a whistleblower system for company insiders and outsiders to report illegal behavior (including corruption) and unethical behavior?
4.6	Did the Company disclose on its website or in its annual report or sustainability report the supplier management policies it adopted, and require suppliers to comply with the relevant provisions regarding issues such as environmental protection, occupational safety and health, or labor rights, and specify the status of implementation?

OTHER COMMENTS:
