

# COVER SHEET

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S.E.C. Registration Number

A	C			E	N	E	R	G	Y			C	O	R	P	O	R	A	T	I	O	N

(Company's Full Name)

3	5	T	H		F	L	O	O	R		A	Y	A	L	A		T	R	I	A	N	G	L	E					
G	A	R	D	E	N	S		T	O	W	E	R		2		P	A	S	E	O		D	E	R	O	X	A	S	
C	O	R		M	A	K	A	T	I		A	V	E		M	A	K	A	T	I		C	I	T	Y	1	2	2	6

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

A	L	A	N		A	S	C	A	L	O	N
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Contact Person

7	7	3	0	6	3	0	0
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Company Telephone Number

1	2
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Month  
Calendar Year

3	1
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Day  
Year

		S	E	C		F	O	R	M		
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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I. D.

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Cashier

STAMPS
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Remarks = Pls. Use black ink for scanning purposes

**AC ENERGY CORPORATION**

**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**AND**

**INFORMATION STATEMENT**

**(SEC Form 20-IS)**

Pursuant to Section 20 of the Securities Regulation Code

*Annual Stockholders' Meeting*

*9:00 A.M.*

*25 April 2022*

*Makati City*

*remote communication via*

*<http://www.ayalagroupshareholders.com>*

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **AC ENERGY CORPORATION** will be conducted by remote communication via <http://www.ayalagroupshareholders.com/> on **Monday, April 25, 2022** at **9:00 o'clock in the morning** with the following

### A G E N D A<sup>1</sup>

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of Previous Meetings
4. Annual Report of Management including the 2021 Audited Financial Statements
5. Ratification of the Acts of the Board of Directors and Officers
6. Compensation of Directors
7. Issuance of up to 390 million Common Shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued
8. Management Agreement with South Luzon Thermal Energy Corporation
9. Election of Directors (Including Independent Directors)
10. Election of External Auditor and Fixing of its Remuneration
11. Consideration of Such Other Business as May Properly Come Before the Meeting
12. Adjournment

The deadline for nomination of directors is **April 1, 2022**.

Only stockholders of record as of **March 25, 2022** are entitled to notice of, and to vote at, this meeting.

Given the current circumstances and pursuant to our By-Laws, our Board resolved on January 21, 2022 that our Annual Stockholders' Meeting (ASM) be held in a virtual format, hence, stockholders may only attend the meeting by remote communication, by voting in absentia or by appointing the Chairman of the meeting as their proxy. Stockholders intending to participate by remote communication should notify the Corporation on or before **April 19, 2022**.

Duly accomplished proxies should be submitted on or before 9:00 AM of **April 15, 2022** to the Office of the Corporate Secretary at the 35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Ayala Avenue, Makati City or by email to [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph). Validation of proxies is set for **April 18, 2022** starting at 9:00 AM.

Stockholders may vote by remote communication, or *in absentia* subject to validation procedures. The procedures for participating in the meeting through remote communication and for casting votes *in absentia* will be set forth in the Information Statement.<sup>2</sup>

<sup>1</sup> See page 3 for the explanation for each agenda item.

<sup>2</sup> Stockholders should notify the Corporation at [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph) of their preference to receive hard copies of the Information Statement and other ASM materials on or before March 21, 2022.



Stockholders of record as of March 25, 2022 owning at least 5% of the total outstanding capital stock of the Corporation may submit proposals on items for inclusion in the agenda on or before April 18, 2022.<sup>3</sup>

All communications should be sent by email to [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph) on or before the designated deadlines.

Makati City, March 28, 2022.



ALAN T. ASCALON  
Assistant Corporate Secretary

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<sup>3</sup> The inclusion of the proposed agenda item shall be in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Corporation's internal guidelines.

## **EXPLANATION OF AGENDA ITEMS**

### Call to Order

The Chairman will formally open the meeting at approximately 9:00 o'clock in the morning.

### Certification of Notice and Quorum (and Rules of Conduct and Procedures)

The Corporate Secretary will certify that written notice for the meeting was duly sent to stockholders and that a quorum exists for the transaction of business.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, the Corporation has set up a designated online web address which may be accessed by the stockholders to register and vote on the matters at the meeting *in absentia*.<sup>4</sup> A stockholder participating by remote communication or who votes *in absentia* shall be deemed present for purposes of quorum.

The following are the rules of conduct and procedures for the meeting to be conducted in virtual format:

- (i) Stockholders may attend the meeting remotely through the online web address (URL) provided. Questions and comments may be sent prior to or during the meeting at [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph) and shall be limited to the Items in the Agenda.
- (ii) In the event that physical attendance will be allowed at the meeting -
  - a. Anyone who wishes to make a remark shall identify himself or herself after being acknowledged by the Chairman and shall limit his or her remarks to the item in the Agenda under consideration; and
  - b. Stockholders present at the meeting may opt for manual or electronic voting. For manual voting, each stockholder will be given, upon registration, a ballot where he or she can write his or her vote on every item in the Agenda or proposed resolution. For electronic voting, there will be computer stations near the registration table where stockholders may cast their votes electronically using a digital version of the ballot.
- (iii) 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.
- (iv) Stockholders must notify the Corporation on or before April 19, 2022 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.
- (v) Voting shall only be allowed for Stockholders registered in the Voting *in Absentia* and Shareholder (VIASH) System or through authorizing the Chairman of the meeting as proxy.
- (vi) Stockholders voting *in absentia*, who have previously registered in the VIASH System provided, may cast their votes electronically at any time using the VIASH System prior to or during the meeting.
- (vii) 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, unless the law requires otherwise.
- (viii) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes. Each outstanding share of stock entitles the registered stockholder to one (1) vote.
- (ix) The Committee of Inspectors of Proxies and Ballots 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.
- (x) The meeting proceedings shall be recorded in audio and video format.

### Approval of Minutes of Previous Meeting

The minutes of the meetings held on April 19, 2021 and December 15, 2021 are available at the Corporation's website, [www.acen.com.ph](http://www.acen.com.ph).

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<sup>4</sup> The detailed instructions pertaining to the URL and the use thereof will be provided in the Information Statement.

#### Annual Report of Management Including the 2021 Audited Financial Statements

The President and Chief Executive Officer, Mr. John Eric T. Francia will report on the performance of the Corporation in 2021 and the outlook for 2022.

The Corporation's annual report, titled Integrated Report, will contain the "Message from the Chairman" and the "Report of the President". Copies of the 2021 Integrated Report will be posted on the Corporation's website, [www.acen.com.ph/ac-energy-ir-2021/](http://www.acen.com.ph/ac-energy-ir-2021/).

The Audited Financial Statements as of December 31, 2021 (AFS), as approved by the Board upon the recommendation of the Audit Committee, will be included in the Information Statement to be sent to the stockholders at least 15 business days prior to the meeting.

#### Ratification of the Acts of the Board of Directors and Officers

The actions of the Board and its Committees were those taken and adopted since the annual stockholders' meeting on April 19, 2021 until April 24, 2022. They include the approval of agreements, projects, investments, treasury-related matters, and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the officers were those taken to implement the resolutions of the Board or its Committees or made in the general conduct of business.

#### Compensation of Directors

Approval by the stockholders representing at least a majority of the outstanding capital stock will be sought for the payment to the directors of the Corporation of: (1) annual retainer fees, and (2) per diem allowance for attendance at board, committee, and non-executive directors' meetings. The proposed compensation plan was approved for endorsement to the stockholders on 8 March 2022 by the Board of Directors, acting upon the endorsement of the Corporation's Personnel and Compensation Committee.

#### Issuance of up to Three Hundred Ninety (390) Million Common Shares to the Owners, Affiliates, and/or Partners of UPC Philippines Wind Investment Co. BV

Approval by the stockholders representing at least a majority of the outstanding capital stock will be sought to issue up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV (the "UPC PH Group") at Php 11.32 per share (subject to adjustments) subject to agreed conditions precedent and applicable regulatory approvals. The list of subscribers constituting the UPC PH Group and the allocation of shares were revised and updated from the previous list approved by the stockholders during the special stockholders' meeting on December 15, 2021.

#### Management Agreement with South Luzon Thermal Energy Corporation

Approval by the stockholders representing at least two-thirds (2/3) of the total outstanding capital stock of the Corporation entitled to vote will be sought to enter into a management agreement with South Luzon Thermal Energy Corporation as the managed corporation and the Corporation as the managing corporation.

#### Election of Directors (Including Independent Directors)

The eleven (11) nominees for directors have been evaluated and determined by the Corporate Governance and Nomination Committee of the Board to have all the qualifications and competence necessary for the effective performance of the Board's roles and responsibilities, and none of the disqualifications to serve as members of the Board, shall be presented for election to the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement.

#### Election of External Auditor and Fixing of its Remuneration

The Audit Committee of the Board will endorse to the stockholders the election of the external auditor for the ensuing fiscal year as well as its proposed remuneration. The external auditor conducts an independent verification of the Corporation's financial statements and provides an objective assurance on the accuracy of its financial statements. The profile of the external auditor will be provided in the Information Statement.

#### Consideration of Such Other Business as May Properly Come Before the Meeting

Stockholders may email questions or comments prior to or during the meeting at the following email address: [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph). The Chairman will take up agenda items received from stockholders on or

before April 18, 2022 in accordance with existing laws, rules and regulations of the Securities and Exchange Commission and the Corporation's internal guidelines.<sup>5</sup>

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<sup>5</sup> SEC Memorandum Circular No. 14, series of 2020 or "Shareholders' Right to Put items on the Agenda for Regular/Special Stockholders' Meetings": <https://www.sec.gov.ph/mc-2020/mc-no-14-s-2020shareholders-right-to-put-items-on-the-agenda-for-regular-specialstockholders-meetings/>.

## PROXY

The undersigned stockholder of **AC ENERGY CORPORATION** (the "Company") hereby appoints \_\_\_\_\_ or in his/her/its absence, the Chairman of the meeting, as *attorney-in-fact* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company on 25 April 2022 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the minutes of previous meetings  
 Yes    No    Abstain
2. Approval of the Annual Report of Management including the 2021 Audited Financial Statements  
 Yes    No    Abstain
3. Ratification of the acts of the Board of Directors and Officers since the last Annual Stockholders' Meeting<sup>1</sup>  
 Yes    No    Abstain
4. Compensation of Directors  
 Yes    No    Abstain
5. Issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV  
 Yes    No    Abstain
6. Management Agreement with South Luzon Thermal Energy Corporation as the managed corporation  
 Yes    No    Abstain
7. Election of Directors

	No. of Votes
Fernando M. Zobel de Ayala	_____
Jaime Augusto M. Zobel de Ayala	_____
Jose Rene Gregory D. Almendras	_____
Cezar P. Consing	_____

John Eric T. Francia \_\_\_\_\_  
 Nicole Goh Phaik Khim \_\_\_\_\_  
 Dean L. Travers \_\_\_\_\_

*Independent Directors:*

Consuelo D. Garcia \_\_\_\_\_  
 Ma. Aurora D. Geotina-Garcia \_\_\_\_\_  
 Sherisa P. Nuesa \_\_\_\_\_  
 Melinda L. Ocampo \_\_\_\_\_

- Distribute votes equally among nominees  
 Withhold authority for all nominees listed above  
 Withhold authority to vote for the nominees listed below:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

8. Appointment of Sycip Gorres Velayo & Co. as external auditor and fixing of its remuneration.  
 Yes    No    Abstain
9. At his/her/its discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.  
 Yes    No

\_\_\_\_\_  
 PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
 SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

\_\_\_\_\_  
 DATE

<sup>1</sup>A BRIEF DESCRIPTION OF EACH ACT OF THE BOARD OF DIRECTORS AND MANAGEMENT SOUGHT TO BE CONFIRMED IS ATTACHED AS ANNEX "C" TO THE INFORMATION STATEMENT.

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY BY EMAIL ([corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph)) ON OR BEFORE **15 APRIL 2022 AT 9:00 A.M.**, THE DEADLINE FOR SUBMISSION OF PROXIES, TOGETHER WITH PROOF OF IDENTIFICATION, SUCH AS, DRIVER'S LICENSE, PASSPORT, COMPANY ID OR SSS/GSIS ID. ASIDE FROM PERSONAL IDENTIFICATION, REPRESENTATIVES OF CORPORATE STOCKHOLDERS AND OTHER ENTITIES MAY BE REQUIRED TO PRESENT A DULY SWORN SECRETARY'S CERTIFICATE OR ANY SIMILAR DOCUMENT SHOWING HIS OR HER AUTHORITY TO REPRESENT THE CORPORATION OR ENTITY. THE CORPORATE SECRETARY WILL INSPECT, EXAMINE, AND VALIDATE THE SUFFICIENCY OF THE PROXY FORMS RECEIVED,

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON (IF THE PREVAILING CIRCUMSTANCES WILL ALLOW) AND EXPRESSES HIS, HER OR ITS INTENTION TO VOTE IN PERSON.



**Securities and Exchange Commission**

**SEC Form 20-IS**

**Information Statement  
Pursuant to Section 20 of the Securities Regulation Code**

1. Check the appropriate box

\_\_\_\_\_ Preliminary Information Statement

\_\_\_\_\_ X \_\_\_\_\_ Definitive Information Statement

2. Name of Registrant as specified in its charter: **AC ENERGY CORPORATION**

3. Country of Incorporation: **PHILIPPINES**

4. SEC Identification Number: **069-39274**

5. BIR Tax Identification Number **000-506-020-000**

6. Address of Principal Office **35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Ayala Avenue, Makati City, Philippines**

7. Telephone Number **(632) 7-730-6300**

8. Date, time and place of the meeting of security holder:

**25 April 2022**

**9:00 AM**

Makati City

by remote communication *via*

<http://www.ayalagroupshareholders.com/>

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

**4 April 2022**

10. Securities registered pursuant to Sections 8 & 12 of the Code or Sections 4 & 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Number of shares of Common  
Stock Outstanding

**38,315,838,177 shares (as of 28 March 2022)**

Amount of debt

**PhP 0 (as of 31 December 2021) – None registered in the  
Philippine SEC and listed in PDEX/others**

11. Are any or all registrant's securities listed on the Philippines Stock Exchange?

Yes   X   No \_\_\_\_\_

A total of 38,240,338,177 common shares are listed in the Philippine Stock Exchange.

## AC ENERGY CORPORATION

### INFORMATION STATEMENT

This Information Statement is dated as of 28 March 2022 and is being furnished to stockholders of record of AC ENERGY CORPORATION (“ACEN” or the “Company”) as of 25 March 2022 in connection with its Annual Stockholders’ Meeting.

***WE ARE NOT SOLICITING YOUR PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.***

#### **A. GENERAL INFORMATION**

##### **Item 1. Date, Time and Place of Meeting of Security Holders (hereinafter, the “annual stockholders’ meeting” or “meeting”)**

- a. Date: - 25 April 2022
- Time: - 9:00 A.M.
- Venue - Makati City
- Online web address/URL  
(for participation by  
remote communication and  
voting in absentia) - <http://www.ayalagroupshareholders.com/>
- Principal Office: - 35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Ayala Avenue, Makati City, Philippines
- b. Approximate date when the Information Statement is first to be posted on the Company website (<https://acen.com.ph/2022-dis/>): 4 April 2022

##### **Item 2. Dissenters’ Right of Appraisal**

There are no matters to be taken up at the meeting that will give rise to the right of appraisal pursuant to Title X, Section 80 of Republic Act No. 11232 or the *Revised Corporation Code of the Philippines* governing the exercise of Appraisal Rights which states that:

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

- (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

As provided under Section 81 of the *Revised Corporation Code of the Philippines*, the appraisal right may be exercised by the dissenting stockholder who votes against a proposed corporate action by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

If, within sixty (60) days from the approval of the corporate action 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 (2) thus chosen. The findings of the majority of the 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: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

The Company's ownership interests in Palawan55 Exploration and Production Corporation, Bulacan Power Generation Corporation ("BPGC"), One Subic Power Generation Corporation, CIP II Power Corporation ("CIP II"), and Ingrid3 Power Corp. do not constitute all or substantially all of the assets of the Company. Thus, the transfer of the foregoing assets to ACE Enexor, Inc., as disclosed under report no. C06940-2021 dated 18 October 2021 and approved for posting on the PSE Edge on 19 October 2021, does not give rise to the stockholders' right of appraisal.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

To be acted upon in this meeting aside from the regular items in the agenda are the following:

- (i) Approval of compensation of directors;
- (ii) Approval of the Management Agreement with South Luzon Thermal Energy Corporation ("SLTEC"); and
- (iii) Approval of the issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued

As of 28 March 2022, ACEIC owns 64.65% of the outstanding voting shares of the Company. Fernando M. Zobel de Ayala, Chairman of the Board of Directors ("Board") of the Company, and Jaime Augusto M. Zobel de Ayala, Vice Chairman of the Board, are the beneficial owners of ACEIC as contemplated under SEC Memorandum Circular No. 17, series of 2018.

John Eric T. Francia, President and CEO and Jose Rene Gregory D. Almendras, Directors, also serve as directors of ACEIC. Mr. Francia also serves as Chairman of SLTEC.

ACEN is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

- a. Number of shares outstanding as of 28 March 2022: 38,315,838,177 shares

Of the said outstanding voting shares, 29,141,385,711 are owned by Filipinos and 9,174,452,466 are owned by foreign nationals.<sup>1</sup>

Number of votes per share: One (1) vote per share

- b. Only stockholders of record of ACEN at the close of business on 25 March 2022 are entitled to notice of the Annual Stockholders' Meeting, and to vote thereat.

- c. **Manner of voting**

On 21 January 2022, the Board of Directors of the Company, in the exercise of its authority under the By-Laws, approved the delegation of authority to the Chairman to approve the manner of holding the 2022 annual stockholders' meeting, including logistics and other arrangements, as may be relevant and necessary, to be determined at a later date and to be communicated to the stockholders through the Notice of Meeting and Definitive Information Statement. Stockholders may vote electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>, subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum. The detailed instructions for electronic voting *in absentia* are attached as Annex F.

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<sup>1</sup> As of 28 February 2022.

The stockholders have cumulative voting right with respect to the election of the Company's Directors. Each stockholder may vote the number of shares of stock standing in his or her own name in the books of the Company as of the record date of the meeting. A stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: The total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the Company multiplied by the whole number of directors to be elected. The eleven (11) nominees for directors receiving the highest number of votes shall be declared elected.

For the other items in the Agenda, each stockholder shall be entitled to one (1) vote per share. Such items will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.

Voting shall either be by electronic or manual (if available) voting. For manual voting (if available), stockholders present at the meeting will be given, upon registration, a ballot where he or she can write his or her vote on every item in the Agenda or proposed resolution. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.

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.

d. **Security Ownership of Certain Record and Beneficial Owners and Management**

- i. Security ownership of certain record and beneficial owners of more than five percent (5%)

The table below shows the persons or groups known to ACEN to be directly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 28 February 2022:

Title of Class of Shares	Name & Address of Record Owner & Relationship with Issuer	Name & Address of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	AC Energy and Infrastructure Corporation (“ACEIC”) 35 <sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Ayala Avenue, Makati City Stockholder; Parent Company	ACEIC is fully owned by Ayala Corporation. Its beneficial owners are:  Jaime Augusto M. Zobel de Ayala – <i>Member</i> , Board of Directors of ACEIC  Fernando M. Zobel de Ayala – <i>Chairman</i> , Board of Directors of ACEIC  both with addresses at 35 <sup>th</sup> Floor, Tower One & Exchange Plaza, Ayala Triangle Gardens, Ayala Avenue, Makati City  ACEIC has appointed Fernando Zobel de Ayala, or in his absence, Jaime Augusto Zobel de Ayala, or in his absence, John Eric T. Francia as proxy to vote on ACEIC’s behalf.	Filipino	16,685,800,533	43.55%
Common	PCD Nominee Corporation <sup>2</sup> 29/F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder	PCD is a private institution which holds shares on behalf of various trading participants.	Filipino	12,289,993,809	32.08%

<sup>2</sup> The beneficial owners of such shares are the participants of PCD which holds the shares on their behalf or on behalf of their clients. ACEIC’s 8,085,921,240 indirect shares are lodged with the PCD (Filipino) and Arran’s 6,689,521,680 indirect shares are lodged with the PCD (Non-Filipino).

PCD is a private institution established in March 1995 to improve operations in securities transactions. PCD seeks to provide a fast, safe and highly efficient system for securities settlement. The PCD was organized to implement an automated book-entry system of handling securities transaction in the Philippines.

Common	PCD Nominee Corporation <sup>3</sup> 29/F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder	Arran has 6,689,521,680 indirect shared lodged under PCD Nominee Corp. Arran is a Singaporean company that is ultimately controlled by the Government of Singapore that provides investment services.  The rest are held by various trading participants.	Non-Filipino (various)	9,118,949,167	23.80%
Common	Arran Investment Pte Ltd ("Arran") 168 Robinson Road, #37-01, Capital Tower, Singapore 068912 Stockholder	Arran has 6,689,521,680 indirect shares lodged under PCD Nominee Corp. Arran is a Singaporean company that is ultimately controlled by the Government of Singapore that provides investment services.  Arran has appointed Ms. Nicole Goh Phaik Khim to vote on its behalf.	Singaporean	6,689,521,680	17.46%

As of 28 March 2022, ACEIC owns 64.65% of the outstanding voting shares of the Company.

ii. Security Ownership of Directors and Management as of 28 March 2022

None of the directors and officers individually owns five percent (5%) or more of the outstanding capital stock of ACEN. The table below shows the securities owned by the directors and officers of the Company as of 28 March 2022:

Title of Class of Outstanding Share	Name of beneficial owner	Citizenship	Amount of beneficial ownership	Nature of beneficial ownership	% of total outstanding shares
Common	Jose Rene Gregory D. Almendras	Filipino	1 <sup>2</sup> 950,450	Direct Indirect <sup>1</sup>	0.00%
Common	Cezar P. Consing	Filipino	1 <sup>2</sup>	Direct	0.00%
Common	John Eric T. Francia	Filipino	16,327,073 <sup>2</sup> 89,872,952	Direct Indirect <sup>1</sup>	0.28%
Common	Nicole Goh Phaik Khim	Malaysian	1	Direct	0.00%
Common	John Philip S. Orbeta	Filipino	1 <sup>2</sup> 8,462,161	Direct Indirect <sup>1</sup>	0.02%
Common	Fernando M. Zobel de Ayala	Filipino	1 532,505,448	Direct Indirect <sup>1</sup>	1.39%
Common	Jaime Augusto M. Zobel de Ayala	Filipino	1 124,098	Direct Indirect <sup>1</sup>	0.00%
Common	Consuelo D. Garcia	Filipino	1,000 900	Direct Indirect <sup>1</sup>	0.00%

<sup>3</sup> The beneficial owners of such shares are the participants of PCD which holds the shares on their behalf or in behalf of their clients. ACEIC's 11,175,442,928 indirect shares are lodged with the PCD.

PCD is a private institution established in March 1995 to improve operations in securities transactions. PCD seeks to provide a fast, safe and highly efficient system for securities settlement. The PCD was organized to implement an automated book-entry system of handling securities transaction in the Philippines.

Common	Ma. Aurora D. Geotina-Garcia	Filipino	1	Direct	0.00%
Common	Sherisa P. Nuesa	Filipino	90,000 1,658,107	Direct Indirect <sup>1</sup>	0.00%
Common	Melinda L. Ocampo	Filipino	24,001	Direct	0.00%
Common	Maria Corazon G. Dizon	Filipino	4,144,123 38,377,321	Direct Indirect <sup>3</sup>	0.11%
Common	Gabino Ramon G. Mejia	Filipino	1,740,475 6,253,478	Direct Indirect <sup>3</sup>	0.02%
Common	Roman Miguel G. de Jesus	Filipino	4,129,895 13,691,503	Direct Indirect <sup>3</sup>	0.05%
Common	Solomon M. Hermosura	Filipino	0	N/A	0.00%
Common	Dodjie D. Lagazo	Filipino	6,526,166 1,027,613	Direct Indirect <sup>3</sup>	0.02%
Common	Alan T. Ascalon	Filipino	560,173 826,328	Direct Indirect <sup>3</sup>	0.00%
Common	Irene S. Maranan	Filipino	1,195,905 2,821,317	Direct Indirect <sup>3</sup>	0.01%
Common	Jose Maria Eduardo P. Zabaleta	Filipino	0	N/A	0.00%
Common	Ronald F. Cuadro	Filipino	500,000	Indirect	0.00%
Common	Arnel A. Racelis	Filipino	22,300	Indirect	0.00%
<b>TOTAL</b>			<b>34,738,818</b> <b>697,093,976</b> <b>731,832,794</b>	<b>Direct</b> <b>Indirect</b> <b>Total</b>	<b>.1%</b> <b>1.8%</b> <b>1.9%</b>

<sup>1</sup> The indirect shares held by the following directors: Messrs. Jose Rene Gregory D. Almendras, John Eric T. Francia, John Philip S. Orbeta, Fernando M. Zobel de Ayala, and Jaime Augusto Zobel de Ayala and Ms. Sherisa P. Nuesa, Consuelo D. Garcia, Ma. Aurora Geotina-Garcia, and Melinda L. Ocampo are lodged with the PCD Nominee.

<sup>2</sup> The one (1) nominal share of each of Messrs. Jose Rene Gregory D. Almendras, Cezar P. Consing, John Eric T. Francia, and John Philip S. Orbeta are qualifying shares held in trust for AC Energy and Infrastructure Corporation.

<sup>3</sup> The indirect shares held by the following officers: Messrs. Roman Miguel G. de Jesus, Gabino Ramon G. Mejia, Dodjie D. Lagazo, Alan T. Ascalon, Ronald F. Cuadro, and Arnel A. Racelis and Ms. Maria Corazon G. Dizon, and Irene S. Maranan are lodged with the PCD Nominee.

Fernando M. Zobel de Ayala, Chairman of the Board of Directors (“Board”) of the Company, owns 1.39% of the outstanding capital stock of the Company. No director or member of the Company’s management owns more than two percent (2%) of the outstanding capital stock of the Company.

No change of control of the Company has occurred since the beginning of the last financial year.

iii. Voting Trust Holders of 5% or more

ACEN is not aware of any person holding five percent (5%) or more of the Company’s outstanding shares under a voting trust agreement or similar agreement.

iv. Changes in Control

There are no arrangements that may result in a change in control of ACEN.

## Item 5. Directors and Executive Officers

Article IV, Section 1, of the By-Laws provides:

Qualification and Election. – The general management of the Company shall be vested in a board of eleven (11) directors who shall be stockholders and who shall serve as such until the election and qualification of their successors. Any vacancy in the Board shall be filled by a majority vote of the Board at a regular meeting or at a special meeting called for the purpose, and the directors so chosen shall serve for the unexpired term.

The Board held four (4) regular meetings, three (3) special meetings, and one (1) organizational meeting in 2021. The details of the matters taken up during the board meetings are included in the Definitive Information Statement sent to the stockholders.

The attendance of the directors at the meetings of the Board and of stockholders held in 2021 is as follows:

Directors	22 January 2021	18 March 2021	14 April 2021	14 April 2021	4 August 2021	18 October 2021	11 November 2021	13 December 2021	15 December 2021	No. of Meetings Present	Percent Present
	Special	Regular	ASM	Organizational	Regular	Special	Regular	Regular	SSM		
Fernando M. Zobel de Ayala	/	/	/	/	/	/	/	/	/	9/9	100%
Jaime Augusto M. Zobel de Ayala	/	/	/	/	/	/	/	/	/	9/9	100%
John Eric T. Francia	/	/	/	/	/	/	/	/	/	9/9	100%
Gerardo C. Ablaza, Jr. <sup>4</sup>	/									1/1	100%
Jose Rene Gregory G. Almendras	/	/	/	/	/	/	X	/	/	8/9	89%
Cezar P. Consing			/	/	/	/	/	/	/	7/7	100%
John Philip S. Orbeta	/	/	/	/	/	/	/	/	/	9/9	100%
Nicole Goh Phaik Khim <sup>5</sup>		/	/	/	/	/	/	/	/	8/8	100%
Ma. Aurora Geotina-Garcia (Independent)	/	/	/	/	/	/	/	/	/	9/9	100%
Consuelo D. Garcia (Independent)	/	/	/	/	/	/	/	/	/	9/9	100%
Sherisa P. Nuesa (Independent)	/	/	/	/	/	/	/	/	/	9/9	100%
Melinda L. Ocampo (Independent)	/	/	/	/	/	/	/	/	/	9/9	100%
Mario Antonio V. Paner (Independent) <sup>6</sup>	/	/								2/2	100%

As of 10 March 2022, the Board has held one (1) special meeting and one (1) regular meeting in 2022. The details of the matters taken up during the board meetings are included in the Definitive Information Statement sent to the stockholders.

The attendance of the directors at the meetings of the Board held in 2022 is as follows:

Directors	21 January 2022	8 March 2022	No. of Meetings Present	Percent Present
	Special	Regular		
Fernando M. Zobel de Ayala	/	/	2/2	100%
Jaime Augusto M. Zobel de Ayala	/	/	2/2	100%
John Eric T. Francia	/	/	2/2	100%
Jose Rene Gregory G. Almendras	/	/	2/2	100%
Cezar P. Consing	/	/	2/2	100%
John Philip S. Orbeta	/	/	2/2	100%
Nicole Goh Phaik Khim <sup>7</sup>	/	/	2/2	100%
Ma. Aurora Geotina-Garcia (Independent)	/	/	2/2	100%
Consuelo D. Garcia (Independent)	/	/	2/2	100%
Sherisa P. Nuesa (Independent)	/	/	2/2	100%
Melinda L. Ocampo (Independent)	/	/	2/2	100%

<sup>4</sup> Mr. Ablaza resigned as director of the Company effective 18 March 2021.

<sup>5</sup> Ms. Goh was elected as director of the Company to replace Mr. Ablaza on 18 March 2021.

<sup>6</sup> Mr. Paner's term as director of the Company expired on 19 April 2021.

<sup>7</sup> Ms. Goh was elected as director of the Company to replace Mr. Ablaza on 18 March 2021.



To aid in compliance with the principles of good corporate governance, the Board constitutes committees which directly report to the Board in accordance with duly approved procedures.

As of 28 March 2022, the board committees and their members are as follows:

		Audit Committee	Board Risk Management and Related Party Transactions Committee	Corporate Governance and Nomination Committee	Executive Committee	Personnel and Compensation Committee	Sustainability Committee
1	Fernando M. Zobel de Ayala				C		
2	Jaime Augusto M. Zobel de Ayala				M		
3	John Eric T. Francia				M		
4	Jose Rene Gregory G. Almendras						
5	Cezar P. Consing				M <sup>8</sup>	M <sup>9</sup>	C
6	John Philip S. Orbeta					C <sup>10</sup>	
7	Nicole Goh Phaik Khim <sup>11</sup>	M <sup>12</sup>	M <sup>13</sup>				
8	Ma. Aurora Geotina-Garcia (Independent)	C	M <sup>14</sup>				
9	Consuelo D. Garcia (Independent)	M		C		C <sup>15</sup>	
10	Sherisa P. Nuesa (Independent)		C	M <sup>16</sup>	M	M	
11	Melinda L. Ocampo (Independent)		M	M			M

a. Information required of directors and executive officers

i. Board of Directors

The following have been nominated to the Board for election at the annual stockholders' meeting, and have accepted their respective nominations:

JAIME AUGUSTO ZOBEL DE AYALA	FERNANDO ZOBEL DE AYALA
JOSE RENE GREGORY D. ALMENDRAS	CEZAR P. CONSING
JOHN ERIC T. FRANCIA	CONSUELO D. GARCIA
MA. AURORA D. GEOTINA-GARCIA	NICOLE GOH PHAIK KHIM
SHERISA P. NUESA	MELINDA L. OCAMPO
DEAN L. TRAVERS	

Except for Ms. Nicole Goh and Mr. Travers, who were nominated by Arran, all other nominees were formally nominated to the Corporate Governance and Nomination Committee of the Board by a minority stockholder of the Company, Vann Allen P. dela Cruz, who holds one hundred fifty-eight thousand five hundred twenty-five (158,525) common shares, or 0.00% of the total outstanding voting shares of the Company, and who is not related to any of the nominees. Mdmes. Consuelo D. Garcia, Ma. Aurora Geotina-Garcia, Sherisa P. Nuesa, and Melinda L. Ocampo, are all being nominated as independent directors in accordance with Securities Regulation Code (“SRC”) Rule 38 (Requirements on Nomination and Election of Independent Directors). The Corporate Governance and Nomination Committee evaluated the qualifications of all the nominees and prepared the final list of nominees in accordance with the By-Laws and the Charter of the Board of the Company.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

<sup>8</sup> Mr. Consing was appointed as Member of the Committee on 19 April 2021.

<sup>9</sup> Mr. Consing was appointed as Member of the Committee on 19 April 2021.

<sup>10</sup> Until 19 April 2021.

<sup>11</sup> Ms. Goh was elected as director of the Company to replace Mr. Ablaza on 18 March 2021.

<sup>12</sup> Ms. Phaik Khim was appointed as Member of the Committee on 19 April 2021.

<sup>13</sup> Ms. Phaik Khim was appointed as Member of the Committee on 19 April 2021.

<sup>14</sup> Until 19 April 2021.

<sup>15</sup> Ms. Garcia was appointed as Chairperson of the Committee on 19 April 2021.

<sup>16</sup> Ms. Nuesa was appointed as Member of the Committee on 19 April 2021.

The Board of ACEN is responsible for the overall management and direction of the Company. The Board meets quarterly, or as often as required, to review and monitor the Company's financial position and operations and decide on such other matters as may be required by law to be decided by the Board. The Company's directors are elected at the annual stockholders' meeting to hold office for one year and until their respective successors have been elected and qualified.

Fernando M. Zobel de Ayala, Chairman of the Board of the Company, owns 1.39% of the outstanding capital stock of the Company. No director holds more than two percent (2%) of the Company's issued and outstanding capital stock.

A summary of the qualifications of the incumbent directors who are nominees for directors for election at the stockholders' meeting, and the nominees for independent director and incumbent officers is set forth in **Annex "A"**.

No director has resigned nor declined to stand for re-election to the Board since the date of the last annual meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

The officers of the Company are elected annually by the Board during its organizational meeting.

The Board commits to a formal assessment process to review and evaluate the performance of the Board, its Committees, and its individual members. The purpose of the assessment is to measure the effectiveness of the Company's governance practices and identify areas for improvement; and to adopt new methodologies towards further strengthening the company's corporate governance standards.

In 2020, AON was appointed as the independent consultant to assist in the board assessment exercise.

Each of the directors was requested to complete a self-assessment form which includes Board evaluation categories such as: (1) board composition, (2) roles and functions, (3) information management, (3) representation of shareholders and environment, social and governance factors, (4) managing the Company's performance, (5) senior executive's performance management and succession planning, (6) director development and management, (7) risk management and internal control, and (8) overall perception.

The results of the self-assessment survey, including the comments of the directors, were compiled by the Corporate Secretary and reported during the Board meeting immediately following the completion of the survey. A copy of the Board, Board Committee, and Individual Effectiveness Evaluation Report may be accessed at link: <https://acen.com.ph/disclosures/acen-board-committee-and-individual-assessment-report/>.

ii. Significant Employee

Other than the directors and officers of the Company, no other employee has significant influence on ACEN's major and/or strategic planning and decision-making.

iii. Family Relationships

Fernando Zobel de Ayala, Chairman and director, and Jaime Augusto Zobel de Ayala, Vice-Chairman and director, are brothers. Except for the foregoing, there are no known family relationships between the current members of the Board and key officers.

Other than the foregoing family relationships, none of the directors, executive officers or persons nominated to be elected to ACEN's Board are related up to the fourth civil degree, either by consanguinity or affinity.

iv. Independent Directors

The independent directors of ACEN for the year ending 31 December 2021 and for the current year as of the submission of this Statement are as follows:

1. Ms. Consuelo D. Garcia
2. Ms. Aurora D. Geotina-Garcia
3. Ms. Sherisa P. Nuesa
4. Ms. Melinda L. Ocampo

The incumbent independent directors were nominated by Mr. Vann Allen P. dela Cruz, a minority stockholder of the Company, who holds one hundred fifty-eight thousand five hundred twenty-five (158,525) common shares, or 0.00% of the total outstanding voting shares of the Company. Mr. dela Cruz is not related to any of the independent directors either by consanguinity or affinity.

The independent directors of ACEN are not officers or substantial stockholders of the Company.

v. Involvement in Certain Legal Proceedings

As of 28 March 2022, ACEN has no knowledge and/or information that any of the Company’s directors, officers or nominees for election as Directors is, presently or during the last five (5) years, involved in any material legal proceeding which will have any material effect on the Company, its operations, reputation, or financial condition.

As of 28 March 2022, Ms. Ma. Aurora Geotina-Garcia, independent director, is subject of the following criminal or administrative investigation or proceedings:

Offense charged / investigated	Tribunal / agency involved	Status
<p>Libel during Ms. Geotina-Garcia’s term as director of the Bases Conversion and Development Authority (“BCDA”) Board (Crim. Case No. 150045-PSG)</p>	<p>Branch 167 of the Pasig City Regional Trial Court</p> <p>Case elevated to the Court of Appeals is pending</p>	<p>In an Order dated 18 September 2020, the trial court granted Ms. Geotina-Garcia’s demurrer to evidence and dismissed the case for insufficiency of the prosecution’s evidence. The dismissal is equivalent to an acquittal, which is immediately final and executory.</p> <p>The prosecution filed a Motion for Reconsideration dated 15 October 2020, which was denied by the court at the hearing held on 23 October 2020.</p> <p>The private complainant filed a Petition for Certiorari dated 9 December 2020 with the Court of Appeals, alleging grave abuse of discretion on the part of the trial court in granting the demurrer to evidence and dismissing the case for insufficiency of the prosecution’s evidence. In a Resolution dated 24 May 2021, the Court of Appeals required the respondents to file a comment. The respondents filed their Comment dated 19 July 2021.</p>
<p>Criminal complaint for acts of the BCDA’s Board during Ms. Geotina-Garcia’s term as BCDA director (OMB-C-C-12-0287-G)</p>	<p>Case filed with the Office of the Ombudsman was dismissed. Case elevated to the Supreme Court by complainant is pending.</p>	<p>The Office of the Ombudsman dismissed the complaint on 15 January 2016. The appeal before the Supreme Court was dismissed in a Decision dated 13 January 2021. The petitioner filed a Motion for Reconsideration dated 9 February 2022 and is pending resolution.</p>

Administrative complaint for acts of the BCDA’s Board during Ms. Geotina-Garcia’s term as BCDA director (OMB-C-A-12-1308-G)	Case filed with the Office of the Ombudsman was dismissed. Case was elevated to the Court of Appeals.	The Office of the Ombudsman dismissed the complaint. The complainant, CJH DevCo, filed a Petition for Review before the Court of Appeals (CA-G.R. SP No. 145849), which was likewise dismissed. CJH DevCo filed a Motion for Reconsideration, which was denied by the Court of Appeals. Ms. Geotina-Garcia is not aware of any appeal or petition filed by CJH DevCo from the Court of Appeals’ rulings.
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The libel case is a nuisance case filed against Ms. Geotina-Garcia, as then member of the Board of BCDA. While the private complainant has filed a petition for certiorari with the Court of Appeals to question the dismissal of the libel case, the petition is susceptible to outright dismissal for having been filed out of time. Moreover, the private complainant must show grave abuse of discretion on the part of the trial court, which is difficult to do. In any case, the Court of Appeals has not required Ms. Geotina-Garcia and her co-respondents to file a comment on the petition. Meanwhile, the administrative and criminal complaints filed against Ms. Geotina-Garcia as a member of the Board of BCDA have already been dismissed by the Office of the Ombudsman showing the lack of basis and merits to the charges. Notwithstanding the pendency of these cases, the Company believes that these cases will not and do not in any way affect Ms. Geotina-Garcia’s ability and bias her judgement and independence to act as an independent director of the Company. Further, the issues raised therein, as well as the parties to these cases, are not related in any way to the Company or any of its business.

On 28 July 2020, ACEN was provided a copy of the Complaint-Affidavit filed by the Philippine Coast Guard (“PCG”) with the Office of the City Prosecutor (“OCP”) against Mr. John Eric T. Francia, director, in his capacity as President of ACEIC for violation of Section 107 of Republic Act (“RA”) No. 8550, as amended by RA No. 10654, or The Philippine Fisheries Code of 1998. On 24 September 2020, ACEIC received a subpoena addressed to Mr. Francia requiring him to appear before the OCP and to submit his counter-affidavit. On 24 October 2020, Mr. Francia submitted his counter-affidavit to the OCP by courier.

The alleged violation is connected with the accidental discharge of fuel oil by ACEN’s Power Barge (“PB”) 102 on 3 July 2020. PB 102 is operated and maintained by BPGC.

On 4 December 2020, Mr. Francia through counsel received a copy of the Reply Affidavit of PCG Commander Joe Luviz Mercurio contending, among others that, (1) ACEIC, as the parent company of ACEN, exercises general management authority over ACEN pursuant to a supposed “management contract” between the two (2) corporations, and (2) BPGC does not have full control over the maintenance and operations of PB 102. On 4 February 2021, Mr. Francia, through his counsel, filed by courier his Rejoinder Affidavit with the OCP.

On 12 August 2021, Mr. Gambito through counsel received the OCP’s Resolution dated 30 June 2021 which found no probable cause to indict respondents ACEIC, Mr. Francia, and Mr. Gambito, and therefore recommended the dismissal of the complaint for lack of sufficient factual and legal basis. No Motion for Reconsideration by the PCG has been received by any of the respondents to date.

Furthermore, none of the Company’s directors and senior executive officers have been the subject of the following during the last five (5) years: (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign; (c) 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 involvement in any type of business, securities, commodities or banking activities; or (d) a finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading, market or self-regulatory organization, of violation of the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

b. Certain Relationships and Related Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

In the ordinary course of business, the Group transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. Outstanding balances at period-end are unsecured and are to be settled in cash throughout the financial year.

ACEN served as the guarantor for the US\$400.00 million senior undated fixed-for-life (non-deferrable) Notes with a fixed coupon of 4.00% for life, with no step-up and no reset, priced at par, issued by ACEN Finance Limited on 8 September 2021, under its medium-term note (MTN) Programme. Proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN's Green Bond Framework.

The transactions and balances of accounts as at and for the year ended 31 December 2021, 2020, and 2019 with related parties are as follows:

**Transaction with ACEIC, the Parent Company**

Nature	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
Development Loans	₱–	₱–	₱–	₱9,596,286	₱–	interest bearing, unsecured
Interest Income / Receivable	142,152	–	–	144,621	–	30-day, non-interest bearing
Management Fees Income	34,785	387,138	–	26,196	14,890	30-day, non-interest bearing
Management Fees (Expense)	456,026	462,602	38,664	(132,893)	(305,350)	30-day, non-interest bearing
SAP IT Support Services	–	8,744	–	–	(7,530)	30-day, non-interest bearing
Lease assignment	–	50,767	–	–	(50,666)	30-day, non-interest bearing
Due from related parties	–	–	–	110,373	110,373	Due and demandable
Due to related parties	–	6,809	–	–	(6,809)	Due and demandable

*Management Fees*

The Parent Company and its subsidiaries BPGC, CIP II and Guimaras Wind Corporation have management contracts with PHINMA, Inc. These Management Contracts were assigned to ACEIC on 25 June 2019 through the execution of a Deed of Assignment.

*Loans Receivable*

On 14 May 2021, the Group and ACEIC entered into an uncommitted interest-bearing short-term loan facility. The interest-bearing loan has a total facility of US\$265.00 million and bears an interest rate equivalent to the sum of (a) applicable average 5-day USD 1-year LIBOR rate immediately prior to the actual drawing; and (b) 2.00% - 2.25%. The principal and interest are payable within one year from the drawdown date. First drawdown was made on 17 May 2021.

Total drawdowns amounted to US\$189.00 million (₱9,060.20 million) in 2021.

As at and for the year ending 31 December 2021, outstanding receivable from ACEIC is US\$189.00 million (₱9,596.28 million) while interest income amounted to US\$2.8million (₱144.62 million).

**Development and Debt Replacement Loans Receivables**

Nature	Related Party	Outstanding Balance		Terms
		2021	2020	
Development Loans				
	Greencore Power Solutions 3, Inc. ("Greencore")	₱212,292	₱–	interest bearing, unsecured
	The Blue Circle ("TBC")	658,437	467,775	Due in 2022, interest bearing
	UPC-AC Energy Solar Limited ("UPC-ACE Solar")	1,015,480	744,558	Due in 2023, interest bearing
	Yoma Strategic Investments Ltd ("Yoma")	1,219,173	1,153,683	Due in 2022, interest bearing
	UPC Renewables Australia Pty. Ltd.	–	1,092,894	Due in 2021, interest bearing

Debt Replacement Loans			
Greencore	<b>2,078,400</b>	–	interest bearing, unsecured
BIM Wind Joint Stock Company (“BIM Wind”)	<b>4,325,183</b>	864,648	10 years, interest bearing
BIM Renewable Energy Joint Stock Company (“BIMRE”)	<b>1,914,180</b>	1,666,849	12 months, interest bearing
Asian Wind Power 1 HK Ltd. (“Asian Wind 1”)	<b>2,883,963</b>	2,728,445	Due in 2022, interest bearing
Vietnam Wind Energy Limited (“VWEL”)	<b>3,637,879</b>	1,026,754	Due in 2022, interest bearing
Asian Wind Power 2 HK Ltd. (“Asian Wind 2”)	<b>2,414,151</b>	996,603	25 years, interest bearing

#### *Receivables from Greencore*

On 4 February 2021, ACEN signed an Omnibus Agreement with Greencore ACE Endeavor, Inc. and Citicore Solar Energy Corp. for the financing of the PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the “Solar Project”).

Under the Omnibus Agreement, ACEN will be extending a term loan facility to Greencore in the amount of up to ₱ 2.675 billion to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start up, testing, delivery, ownership, operation and maintenance of the power plant, which is expected to be operational in November 2021. The loan will be secured by (1) a real estate mortgage over Greencore’s real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of Greencore in favor of ACEN, and (3) the cashflows of the Solar Project.

#### *Receivables from TBC (Associate)*

In 2018, the Group and TBC entered into an interest-bearing loan agreement to fund the development costs for the pipeline projects of TBC. The development loan facility granted to TBC on 26 April 2018 with an initial aggregate principal amount of up to \$10 million which was further extended to \$20 million in February 2019. The loan receivable from an associate is a non-trade, interest-bearing loan, repayable in cash upon maturity on 30 June 2022.

Total drawdowns amounted to US\$3.2 million (₱162.48 million) in 2021 while principal payments totaling US\$12.14 million (₱583.14 million) were made in 2020.

#### *Receivables from UPC-ACE Solar (Joint venture)*

In 2019, the Group and UPC-ACE Solar entered into an interest-bearing loan agreement to fund the development and construction of renewable energy assets in Asia. The interest-bearing loan has a total facility of US\$20.00 million and bears an annual fixed interest. The principal and the related interest are payable on 31 January 2023.

Total drawdowns and principal payments made in 2021 and 2020 amounted to US\$13.3 million (₱679.29 million) and US\$8.80 million (₱306.29 million), respectively.

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 20.00 million (₱1,015 million) and US\$15.50 million (₱744.56 million), respectively.

#### *Receivables from Yoma (Affiliate)*

In 2019, the Group and Yoma, signed a term sheet, which includes an interest-bearing loan for the development of Yoma Micro Power. The interest-bearing loan has a total facility amount of US\$25.00 million, bears an annual fixed interest, and is payable upon maturity. The loan is covered by a Guarantee Agreement between the Group (as "Lender") and Yoma (as "Guarantor"). The Guarantee Agreement stands as security for the prompt and complete payment, where the Guarantor irrevocably and unconditionally undertakes that in case of default, the Guarantor shall pay the Lender the guaranteed obligations as if the Guarantor instead of the Borrower were expressed to be the principal obligor without any further proof or condition and without any investigation or enquiry. The loan is repayable upon maturity on 30 June 2022.

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$24.01 million (₱1,219.17 million) and US\$24.02 million (₱1,153.63 million), respectively.

*Receivables from UPC Renewables Australia Pty. Ltd. (Joint venture)*

On 9 December 2020, the Group entered into a loan facility agreement with UPC Renewables Australia Pty. Ltd. for the implementation of the borrower's business plans amounting to US\$20.96 million. The principal and interests were paid during the year.

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to nil and US\$22.75 million (P1,092.89 million), respectively.

*Receivables from BIMRE (Joint venture)*

In 2020, the Group and BIMRE entered into an interest-bearing loan agreement to partially fund the construction of the incremental project expansion. The interest-bearing loan has a total facility amount of US\$40.00 million, bears an annual fixed interest and is payable 12 months from the drawdown date. First drawdown was made on June 9, 2020.

On 4 January 2021, the Group made another drawdown amounting to US\$3.00 million (P144.06 million).

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$37.70 million (P1,921.15 million) and US\$34.70 million (P1,666.85 million), respectively.

*Receivables from Asian Wind I (Joint venture)*

In 2020, the Group and Asian Wind 1 entered into an interest-bearing loan agreement to refinance the Preferred B Facility Agreement and to provide additional funding for the development, financing and construction of the Dai Phong Project. The interest-bearing loan has a total facility of US\$61.00 million, bears an annual fixed rate, and is payable 12 months from the projects' commissioning date. On 29 December 2021, the debt replacement facility maturity date was amended to 30 June 2022. For this loan agreement, drawdown was made on 20 May 2020.

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$56.80 million (P2,883.96 million) and US\$56.80 million (P2,728.45 million), respectively.

*Receivables from VWEL (Joint venture)*

In 2020, the Group and VWEL entered into an interest-bearing loan facility to provide bridge financing and to partially fund the construction of the Soc Trang Wind projects. The interest-bearing loan has a total facility of US\$19.00 million and bears an annual fixed rate payable from the first utilization date. The loan is repayable on the earlier of 30 June 2021 or 5 days from the issuance of a certificate of registration for Debt Replacement from the State Bank of Vietnam. On 25 June 2021, the facility agreement was amended to: (a) increase the aggregate principal amount to \$86.0 million, and (b) extend maturity date to 31 December 2021. On 31 December 2021, the loan facility was further amended to: (a) increase the principal aggregate amount to \$89.0 million, and (b) extend the maturity date to 30 June 2022.

Total drawdowns for the year ended 31 December 2021 amounted to US\$50.27 million (P2,552.60 million).

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 71.64 million (P3,637.88 million) and US\$21.37 million (P1,026.75 million), respectively.

*Receivables from Asian Wind 2 (Joint venture)*

On 14 April 2020, the Group entered into an interest-bearing loan agreement with Asian Wind 2 to make available a Preferred B Facility in an aggregated amount not exceeding US\$54.00 million (P2,617.00 million) to finance the development and construction of the Hong Phong 1 Project. The principal and interest are payable on the earlier of 5 business days from the date of drawdown of the Debt Replacement facility or the 25th anniversary of the drawdown date. The first drawdown was made on 8 September 2020.

Total drawdowns made for the year ended 31 December 2021 amounted to US\$26.80 million (P1,360.74 million).

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 44.85 million (P2,285.36 million) and US\$20.75 million (P996.60 million), respectively. Interest income amounted to US\$ 3.21 million (P157.35 million), US\$ 3.21 million (P157.35 million) and US\$ 0.03 million (P1.39 million) in 2021, 2020 and 2019, respectively.

### Interest Income and Receivable

Accrued interest income relates primarily to the dividend yields from the Company's investments in the redeemable preferred shares and interest from loans extended to its related parties.

Related Party	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
AMI AC Renewables Corporation (AAR)	<b>₱579,614</b>	₱224,102	₱107,860	<b>₱596,277</b>	₱127,869	30-day, non-interest bearing
Asian Wind 1	<b>379,669</b>	145,554	128,330	<b>144,621</b>	333,178	30-day, non-interest bearing
Asian Wind 2	<b>367,250</b>	83,383	–	<b>479,550</b>	96,768	30-day, non-interest bearing
BIM Energy Holdings (BIMEH)	<b>27,414</b>	26,713	14,160	<b>2,488</b>	40,852	30-day, non-interest bearing
BIMRE	<b>342,646</b>	132,037	112,550	<b>208,096</b>	55,768	30-day, non-interest bearing
BIM Wind	<b>308,590</b>	–	–	<b>140,212</b>	1,919	30-day, non-interest bearing
TBC	<b>56,572</b>	58,110	72,450	<b>74,101</b>	19,725	30-day, non-interest bearing
UPC Renewables Asia III Ltd. (UPC Asia III)	<b>201,669</b>	200,789	4,640	<b>55,789</b>	137,062	30-day, non-interest bearing
UPC-ACE Solar	<b>205,636</b>	59,495	19,290	<b>276,126</b>	65,336	30-day, non-interest bearing
UPC-AC Energy Australia (HK) Ltd.	<b>600,597</b>	93,941	–	<b>494,156</b>	93,886	30-day, non-interest bearing
VWEL	<b>549,197</b>	138,140	–	<b>733,811</b>	160,412	30-day, non-interest bearing
Yoma	<b>48,324</b>	33,757	3,710	<b>84,490</b>	33,737	30-day, non-interest bearing
Greencore	<b>57,387</b>	–	–	<b>53,766</b>	–	30-day, non-interest bearing
	<b>3,724,565</b>	1,196,021	462,990	<b>3,561,869</b>	1,166,512	

Loan receivables from related parties bear interest ranging from 2.65% to 12.00% per annum.

### Loans Payable

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
<b>Bank of the Philippine Islands</b>						
Interest Expense/Interest Payable	<b>₱115,256</b>	₱–	₱–	<b>(₱9,533)</b>	(₱146,196)	30 days, unsecured
Long-term loans (Note 19)	–	–	–	<b>(2,079,133)</b>	(2,233,530)	12 years, interest bearing
<b>UPC Holdco II</b>						
Interest Expense/Interest Payable	–	15,308	–	–	(61,341)	30 days, unsecured
Long-term loans (Note 19)	–	–	–	–	(135,383)	5 years, interest bearing
	–	–	–	–	–	

### Right of Use Assets / Lease Liabilities

The Group entered into lease agreements with Ayala Land, Inc. (“ALI”) and Fort Bonifacio Development Corporation (“FBDC”), both affiliates, for the use of the latter's office unit and parking spaces.

	Amortization / Interest Expense			ROU (Lease Liabilities)		Terms
	2021	2020	2019	2021	2020	
<b>ALI</b>						
Right of use Assets (Note 14)	<b>₱93,899</b>	₱13,998	₱3,645	<b>₱930,453</b>	₱21,617	10 years, unsecured
Lease Liabilities (Note 14)	<b>38,847</b>	1,270	454	<b>(990,107)</b>	(25,834)	10 years, unsecured
<b>FBDC</b>						
Right of use Assets (Note 14)	<b>9,227</b>	–	–	<b>11,500</b>	–	3 years, unsecured
Lease Liabilities (Note 14)	<b>435</b>	–	–	<b>(9,771)</b>	–	3 years, unsecured



## Other Related Party Transactions

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
Management Fees	<b>₱53,160</b>	₱35,290	₱–	<b>₱25,860</b>	₱14,499	30-days, unsecured
Income						
Rental Income	<b>16,737</b>	3,376	–	<b>1,674</b>	563	30-days, unsecured
Cost of sale of electricity	<b>472,004</b>	116,378	758,974	<b>(94,110)</b>	(128,447)	30-days, unsecured
Due from related parties	3,465	–	–	<b>246,694</b>	70,556	On demand, Unsecured
Due to related parties	–	–	–	<b>(596,079)</b>	(155,683)	On demand, Unsecured

“Management Fees Income” pertains to service fees billed by the Group to its related parties under common control and joint venture & associates for providing a full range of business process outsourcing services, such as, but not limited to, financial and general accounting/ bookkeeping services, human resources management, manpower related services and other related functions.

“Rental income” pertains to revenue from a sublease agreement with Ingrid Power Holdings, Inc.

The Parent Company purchases the entire net electricity output of Maibarara Geothermal, Inc.

The amount “due from related parties” pertains mostly to advances including those for project development or reimbursement of expenses. These are non-trade, interest-free, repayable on demand, and to be settled in cash.

The amount “due to related parties” pertain to advances, including those for development cost, utilities expense, professional services and other miscellaneous expenses. These are non-trade, interest-free, repayable on demand, and to be settled in cash.

## Receivables from Employees and Officers

Receivables from officers and employees amounting to ₱78.36 million in 2021 and ₱16.60 million in 2020 pertain to housing, car, salaries, and other loans granted to the Group’s officers and employees.

## Payable to Directors and Stockholders

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
<b>Accrued director’s and annual incentives (Note 18)</b>						
Directors’ fee and annual incentives	<b>₱23,352</b>	₱30,574	₱8,993	<b>(₱23,352)</b>	(₱30,574)	On demand, Unsecured
<b>Due to stockholders (Note 33)</b>						
Cash Dividends	<b>1,197</b>	547	89,718	<b>(16,585)</b>	(18,272)	On demand, Unsecured

## Compensation of key management personnel

Compensation of key management personnel of the Group are as follows:

	2021	2020	2019
Short-term employee benefits	<b>₱64,215</b>	₱46,195	₱47,943
Post-employment benefits	<b>2,691</b>	2,532	4,405
	<b>₱66,906</b>	₱48,727	₱52,348

## Identification, Review and Approval of Related Party Transactions

All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Group with the same related party, amounting to ten percent (10%) or higher of the Group’s total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50.00 million or five percent (5%) of the Group’s total consolidated

assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

c. Ownership structure and parent company

As of 28 March 2022, ACEIC owns 64.65% of the outstanding voting shares of the Company. The parent company of ACEN is ACEIC. The Company has a management contract with ACEIC until 1 September 2023. Under the contract, ACEIC has general management authority with corresponding responsibility over all operations and personnel of ACEN, including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company.

**Item 6. Compensation of Directors and Executive Officers**

a. Executive Compensation

For the calendar years ended 31 December 2021, 31 December 2020, and 31 December 2019, the total salaries, allowances, and bonuses paid to the directors and executive officers of ACEN are as follows:

Name/Position	Year	Salaries	Bonus	Others
<b>CEO and Top 4 Most Highly Compensated Executive Officers (Total Compensation)</b>				
John Eric T. Francia – Chief Executive Officer				
Roman Miguel G. De Jesus – Executive Director and Head, Commercial Operations				
Jose Maria Eduardo P. Zabaleta – Chief Development Officer				
Ronald F. Cuadro – Vice President, Finance & Controller				
Alan T. Ascalon – Vice President, Legal & Regulatory				
	2021	42,758,279	7,881,015	2,885,739
	2020	15,703,929	2,920,702	2,487,596
	2019	21,478,153	4,630,134	1,945,000

**All Other Officers and Directors as a Group (Total Compensation)**

2021	86,263,095	36,752,738	5,589,101
2020	20,790,154	10,678,528	3,409,929
2019	17,827,743	3,651,125	4,645,000

In 2021, the directors of the Company (including independent directors) received per diems for Board and committee meetings attended, net of tax, as follows:

Director	Total Net Amount (in Php)
Jose Rene Gregory D. Almendras	180,000.00
Cezar P. Consing	288,000.00
John Eric T. Francia	None (executive director)
Nicole Goh Phaik Khim	360,000.00
John Philip S. Orbeta	None (executive director)
Fernando M. Zobel de Ayala	180,000.00
Jaime Augusto M. Zobel de Ayala	270,000.00
Consuelo D. Garcia	954,000.00
Ma. Aurora D. Geotina-Garcia	648,000.00
Sherisa P. Nuesa	774,000.00

Melinda L. Ocampo	720,000.00
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Below is the estimated per diems to be received by the directors of the Company (including independent directors) in 2022, assuming that the proposed compensation of the non-executive directors is approved by the stockholders at the meeting:

<b>Director</b>	<b>Total Gross Amount (Estimate) in Php</b>
Jose Rene Gregory D. Almendras	2,600,000.00
Cezar P. Consing	3,200,000.00
John Eric T. Francia	None (executive director)
Nicole Goh Phaik Khim	3,400,000.00
John Philip S. Orbeta	None (executive director)
Fernando M. Zobel de Ayala	4,000,000.00
Jaime Augusto M. Zobel de Ayala	3,000,000.00
Consuelo D. Garcia	3,300,000.00
Ma. Aurora D. Geotina-Garcia	3,900,000.00
Sherisa P. Nuesa	3,600,000.00
Melinda L. Ocampo	3,200,000.00

The management fees billed by ACEIC to the Company in 2021 include ₱44,355,708 which pertain to compensation of officers.

i. Compensation of Directors

The incumbent executive - directors do not receive allowances, per diem, or bonuses. The incumbent non-executive and/or independent directors are entitled to receive allowances of Php100,000.00 per Board meeting attended, and Php20,000.00 per Committee meeting attended.

There are no other existing arrangements/agreements to which said directors are to be compensated during the last completed fiscal year and the ensuing year.

ii. Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Under ACEN's By-Laws, the Officers of the Company shall hold office for one (1) year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board may be removed by the affirmative vote of the Board.

ACEN does not have written contracts with any of its executive officers or other significant employees.

iii. Compensatory Plan or Arrangement

The compensation received by officers who are not members of the Board consists of salaries, bonuses, and other benefits.

All permanent and regular employees of the Company are covered by the ACEN retirement plan (the "Plan"). The Plan provides benefits upon normal retirement beginning at age sixty (60), early retirement beginning at age fifty (50) with completion of at least ten (10) years of service, voluntary separation beginning upon completion of at least ten (10) years of service, total and physical disability, death, and involuntary separation. The benefits are based on the employee's final monthly basic salary and length of service.

iv. Warrants and Options Outstanding

At the Annual Stockholders' Meeting held on 19 April 2021, stockholders approved the allocation of 960 million common shares to the Employee Stock Ownership Plan (the "Plan") out of the unsubscribed portion of ACEN's capital stock, to be available to qualified employees upon achievement of the Group's goals and the determination of any variable compensation of the grantee. The foregoing Plan replaces the Company's Stock Grants and Stock Options Plan, which does not have any remaining life.

Under the Plan, qualified employees are awarded the option to subscribe to a specified number of ACEN shares based on discounted market price determined by the Personnel and Compensation Committee and are subjected to the Plan's vesting period. The subscription price is equal to the market price of the shares with a discount determined by the Personnel and Compensation Committee at the time of the grant of the option. Grants under the Plan are exercisable in three (3) annual tranches. Any availment is payable within a maximum period of ten (1) years.

In 2021, a total of 8,188,997 shares at a subscription price of Php 6.96 per share were granted under the Plan, subject to the SEC's confirmation that the Plan is an exempt transaction, which confirmation was issued on 4 March 2022.

Total expense arising from the equity-settled share-based payment transaction (included under General and administrative expenses) amounted to ₱3.55 million. There were no grants and availments during 2020 and 2019.

There are no proposed adjustments or amendments to the Plan.

#### **Item 7. Independent Accountants' Appointment**

a. The Audit Committee of ACEN proposed that the accounting firm of SyCip Gorres Velayo & Co. (SGV) be retained as the Company's external auditor for the year 2021. The members of the Audit Committee are as follows:

- |      |                               |   |
|------|-------------------------------|---|
| i.   | Ms. Ma. Aurora Geotina-Garcia | Chairperson (effective 20 April 2020 until present) |
| ii.  | Ms. Consuelo D. Garcia        | Member (effective 20 April 2020 until present)      |
| iii. | Ms. Nicole Goh Phaik Khim     | Member (effective 19 April 2021 until present)      |

SGV has been ACEN's Independent Public Accountant since 1969. The Audit Committee, the Board, and the stockholders of ACEN approved the engagement of SGV as the Company's external auditor for 2021. The services rendered by SGV for the calendar year ended 31 December 2021 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of the Company's annual income tax return, and other services related to filing of reports made with the SEC.

The engagement partner who conducted the audit for Calendar Year 2021 was Mr. Benjamin N. Villacorte, an SEC accredited auditing partner of SGV. This is Mr. Villacorte's fourth year as engagement partner for the Company.

b. **Changes in and disagreements with accountants on accounting and financial disclosure.**

During the past five (5) years, there has been no event in which ACEN and SGV had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

c. ACEN complied with SRC Rule 68, paragraph 3(b)(ix) which requires the rotation of external auditors or signing partners every five (5) years of engagement and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor.

The external auditors for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting and to answer any question. They are likewise given an opportunity to give statements if they desire to do so.

d. **Audit and Audit-Related Fees**

The total external auditors' fees of SGV in 2021 and 2020 amounted to Php 15.29 million and Php 10.80 million, including VAT, respectively:

2021 External Auditor Fees	Amount in Million Pesos (inclusive of VAT)	
	2021	2020
Audit and Audit-Related Fees	₱15.23	₱10.38
Non-Audit Fees	.06	.42
Grand Total	₱15.29	₱10.80

The audit and audit-related fees include the audit of the Company’s annual financial statements, quarterly reviews and other assurance services related to performance of the audit or review of the Company’s financial statements pursuant to the regulatory requirements.

The Audit Committee discusses the nature and scope of the audit with the external auditor before the audit commences. It pre-approves audit fees during its first quarter meeting while plans, scope, and frequency are approved during its third quarter committee meeting. It evaluates and determines non-audit work by the external auditor and reviews the non-audit fees paid to the external auditor, both in relation to their significance to the audit and in relation to the Company’s total expenditure on consultancy.

**e. Tax fees**

No tax consultancy services were secured from SGV for the past two years.

**f. All other fees (Non-Audit Fees)**

Non-audit fees for 2021 and 2020 include training and validation of votes during the annual stockholders’ meeting.

**Item 8. Compensation Plans**

One of the matters that will be presented for the approval of the stockholders is the compensation of directors.

Pursuant to Article IV, Section 4 of the By-Laws, the compensation of directors for their services must be fixed by the stockholders.

On 8 March 2022, the Board of Directors, acting on the endorsement of the Personnel and Compensation Committee approved the endorsement to the stockholders of the following compensation to non-executive directors:

<b>Type of Compensation</b>	<b>Amount (in Php)</b>
Annual Retainer Fee	Director – 1,000,000.00 Chairperson of the Audit Committee – 1,500,000.00 Chairman of the Board – 2,000,000.00
Board of Directors’ Meeting (including organizational meeting)	200,000.00
Committee Meeting	100,000.00
Non-Executive Directors’ Meeting	100,000.00

The market value of the Company’s securities as of 28 March 2022 may be found on page 92 of Annex D, **Management’s Discussion and Analysis (MD&A) or Plan of Operations.**

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or issuance of securities other than for exchange**

**a. Title and Amount of Securities to be Authorized or Issued:**

To be presented for approval of the stockholders is the allotment and issuance of up to Three Hundred Ninety (390) million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV (“UPC Philippines”) (collectively, the “UPC PH Group”) and the listing thereof. The shares to be issued are broken down as follows:

<b>Subscriber</b>	<b>Number of Shares</b>
UPC Philippine Wind Partners Ltd.	19,059,423
Alan Kerr	4,248,813
Wind City Inc.	142,668,634
Estanyol Holdings Ltd.	153,493,200
Tenggay Holdings Ltd,	70,525,763
<b>TOTAL</b>	<b>389,995,833</b>

The foregoing issuance of shares was approved by the Board on 8 March 2022. The list of subscribers constituting the UPC PH Group and the allocation of shares were revised and updated from the previous list below approved by the stockholders during the special stockholders' meeting on 15 December 2021. The allocation of shares was revised as a result of an internal arrangement within the UPC PH Group, wherein the UPC PH principals opted to nominate different holding companies as the subscribers to the shares of the Company:

<b>Subscriber</b>	<b>Number of Shares</b>
UPC Philippine Wind Partners Ltd.	183,900,026
Alan Kerr	4,318,008
PQN Holdings Ltd.	8,473,688
Butterfly Securities Ltd.	3,412,744
Brian E. Caffyn Revocable Trust	85,407,247
Estanyol Holdings Ltd.	61,622,826
Tenggay Holdings Ltd,	42,861,294
<b>TOTAL</b>	<b>389,995,833</b>

b. Description of the Registrant's Securities:

The Company's current authorized capital stock is Forty-Eight Billion Four Hundred Million Pesos (Php 48,400,000,000.00) divided into Forty-Eight Billion Four Hundred Million (48,400,000,000) common shares with a par value of One Peso (P1.00) per share. As of 28 March 2022, 38,315,838,177 shares of the Company are issued and outstanding. Stockholders of the Company enjoy full dividend and voting rights in accordance with the Corporation Code, pro-rata to their shareholdings. Pursuant to Article Seventh of the Company's Articles of Incorporation, stockholders have a pre-emptive right to purchase or subscribe to additional shares, except if: (1) the issue of the said additional shares does not exceed 35% of the resulting total issued and outstanding capital stock, and the additional subscribed capital stock will be used exclusively for the benefit of the Company; or (2) in relation to shares issued in good faith in exchange for property needed for corporate purposes or in payment of a previously contracted debt provided however, that shares to be issued for this purpose shall not exceed sixteen (16) billion shares. Considering that the (1) shares to be issued to the UPC PH Group does not exceed 35% of the resulting total issued and outstanding capital stock of the Company, and (2) additional subscribed capital stock will be used exclusively for the Company's benefit, the issuance will not give rise to the stockholders' pre-emptive rights.

All common shares have full voting rights, and the right to receive dividends. There are no other class of shares which enjoy preferential rights as to voting or dividends. There are no provisions in the Articles or the by-laws that would delay, defer or prevent a change in control of the Company.

c. Nature and approximate amount of consideration received or to be received by the Company and approximate amounts devoted to each purpose for which the net proceeds have been used or are to be used.

The Company will issue up to 390 million common shares to the UPC PH Group in exchange for cash in the aggregate amount of ~Php3.23 billion or Php8.2889 per share. UPC Philippines' principal executive office is located at Italiëstraat 8, 2408 CD Alphen aan den Rijn, The Netherlands. UPC Philippines may be contacted through Mr. David Sutton at david@efawind.com.

Proceeds will be used to pay for the Company's short-term dollar loans by the end of April 2022.

The Company has acquired, in a separate transaction, UPC Philippines' and Ms. Sutton's ownership interest in North Luzon Renewable Energy Corp., Bayog Wind Power Corp., development special purpose vehicles ("SPVs") Buduan Wind Energy Co., Inc, Pangasinan UPC Asia Corporation, Caraballo Mountains UPC Asia Corporation, Sapat Highlands Wind Corporation, and pipeline SPVs Itbayat Island UPC Asia Corporation, Laguna West Renewables, Inc., and Suyo UPC Asia Corporation (the "UPC Philippines Property").

d. If the securities are to be issued other than in a public offering for cash, state reasons for the proposed authorization or issuance and the general effect upon the rights of existing stockholders

The issuance of shares enables the Company to pursue and complete the acquisition of the UPC Philippines Property, which consists of an operating power project, a power project under construction, and development assets, which in turn will increase the Company's attributable capacity and help enable the Company to reach its goal of reaching 5,000 MW of renewables capacity by 2025.

The foregoing issuance of shares will also enable the Company to raise its public ownership level and will also have the effect of diluting the ownership interest of the existing stockholders in the Company to the extent of such shares. Considering that the issuance of up to 390 million shares does not exceed 35% of the resulting total subscribed capital stock of the Company, the existing stockholders of the Company will have no pre-emptive rights as to the issuance of such shares in accordance with paragraph three of Article Sixth of the Articles of Incorporation of the Company which provides as follows:

Sixth. xxx

xxx

That no holder of the capital stock, whether said stock is now or hereafter authorized, shall have any right, as such stockholder, to purchase or subscribe to additional shares of the capital stock which are now or hereafter authorized by the Corporation, if the issue of the said additional stock not to exceed Thirty-Five percent (35%) of the resulting total subscribed capital stock shall be used exclusively for the benefit of the Corporation as determined by resolutions of the Board of Directors.

#### **Item 10. Modification or Exchange of Securities**

There are no matters or actions to be taken up in the meeting with respect to the modification or exchange of securities.

#### **Item 11. Financial and Other Information**

The Management's Discussion and Analysis (MD&A) or Plan of Operations and ACEN's Audited Financial Statements as of 31 December 2021 are attached hereto as **Annexes "D" and "E"**, respectively. A copy of the Integrated Report for the said period will be provided to stockholders of record *via* <https://acen.com.ph/ac-energy-ir-2021/>.

In line with ACEN's commitment to promote responsible business, the Company intends to distribute copies of this Definitive Information Statement (the "**DIS**") through a Quick Response Code ("**QR Code**") and soft copy distribution *via* email or link to the Company's website. The detailed instructions to access information through electronic means and the use thereof is attached hereto as **Annex "F"**.

**THE ANNUAL REPORT ON SEC FORM 17-A FOR THE YEAR ENDED 31 DECEMBER 2021 AND PRINTED COPIES OF THE DIS WILL BE AVAILABLE UPON REQUEST OF STOCKHOLDERS. THE REQUEST MAY BE SENT DIRECTLY TO THE HEAD OF LEGAL AND REGULATORY, ATTY. DODJIE D. LAGAZO, WITH OFFICE ADDRESS AT THE 35<sup>TH</sup> FLOOR, AYALA TRIANGLE GARDENS TOWER 2, PASEO DE ROXAS CORNER AYALA AVENUE, MAKATI CITY AND A COPY WILL BE SENT, FREE OF CHARGE.**

#### **Dividends**

The payment by ACEN of dividends shall be subject to the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration, loan covenants, and financial ratios.

ACEN declares cash or stock dividends to its common stockholders in amounts determined by the Board taking into consideration the results of the Company's operations, its cash position, investments and capital expenditure requirements, and unrestricted retained earnings. The Company also declares special cash dividends where appropriate.

On 18 March 2021, the Company declared dividends of Php 0.06 per share based on then current outstanding shares of 19,960,037,644, or a total amount of PhP1,197,602,258.64 from the unrestricted retained earnings of the Company as of 30 June 2020 to all stockholders of record as of 5 April 2021, payable on or before 19 April 2021. ₱1,195,787,042 of the amount declared was paid to the equity holders of the Parent Company.

On 8 March 2022, the Company declared dividends of Php 0.06 per share on the 38,315,838,177 total outstanding shares of the Company, to be paid on 19 April 2022 to the stockholders on record as of 5 April 2022.

Dividends declared and paid in 2018 up to 2022 were as follows:

Date of Declaration	Dividend			Record Date
	Type	Rate (in PHP)	Amount (in thousands PHP) *	
28 February 2018	Cash	0.04 per share	195,591	14 March 2018
18 August 2020	Cash	0.04 per share	547,699	3 September 2020
18 March 2021	Cash	0.06 per share	1,197,602	5 April 2021
8 March 2022	Cash	0.06 per share	2,298,950	19 April 2022

### Retained Earnings

Retained earnings represent the Group's accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries, joint venture and associates, which are not available for dividend declaration. Retained earnings not available for dividend declaration included in the Group's retained earnings to the extent of (a) the cost of treasury shares amounted to ₱28.66 million and ₱40.93 million as at 31 December 2021 and 2020, respectively, and (b) undistributed earnings of subsidiaries, associates and joint ventures included in the Group's retained earnings amounted to ₱28,633.42 million and ₱23,922.10 million as at 31 December 2021 and 2020, respectively.

As of 28 March 2022, there are no changes in and disagreements with accountants on accounting and financial disclosure. Representatives of SGV, the Company's principal accountants for the current year and for the most recently completed fiscal year are expected to be present at the meeting. Relevant questions for the auditors may be sent to [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph) before and during the meeting.

### **Item 12. Mergers, consolidations, acquisitions and similar matters**

There are no matters or actions to be taken up in the meeting with respect to mergers, consolidations, acquisitions, or similar matters.

### **Item 13. Acquisition or disposition of property**

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Company requiring stockholders' approval under the Revised Corporation Code.

### **Item 14. Restatement of accounts**

- a. As used herein and in other sections of this Information Statement, unless the context otherwise requires, ACEN refers to the Company and its subsidiaries where the Company has control pursuant to SRC Rule 68, Par. 6 (Consolidated Financial Statements).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC) which became effective beginning 1 January 2018. Extensive discussions are made in the Group's financial statements for PFRS 15 and 9, PIC Q&A on Land Classification, and PIC Q&A on Advances to Contractors, as all these standards have significant impact on the Group. The Group will also adopt several amended and revised standards and interpretations in the coming years 2021, 2022, and 2023.

- b. As of the fiscal year ending 2020, there were restatement of 2019 accounts in relation to the new entities acquired by the Company from ACEIC. ACEN entered into a share swap agreement with ACEIC to acquire the latter's ownership interest in various entities (the "Onshore Companies") in exchange for ACEN's issuance of additional primary shares via a tax-free exchange. The parties obtained relevant regulatory approvals to formalize the agreement. On 22 June 2020, the application for the increase in the capital stock was approved by the SEC, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective 1 July 2019, the date when ACEN and the Onshore Companies became under the common control of ACEIC.



- c. As of the fiscal year ending 2021, there were restatement of 2019 and 2020 accounts in relation to the new entities acquired by the Company from ACEIC. ACEN entered into a share swap agreement with ACEIC to acquire the latter's ownership interest in AC Energy International, Inc. and indirect interests in AC Renewables International, Pte. Ltd., AC Energy Cayman and ACE Investments HK Limited (the "Offshore Companies") in exchange for ACEN's issuance of additional primary shares via a tax-free exchange. The parties obtained relevant regulatory approvals to formalize the agreement. On 7 June 2021, the application for the increase in the Company's authorized capital stock was approved by the SEC, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective 1 July 2019, the date when ACEN and the Offshore Companies became under the common control of ACEIC.
- d. Details of ACEN's consolidated balances and the balances of Offshore Companies' assets and liabilities as at December 31, 2020 and January 1, 2020 which were consolidated to the Group are as follows:

	ACEN consolidated balances as at December 31, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at December 31, 2020	ACEN consolidated balances as at December 31, 2020 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	P5,135,474	P22,941,697	P28,077,171
Accounts and notes receivables	6,095,019	10,516,700	16,611,719
Fuel and spare parts	1,391,340	-	1,391,340
Financial assets at fair value through other comprehensive income (FVOCI)	-	12,620,756	12,620,756
Current portion of:			
Input value added tax (VAT)	430,139	8,599	438,738
Creditable withholding taxes	649,271	-	649,271
Other current assets	453,233	191	453,424
<b>Total Current Assets</b>	<b>14,154,476</b>	<b>46,087,943</b>	<b>60,242,419</b>
<b>Noncurrent Assets</b>			
Investments in:			
Financial asset at FVOCI	1,211	379,957	381,168
Associates and joint ventures	6,593,492	12,201,596	18,795,088
Other financial assets at amortized cost	-	15,297,105	15,297,105
Property, plant and equipment	31,837,939	11	31,837,950
Right-of-use assets	2,343,404	-	2,343,404
Investment properties	341,549	-	341,549
Accounts and notes receivables - net of current portion		6,540,288	6,540,288
Goodwill and other intangible assets	2,537,094	-	2,537,094
Deferred income tax assets - net	416,353	-	416,353
Net of current portion:			
Input VAT	1,177,802	-	1,177,802
Creditable withholding taxes	601,840	-	601,840
Other noncurrent assets	3,570,160	(2,266,400)	1,303,760
<b>Total Noncurrent Assets</b>	<b>49,420,844</b>	<b>32,152,557</b>	<b>81,573,401</b>
<b>TOTAL ASSETS</b>	<b>P63,575,320</b>	<b>P78,240,500</b>	<b>P141,815,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	P6,539,227	(P49,037)	P6,490,190
Short-term loans	9,438,600	(4,803,600)	4,635,000
Current portion of long-term loans	707,782	-	707,782
Current portion of lease liabilities	285,001	-	285,001
Income and withholding taxes payable	129,072	216,209	345,281
Due to stockholders	18,272	-	18,272
<b>Total Current Liabilities</b>	<b>17,117,954</b>	<b>(4,636,428)</b>	<b>12,481,526</b>

<b>Noncurrent Liabilities</b>			
Long term loans - net of current portion	21,682,924	(136,551)	21,546,373
Lease liabilities - net of current portion	1,631,628	–	1,631,628
Pension and other employee benefits	50,929	–	50,929
Deferred income tax liabilities - net	127,693	3,288	130,981
Other noncurrent liabilities	1,609,123	85,925	1,695,048
<b>Total Noncurrent Liabilities</b>	<b>25,102,297</b>	<b>(47,338)</b>	<b>25,054,959</b>
<b>Total Liabilities</b>	<b>42,220,251</b>	<b>(4,683,766)</b>	<b>37,536,485</b>

(Forward)

<b>Equity</b>			
Capital stock	₱13,706,957	₱–	₱13,706,957
Additional paid-in capital	8,692,555	–	8,692,555
Other equity reserves	(7,541,223)	36,203,580	28,662,357
Unrealized fair value (loss) gain on equity instruments at FVOCI	(8,169)	151,794	143,625
Unrealized fair value gain on derivative instruments designated as hedges	57,409	–	57,409
Remeasurement loss on defined benefit plans	(6,999)	–	(6,999)
Accumulated share in other comprehensive loss of associates and joint ventures	(2,723)	(227,121)	(229,844)
Cumulative translation adjustments	–	(3,453,708)	(3,453,708)
Retained earnings	5,167,685	1,181,397	6,349,082
Treasury shares	(40,930)	–	(40,930)
Total equity attributable to equity holders of the Parent Company	20,024,562	33,855,942	53,880,504
Non-controlling interests	1,330,507	49,068,324	50,398,831
<b>Total Equity</b>	<b>21,355,069</b>	<b>82,924,266</b>	<b>104,279,335</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱63,575,320</b>	<b>₱78,240,500</b>	<b>₱141,815,820</b>

e.

	ACEN consolidated balances as at January 1, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at January 1, 2020	ACEN consolidated balances as at January 1, 2020 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	₱9,593,248	₱30,037,048	₱39,630,296
Short-term investment	100,000	–	100,000
Accounts and notes receivables	3,122,386	4,294,826	7,417,212
Fuel and spare parts	938,459	–	938,459
Current portion of:			
Input value added tax (VAT)	186,337	4,479	190,816
Creditable withholding taxes	179,007	–	179,007
Other current assets	212,819	–	212,819
	14,332,256	34,336,353	48,668,609
Noncurrent assets held for sale	3,546	–	3,546
<b>Total Current Assets</b>	<b>14,335,802</b>	<b>34,336,353</b>	<b>48,672,155</b>
<b>Noncurrent Assets</b>			
Investments in:			
Financial asset at FVOCI	533,137	21,263,465	21,796,602
Associates and joint ventures	2,534,102	14,538,071	17,072,173
Other financial assets at amortized cost	–	3,374,290	3,374,290
Property, plant and equipment	25,438,929	48	25,438,977
Right-of-use assets	951,750	–	951,750
Investment properties	13,085	–	13,085
Accounts and notes receivables - net of current portion	–	2,389,231	2,389,231
Goodwill and other intangible assets	441,077	–	441,077

	ACEN consolidated balances as at January 1, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at January 1, 2020	ACEN consolidated balances as at January 1, 2020 (As restated)
Deferred income tax assets - net	653,923	–	653,923

*(Forward)*

	ACEN consolidated balances as at January 1, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at January 1, 2020	ACEN consolidated balances as at January 1, 2020 (As restated)
<b>Net of current portion:</b>			
Input VAT	₱372,917	₱–	₱372,917
Creditable withholding taxes	861,208	–	861,208
Other noncurrent assets	2,401,613	–	2,401,613
<b>Total Noncurrent Assets</b>	<b>34,201,741</b>	<b>41,565,105</b>	<b>75,766,846</b>
<b>TOTAL ASSETS</b>	<b>₱48,537,543</b>	<b>₱75,901,458</b>	<b>₱124,439,001</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	₱4,199,576	(₱134,979)	₱4,064,597
Short-term loans	3,556	–	3,556
Current portion of long-term loans	905,931	–	905,931
Current portion of lease liabilities	128,796	–	128,796
Income and withholding taxes payable	41,208	62,153	103,361
Due to stockholders	16,594	–	16,594
<b>Total Current Liabilities</b>	<b>5,295,661</b>	<b>(72,826)</b>	<b>5,222,835</b>
<b>Noncurrent Liabilities</b>			
Long term loans - net of current portion	22,292,698	–	22,292,698
Lease liabilities - net of current portion	852,742	–	852,742
Pension and other employee benefits	71,034	–	71,034
Deferred income tax liabilities - net	350,487	–	350,487
Other noncurrent liabilities	3,289,902	–	3,289,902
<b>Total Noncurrent Liabilities</b>	<b>26,856,863</b>	<b>–</b>	<b>26,856,863</b>
<b>Total Liabilities</b>	<b>32,152,524</b>	<b>(72,826)</b>	<b>32,079,698</b>
<b>Equity</b>			
Capital stock	7,521,775	–	7,521,775
Additional paid-in capital	83,768	–	83,768
Other equity reserves	5,366,480	36,203,580	41,570,060
Unrealized fair value (loss) gain on equity instruments at FVOCI	(96,584)	70,038	(26,546)
Unrealized fair value gain on derivative instruments designated as hedges	(14,742)	–	(14,742)
Remeasurement loss on defined benefit plans	9,254	–	9,254
Accumulated share in other comprehensive loss of associates and joint ventures	(2,107)	(166,047)	(168,154)
Cumulative translation adjustments	–	96,227	96,227
Retained earnings	3,296,295	647,109	3,943,403
Treasury shares	(27,704)	–	(27,704)
Total equity attributable to equity holders of the Parent Company	16,136,435	36,850,907	52,987,341
Non-controlling interests	248,584	39,123,377	39,371,962
<b>Total Equity</b>	<b>16,385,019</b>	<b>75,974,284</b>	<b>92,359,303</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱48,537,543</b>	<b>₱75,901,458</b>	<b>₱124,439,001</b>

- e. The foregoing restatements will not alter the amount available for distribution to the stockholders given that the same does not affect the retained earnings of the Company and calculation of retained earnings available for dividend declaration. Only the consolidated financial statements were affected by the restatement.

## D. OTHER MATTERS

### Item 15. Action with respect to reports

- a. At the last Annual Stockholders' Meeting held on 19 April 2021, the President and CEO reported the results of operations of the Company through an audio-visual presentation.

*Voting and vote tabulation procedures used in the previous meeting.* For the election of Directors, each stockholder was entitled to one (1) vote per share multiplied by the number of board seats provided in the Articles of Incorporation (*i.e.*, eleven (11)). Cumulative voting was allowed for election of members of the Board of Directors. Each stockholder was allowed to vote the number of shares of stock outstanding in his or her own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of Directors to be elected multiplied by the number of his or her shares shall equal, or he or she 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 or her shall not exceed the number of shares owned by him or her as shown in the books of ACEN multiplied by the whole number of Directors to be elected and provided, however, that no delinquent stock shall be voted.

The amendments to the Articles of Incorporation required the affirmative vote of at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote. All other matters in the Agenda that require corporate action required the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and entitled to vote at the Meeting. Abstentions were treated to have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items that required the vote of stockholders were presented for approval of the stockholders at the previous meeting. Voting was through manual and electronic ballot, counted thereafter by the Corporate Secretary in the presence of SGV to validate the counting. The results were tallied in a book kept exclusively for such purpose, and signed by the Corporate Secretary and the External Auditor.

The following matters were likewise presented and approved by the stockholders during the said meeting:

- i. Minutes of the previous Annual Stockholders' Meeting
- ii. Annual Report of Management including the Audited Financial Statements for the year ended 31 December 2021
- iii. Confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting
- iv. Amendments to the Articles of Incorporation
  1. Increase in the Company's authorized capital stock from PHP 24.4 billion divided into 24.4 billion shares, to PHP 48.4 billion divided into 48.4 billion shares; and
  2. Increase in the number of shares exempt from pre-emptive rights from 16 billion common shares to 24 billion common shares, for shares issued in good faith for corporate purposes or payment of a previously contracted debt.
- v. Issuance of 4 Billion Common Shares to Arran
- vi. Issuance of 2 Billion Common Shares Pursuant to the Company's Follow-On Offering
- vii. Issuance of 16,685,800,533 Common Shares to ACEIC in Exchange for ACEIC's International Renewable Energy Assets and Investments
- viii. Stock Ownership Plan
- ix. Delegation of Power and Authority to the Board to Amend the By-Laws
- x. Election of eleven (11) Directors including four (4) independent directors for the ensuing year
- xi. Appointment of external auditor

- b. At the Special Stockholders' Meeting held on 15 December 2021:

*Voting and vote tabulation procedures used in the previous meeting.* The amendments to the Articles of Incorporation required the affirmative vote of at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote. All other matters in the Agenda that require corporate action required the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and

entitled to vote at the Meeting. Abstentions were treated to have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items that required the vote of stockholders were presented for approval of the stockholders at the previous meeting. Voting was through manual and electronic ballot, counted thereafter by the Corporate Secretary in the presence of SGV to validate the counting. The results were tallied in a book kept exclusively for such purpose, and signed by the Corporate Secretary and the External Auditor.

The following matters were likewise presented and approved by the stockholders during the said meeting:

- i. Amendments to the Articles of Incorporation
  1. Change in the corporate name to ACEN Corporation
  2. Removal of oil exploration, mining and related businesses from the Primary Purpose and Secondary Purposes and specification of retail electricity supply and provision of guarantees as part of the Primary Purpose
  3. Change in the principal office to 35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines
- ii. Issuance of up to 942 million common shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited and Mr. Anton Rohner and the listing of the shares to be issued
- iii. Issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued
- iv. Issuance of up to 90 million common shares to the affiliates and/or partners of the NorthWind Power Development Corporation minority shareholders and the listing of the shares to be issued

The voting results of each agenda item, attendance of the directors, officers, and stockholders are duly reflected in the respective Minutes of the previous Annual Stockholders' Meeting and the Special Stockholders Meeting attached as **Annex "B"** of this Information Statement.

- c. For the Annual Stockholders' Meeting on 25 April 2022, the President and CEO will report on the performance of the Company in 2021. The following matters will also be presented for the consideration of the stockholders at such meeting:
  - i. Minutes of the previous Annual Stockholders' Meeting and Special Stockholders' Meeting (see **Annex "B"**)
  - ii. Annual Report of Management (see **Annex "D"**) including the Audited Financial Statements for the year ended 31 December 2021 (see **Annex "E"**)
  - iii. Confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting (see **Annex "C"**)
  - iv. Approval of Compensation of Directors
  - v. Approval of the Management Agreement with South Luzon Thermal Energy Corporation
  - vi. Issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued
  - vii. Election of eleven (11) Directors including four (4) independent directors for the ensuing year
  - viii. Appointment of external auditor and fixing of its remuneration

The approval of the minutes of the previous Annual Stockholders' Meeting and Special Stockholders' Meeting, the approval of Annual Report of Management including the Audited Financial Statements for the year ended 31 December 2021, the confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting, compensation of directors, and the approval of the appointment of the Company's external auditor shall require the affirmative vote or written assent of at least a majority of the stockholders entitled to vote during the Annual Stockholders' Meeting. The approval of the management agreement with SLTEC requires the affirmative vote of stockholders owning at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting through remote communication or in absentia by the stockholders, the Company has set up an online web address (URL) which may be accessed by the

stockholders to register and vote on the matters at the meeting through remote communication or in *absentia*.<sup>17</sup> A stockholder who votes through remote communication or in *absentia* shall be deemed present for purposes of quorum.

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

- (i) Anyone who wishes to make a remark shall identify himself or herself after being acknowledged by the Chairman and shall limit his or her remarks to the item in the Agenda under consideration.
- (ii) On voting procedures, voting shall be done electronically in *absentia*. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.
- (iii) All the items in the Agenda for 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.
- (iv) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his or her vote.
- (v) 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.

The Chairman will adjourn the meeting when the scheduled order of business is completed, and no further business or matter is considered or raised.

#### **Item 16. Matters Not Required to be Submitted**

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

#### **Item 17. Amendment of Charter, By-Laws or Other Documents**

There are no matters or actions to be taken up in the meeting with respect to the amendment of the Company's Charter, By-Laws, or other documents.

#### **Item 18. Other Proposed Action**

- a. Election of the members of the Board, including the independent directors, for the ensuing year
- b. Ratification of all acts of the Board and officers beginning 19 April 2021 to 24 April 2022

The acts of the Board, its Committees, and Management involve the following:

- (i) constitution of Board Committees and appointment of Chairpersons and members;
- (ii) election of lead independent director and officers;
- (iii) updating of lists of attorneys-in-fact and authorized signatories;
- (iv) ratification of the actions of the board committees;
- (v) execution of agreements relating to the properties of the Company;
- (vi) approval of terms of the Company's follow-on offering;
- (vii) 2022 Consolidated and Parent Company Budget;
- (viii) declaration of dividends;
- (ix) approval and adoption of dividend policy;
- (x) approval of reports to be issued by the Company;
- (xi) investment in power generation projects;
- (xii) acquisition of interest in operating projects; and
- (xiii) others.

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<sup>17</sup> The detailed instructions pertaining to the URL and the use thereof are provided for in **Annex "F"** of this Information Statement.

- c. Appointment of external auditor and fixing of its remuneration
- d. Management agreement with SLTEC

A proposal will be submitted to approve the Management Agreement between the Company and SLTEC.

Under Section 43 of the *Revised Corporation Code of the Philippines*, a management contract must be approved by the board of directors and by stockholders owning at least the majority of the outstanding capital stock, or by at least a majority of the members in the case of a non-stock corporation, of both the managing and the managed corporation, at a meeting duly called for the purpose: *Provided*, That (a) where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own or control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or (b) where a majority of the members of the board of directors of the managing corporation also constitute a majority of the members of the board of directors of the managed corporation, then the management contract must be approved by the stockholders of the managed corporation owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote, or by at least two-thirds (2/3) of the members in the case of a non-stock corporation.

ACEIC is the direct majority stockholder of ACEN and indirectly owns the managed corporation SLTEC through ACEN, which directly owns 100% of SLTEC. Thus, the affirmative vote of stockholders owning at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote is required to approve the proposed action.

#### **Item 19. Voting Procedures**

- a. Vote Required.

The eleven (11) nominees for directors receiving the highest number of votes shall be declared elected, provided that at least two (2) out of the eleven (11) directors shall be independent. The stockholders have cumulative voting rights with respect to the election of the Company's Directors. The approval of the management agreement with SLTEC requires the affirmative vote of stockholders owning at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote. All other items in the Agenda shall require the affirmative vote of a majority of the outstanding capital stock entitled to vote in the meeting. Each stockholder may vote in person or by proxy the number of shares of stock standing in his own name in the books of the Company as of the record date of the meeting.

- b. Method of Voting.

In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one (1) vote. In light of the Regulations (as defined in Item 20), stockholders will only be allowed to vote by appointing the Chairman of the meeting as their proxy or by voting electronically in *absentia*.

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this Information Statement, and shall be received by the Corporate Secretary on or before 15 April 2022.

Each stockholder or member shall have the right to nominate any director or trustee who possesses all of the qualifications and none of the disqualifications set forth in this Code. Stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: *Provided*, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number of directors to be elected: *Provided, however*, That no delinquent stock shall be voted. (Section 23 of the *Revised Corporation Code of the Philippines*)

Because abstentions with respect to any matter are treated as shares present and represented and entitled to vote for purposes of determining whether that matter has been approved by the stockholders, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.



Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting. The results shall be tallied in a book kept exclusively for such purpose and signed by the Corporate Secretary and the External Auditor. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.

#### **Item 20. Participation of Stockholders by Remote Communication**

To comply with applicable regulations prohibiting mass gatherings, identifying authorized persons outside residence, and/or requiring social distancing to prevent the spread of COVID-19 (the “Regulations”) and to ensure the safety and welfare of our stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication, as set forth below, and by voting in *absentia*, as provided in Item 4 (c) and Item 19 above, or voting through the Chairman of the meeting as proxy.

The live webcast of the meeting shall be accessible through the following online web address: <http://www.ayalagroupshareholders.com/>. To enable the Company to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, the stockholders shall inform the Company by email to [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph) on or before 19 April 2022, of their participation in the meeting by remote communication. Stockholders may email questions or comments prior to or during the meeting at the following email address: [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph). The detailed instructions for participation through remote communication are attached as Annex F.

**Securities and Exchange Commission**

**SEC Form 20-IS**

**Information Statement  
Pursuant to Section 20 of the Securities Regulation Code**

1. Check the appropriate box

\_\_\_\_\_ Preliminary Information Statement

  X   Definitive Information Statement

2. Name of Registrant as specified in its charter: **AC ENERGY CORPORATION**

3. Country of Incorporation: **PHILIPPINES**

4. SEC Identification Number: **069-39274**

5. BIR Tax Identification Number **000-506-020-000**

6. Address of Principal Office **35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Ayala Avenue, Makati City, Philippines 1226**

7. Telephone Number **(632) 7-730-6300**

8. Date, time and place of the meeting of security holder:

**25 April 2022  
9:00 AM  
Makati City  
by remote communication via  
<http://www.ayalagroupshareholders.com/>**

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

**4 April 2022**

10. Securities registered pursuant to Sections 8 & 12 of the Code or Sections 4 & 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Number of shares of Common Stock Outstanding **38,315,838,177 shares (as of 28 March 2022)**

Amount of debt **PhP 0 (as of 31 December 2021) – None registered in the Philippine SEC and listed in PDEX/others**

11. Are any or all registrant's securities listed on the Philippines Stock Exchange?

Yes   X   No \_\_\_\_\_

A total of 38,240,338,177 common shares are listed in the Philippine Stock Exchange.

**AC ENERGY CORPORATION**  
**INFORMATION STATEMENT**

This Information Statement is dated as of 28 March 2022 and is being furnished to stockholders of record of AC ENERGY CORPORATION (“ACEN” or the “Company”) as of 25 March 2022 in connection with its Annual Stockholders’ Meeting.

***WE ARE NOT SOLICITING YOUR PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.***

**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Meeting of Security Holders (hereinafter, the “annual stockholders’ meeting” or “meeting”)**

- a.     Date:                                 -         25 April 2022
- Time:                                 -         9:00 A.M.
- Venue                                 -         Makati City
- Online web address/URL  
        *(for participation by  
        remote communication and  
        voting in absentia)*                 -         <http://www.ayalagroupshareholders.com/>
- Principal Office:                     -         35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Ayala Avenue, Makati City, Philippines
- b.     Approximate date when the Information Statement is first to be posted on the Company website (<https://acen.com.ph/2022-dis/>): 4 April 2022

**Item 2. Dissenters’ Right of Appraisal**

There are no matters to be taken up at the meeting that will give rise to the right of appraisal pursuant to Title X, Section 80 of Republic Act No. 11232 or the *Revised Corporation Code of the Philippines* governing the exercise of Appraisal Rights which states that:

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

- (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

As provided under Section 81 of the *Revised Corporation Code of the Philippines*, the appraisal right may be exercised by the dissenting stockholder who votes against a proposed corporate action by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

If, within sixty (60) days from the approval of the corporate action 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 (2) thus chosen. The findings of the majority of the 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: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

The Company's ownership interests in Palawan55 Exploration and Production Corporation, Bulacan Power Generation Corporation ("BPGC"), One Subic Power Generation Corporation, CIP II Power Corporation ("CIP II"), and Ingrid3 Power Corp. do not constitute all or substantially all of the assets of the Company. Thus, the transfer of the foregoing assets to ACE Enexor, Inc., as disclosed under report no. C06940-2021 dated 18 October 2021 and approved for posting on the PSE Edge on 19 October 2021, does not give rise to the stockholders' right of appraisal.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

To be acted upon in this meeting aside from the regular items in the agenda are the following:

- (i) Approval of compensation of directors;
- (ii) Approval of the Management Agreement with South Luzon Thermal Energy Corporation ("SLTEC"); and
- (iii) Approval of the issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued

As of 28 March 2022, ACEIC owns 64.65% of the outstanding voting shares of the Company. Fernando M. Zobel de Ayala, Chairman of the Board of Directors ("Board") of the Company, and Jaime Augusto M. Zobel de Ayala, Vice Chairman of the Board, are the beneficial owners of ACEIC as contemplated under SEC Memorandum Circular No. 17, series of 2018.

John Eric T. Francia, President and CEO and Jose Rene Gregory D. Almendras, Directors, also serve as directors of ACEIC. Mr. Francia also serves as Chairman of SLTEC.

ACEN is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

- a. Number of shares outstanding as of 28 March 2022: 38,315,838,177 shares

Of the said outstanding voting shares, 29,141,385,711 are owned by Filipinos and 9,174,452,466 are owned by foreign nationals.<sup>1</sup>

Number of votes per share: One (1) vote per share

- b. Only stockholders of record of ACEN at the close of business on 25 March 2022 are entitled to notice of the Annual Stockholders' Meeting, and to vote thereat.
- c. **Manner of voting**

On 21 January 2022, the Board of Directors of the Company, in the exercise of its authority under the By-Laws, approved the delegation of authority to the Chairman to approve the manner of holding the 2022 annual stockholders' meeting, including logistics and other arrangements, as may be relevant and necessary, to be determined at a later date and to be communicated to the stockholders through the Notice of Meeting and Definitive Information Statement. Stockholders may vote electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>, subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum. The detailed instructions for electronic voting *in absentia* are attached as Annex F.

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<sup>1</sup> As of 28 February 2022.

The stockholders have cumulative voting right with respect to the election of the Company's Directors. Each stockholder may vote the number of shares of stock standing in his or her own name in the books of the Company as of the record date of the meeting. A stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: The total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the Company multiplied by the whole number of directors to be elected. The eleven (11) nominees for directors receiving the highest number of votes shall be declared elected.

For the other items in the Agenda, each stockholder shall be entitled to one (1) vote per share. Such items will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.

Voting shall either be by electronic or manual (if available) voting. For manual voting (if available), stockholders present at the meeting will be given, upon registration, a ballot where he or she can write his or her vote on every item in the Agenda or proposed resolution. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.

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.

**d. Security Ownership of Certain Record and Beneficial Owners and Management**

- i. Security ownership of certain record and beneficial owners of more than five percent (5%)

The table below shows the persons or groups known to ACEN to be directly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 28 February 2022:

Title of Class of Shares	Name & Address of Record Owner & Relationship with Issuer	Name & Address of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	AC Energy and Infrastructure Corporation (“ACEIC”) 35 <sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Ayala Avenue, Makati City Stockholder; Parent Company	ACEIC is fully owned by Ayala Corporation. Its beneficial owners are:  Jaime Augusto M. Zobel de Ayala – <i>Member</i> , Board of Directors of ACEIC  Fernando M. Zobel de Ayala – <i>Chairman</i> , Board of Directors of ACEIC  both with addresses at 35 <sup>th</sup> Floor, Tower One & Exchange Plaza, Ayala Triangle Gardens, Ayala Avenue, Makati City  ACEIC has appointed Fernando Zobel de Ayala, or in his absence, Jaime Augusto Zobel de Ayala, or in his absence, John Eric T. Francia as proxy to vote on ACEIC’s behalf.	Filipino	16,685,800,533	43.55%
Common	PCD Nominee Corporation <sup>2</sup> 29/F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder	PCD is a private institution which holds shares on behalf of various trading participants.	Filipino	12,289,993,809	32.08%

<sup>2</sup> The beneficial owners of such shares are the participants of PCD which holds the shares on their behalf or on behalf of their clients. ACEIC’s 8,085,921,240 indirect shares are lodged with the PCD (Filipino) and Arran’s 6,689,521,680 indirect shares are lodged with the PCD (Non-Filipino).

PCD is a private institution established in March 1995 to improve operations in securities transactions. PCD seeks to provide a fast, safe and highly efficient system for securities settlement. The PCD was organized to implement an automated book-entry system of handling securities transaction in the Philippines.

Common	PCD Nominee Corporation <sup>3</sup> 29/F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder	Arran has 6,689,521,680 indirect shares lodged under PCD Nominee Corp. Arran is a Singaporean company that is ultimately controlled by the Government of Singapore that provides investment services.  The rest are held by various trading participants.	Non-Filipino (various)	9,118,949,167	23.80%
Common	Arran Investment Pte Ltd ("Arran") 168 Robinson Road, #37-01, Capital Tower, Singapore 068912 Stockholder	Arran has 6,689,521,680 indirect shares lodged under PCD Nominee Corp. Arran is a Singaporean company that is ultimately controlled by the Government of Singapore that provides investment services.  Arran has appointed Ms. Nicole Goh Phaik Khim to vote on its behalf.	Singaporean	6,689,521,680	17.46%

As of 28 March 2022, ACEIC owns 64.65% of the outstanding voting shares of the Company.

ii. Security Ownership of Directors and Management as of 28 March 2022

None of the directors and officers individually owns five percent (5%) or more of the outstanding capital stock of ACEN. The table below shows the securities owned by the directors and officers of the Company as of 28 March 2022:

Title of Class of Outstanding Share	Name of beneficial owner	Citizenship	Amount of beneficial ownership	Nature of beneficial ownership	% of total outstanding shares
Common	Jose Rene Gregory D. Almendras	Filipino	1 <sup>2</sup> 950,450	Direct Indirect <sup>1</sup>	0.00%
Common	Cezar P. Consing	Filipino	1 <sup>2</sup>	Direct	0.00%
Common	John Eric T. Francia	Filipino	16,327,073 <sup>2</sup> 89,872,952	Direct Indirect <sup>1</sup>	0.28%
Common	Nicole Goh Phaik Khim	Malaysian	1	Direct	0.00%
Common	John Philip S. Orbeta	Filipino	1 <sup>2</sup> 8,462,161	Direct Indirect <sup>1</sup>	0.02%
Common	Fernando M. Zobel de Ayala	Filipino	1 532,505,448	Direct Indirect <sup>1</sup>	1.39%
Common	Jaime Augusto M. Zobel de Ayala	Filipino	1 124,098	Direct Indirect <sup>1</sup>	0.00%
Common	Consuelo D. Garcia	Filipino	1,000 900	Direct Indirect <sup>1</sup>	0.00%

<sup>3</sup> The beneficial owners of such shares are the participants of PCD which holds the shares on their behalf or in behalf of their clients. ACEIC's 11,175,442,928 indirect shares are lodged with the PCD.

PCD is a private institution established in March 1995 to improve operations in securities transactions. PCD seeks to provide a fast, safe and highly efficient system for securities settlement. The PCD was organized to implement an automated book-entry system of handling securities transaction in the Philippines.

Common	Ma. Aurora D. Geotina-Garcia	Filipino	1	Direct	0.00%
Common	Sherisa P. Nuesa	Filipino	90,000 1,658,107	Direct Indirect <sup>1</sup>	0.00%
Common	Melinda L. Ocampo	Filipino	24,001	Direct	0.00%
Common	Maria Corazon G. Dizon	Filipino	4,144,123 38,377,321	Direct Indirect <sup>3</sup>	0.11%
Common	Gabino Ramon G. Mejia	Filipino	1,740,475 6,253,478	Direct Indirect <sup>3</sup>	0.02%
Common	Roman Miguel G. de Jesus	Filipino	4,129,895 13,691,503	Direct Indirect <sup>3</sup>	0.05%
Common	Solomon M. Hermosura	Filipino	0	N/A	0.00%
Common	Dodjie D. Lagazo	Filipino	6,526,166 1,027,613	Direct Indirect <sup>3</sup>	0.02%
Common	Alan T. Ascalon	Filipino	560,173 826,328	Direct Indirect <sup>3</sup>	0.00%
Common	Irene S. Maranan	Filipino	1,195,905 2,821,317	Direct Indirect <sup>3</sup>	0.01%
Common	Jose Maria Eduardo P. Zabaleta	Filipino	0	N/A	0.00%
Common	Ronald F. Cuadro	Filipino	500,000	Indirect	0.00%
Common	Arnel A. Racelis	Filipino	22,300	Indirect	0.00%
<b>TOTAL</b>			<b>34,738,818</b> <b>697,093,976</b> <b>731,832,794</b>	<b>Direct</b> <b>Indirect</b> <b>Total</b>	<b>.1%</b> <b>1.8%</b> <b>1.9%</b>

<sup>1</sup> The indirect shares held by the following directors: Messrs. Jose Rene Gregory D. Almendras, John Eric T. Francia, John Philip S. Orbeta, Fernando M. Zobel de Ayala, and Jaime Augusto Zobel de Ayala and Mses. Sherisa P. Nuesa, Consuelo D. Garcia, Ma. Aurora Geotina-Garcia, and Melinda L. Ocampo are lodged with the PCD Nominee.

<sup>2</sup> The one (1) nominal share of each of Messrs. Jose Rene Gregory D. Almendras, Cezar P. Consing, John Eric T. Francia, and John Philip S. Orbeta are qualifying shares held in trust for AC Energy and Infrastructure Corporation.

<sup>3</sup> The indirect shares held by the following officers: Messrs. Roman Miguel G. de Jesus, Gabino Ramon G. Mejia, Dodjie D. Lagazo, Alan T. Ascalon, Ronald F. Cuadro, and Arnel A. Racelis and Mses. Maria Corazon G. Dizon, and Irene S. Maranan are lodged with the PCD Nominee.

Fernando M. Zobel de Ayala, Chairman of the Board of Directors (“Board”) of the Company, owns 1.39% of the outstanding capital stock of the Company. No director or member of the Company’s management owns more than two percent (2%) of the outstanding capital stock of the Company.

No change of control of the Company has occurred since the beginning of the last financial year.

iii. Voting Trust Holders of 5% or more

ACEN is not aware of any person holding five percent (5%) or more of the Company’s outstanding shares under a voting trust agreement or similar agreement.

iv. Changes in Control

There are no arrangements that may result in a change in control of ACEN.

## Item 5. Directors and Executive Officers

Article IV, Section 1, of the By-Laws provides:

**Qualification and Election.** – The general management of the Company shall be vested in a board of eleven (11) directors who shall be stockholders and who shall serve as such until the election and qualification of their successors. Any vacancy in the Board shall be filled by a majority vote of the Board at a regular meeting or at a special meeting called for the purpose, and the directors so chosen shall serve for the unexpired term.

The Board held four (4) regular meetings, three (3) special meetings, and one (1) organizational meeting in 2021. The details of the matters taken up during the board meetings are included in the Definitive Information Statement sent to the stockholders.



The attendance of the directors at the meetings of the Board and of stockholders held in 2021 is as follows:

Directors	22 January 2021	18 March 2021	14 April 2021	14 April 2021	4 August 2021	18 October 2021	11 November 2021	13 December 2021	15 December 2021	No. of Meetings Present	Percent Present
	Special	Regular	ASM	Organizational	Regular	Special	Regular	Regular	SSM		
Fernando M. Zobel de Ayala	/	/	/	/	/	/	/	/	/	9/9	100%
Jaime Augusto M. Zobel de Ayala	/	/	/	/	/	/	/	/	/	9/9	100%
John Eric T. Francia	/	/	/	/	/	/	/	/	/	9/9	100%
Gerardo C. Ablaza, Jr. <sup>4</sup>	/									1/1	100%
Jose Rene Gregory G. Almendras	/	/	/	/	/	/	X	/	/	8/9	89%
Cezar P. Consing			/	/	/	/	/	/	/	7/7	100%
John Philip S. Orbeta	/	/	/	/	/	/	/	/	/	9/9	100%
Nicole Goh Phaik Khim <sup>5</sup>		/	/	/	/	/	/	/	/	8/8	100%
Ma. Aurora Geotina-Garcia (Independent)	/	/	/	/	/	/	/	/	/	9/9	100%
Consuelo D. Garcia (Independent)	/	/	/	/	/	/	/	/	/	9/9	100%
Sherisa P. Nuesa (Independent)	/	/	/	/	/	/	/	/	/	9/9	100%
Melinda L. Ocampo (Independent)	/	/	/	/	/	/	/	/	/	9/9	100%
Mario Antonio V. Paner (Independent) <sup>6</sup>	/	/								2/2	100%

As of 10 March 2022, the Board has held one (1) special meeting and one (1) regular meeting in 2022. The details of the matters taken up during the board meetings are included in the Definitive Information Statement sent to the stockholders.

The attendance of the directors at the meetings of the Board held in 2022 is as follows:

Directors	21 January 2022	8 March 2022	No. of Meetings Present	Percent Present
	Special	Regular		
Fernando M. Zobel de Ayala	/	/	2/2	100%
Jaime Augusto M. Zobel de Ayala	/	/	2/2	100%
John Eric T. Francia	/	/	2/2	100%
Jose Rene Gregory G. Almendras	/	/	2/2	100%
Cezar P. Consing	/	/	2/2	100%
John Philip S. Orbeta	/	/	2/2	100%
Nicole Goh Phaik Khim <sup>7</sup>	/	/	2/2	100%
Ma. Aurora Geotina-Garcia (Independent)	/	/	2/2	100%
Consuelo D. Garcia (Independent)	/	/	2/2	100%
Sherisa P. Nuesa (Independent)	/	/	2/2	100%
Melinda L. Ocampo (Independent)	/	/	2/2	100%

<sup>4</sup> Mr. Ablaza resigned as director of the Company effective 18 March 2021.

<sup>5</sup> Ms. Goh was elected as director of the Company to replace Mr. Ablaza on 18 March 2021.

<sup>6</sup> Mr. Paner's term as director of the Company expired on 19 April 2021.

<sup>7</sup> Ms. Goh was elected as director of the Company to replace Mr. Ablaza on 18 March 2021.

To aid in compliance with the principles of good corporate governance, the Board constitutes committees which directly report to the Board in accordance with duly approved procedures.

As of 28 March 2022, the board committees and their members are as follows:

		Audit Committee	Board Risk Management and Related Party Transactions Committee	Corporate Governance and Nomination Committee	Executive Committee	Personnel and Compensation Committee	Sustainability Committee
1	Fernando M. Zobel de Ayala				C		
2	Jaime Augusto M. Zobel de Ayala				M		
3	John Eric T. Francia				M		
4	Jose Rene Gregory G. Almendras						
5	Cezar P. Consing				M <sup>8</sup>	M <sup>9</sup>	C
6	John Philip S. Orbeta					C <sup>10</sup>	
7	Nicole Goh Phaik Khim <sup>11</sup>	M <sup>12</sup>	M <sup>13</sup>				
8	Ma. Aurora Geotina-Garcia (Independent)	C	M <sup>14</sup>				
9	Consuelo D. Garcia (Independent)	M		C		C <sup>15</sup>	
10	Sherisa P. Nuesa (Independent)		C	M <sup>16</sup>	M	M	
11	Melinda L. Ocampo (Independent)		M	M			M

a. Information required of directors and executive officers

i. Board of Directors

The following have been nominated to the Board for election at the annual stockholders' meeting, and have accepted their respective nominations:

JAIME AUGUSTO ZOBEL DE AYALA	FERNANDO ZOBEL DE AYALA
JOSE RENE GREGORY D. ALMENDRAS	CEZAR P. CONSING
JOHN ERIC T. FRANCIA	CONSUELO D. GARCIA
MA. AURORA D. GEOTINA-GARCIA	NICOLE GOH PHAIK KHIM
SHERISA P. NUESA	MELINDA L. OCAMPO
DEAN L. TRAVERS	

Except for Ms. Nicole Goh and Mr. Travers, who were nominated by Arran, all other nominees were formally nominated to the Corporate Governance and Nomination Committee of the Board by a minority stockholder of the Company, Vann Allen P. dela Cruz, who holds one hundred fifty-eight thousand five hundred twenty-five (158,525) common shares, or 0.00% of the total outstanding voting shares of the Company, and who is not related to any of the nominees. Mdmes. Consuelo D. Garcia, Ma. Aurora Geotina-Garcia, Sherisa P. Nuesa, and Melinda L. Ocampo, are all being nominated as independent directors in accordance with Securities Regulation Code ("SRC") Rule 38 (Requirements on Nomination and Election of Independent Directors). The Corporate Governance and Nomination Committee evaluated the qualifications of all the nominees and prepared the final list of nominees in accordance with the By-Laws and the Charter of the Board of the Company.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

<sup>8</sup> Mr. Consing was appointed as Member of the Committee on 19 April 2021.

<sup>9</sup> Mr. Consing was appointed as Member of the Committee on 19 April 2021.

<sup>10</sup> Until 19 April 2021.

<sup>11</sup> Ms. Goh was elected as director of the Company to replace Mr. Ablaza on 18 March 2021.

<sup>12</sup> Ms. Phaik Khim was appointed as Member of the Committee on 19 April 2021.

<sup>13</sup> Ms. Phaik Khim was appointed as Member of the Committee on 19 April 2021.

<sup>14</sup> Until 19 April 2021.

<sup>15</sup> Ms. Garcia was appointed as Chairperson of the Committee on 19 April 2021.

<sup>16</sup> Ms. Nuesa was appointed as Member of the Committee on 19 April 2021.

The Board of ACEN is responsible for the overall management and direction of the Company. The Board meets quarterly, or as often as required, to review and monitor the Company's financial position and operations and decide on such other matters as may be required by law to be decided by the Board. The Company's directors are elected at the annual stockholders' meeting to hold office for one year and until their respective successors have been elected and qualified.

Fernando M. Zobel de Ayala, Chairman of the Board of the Company, owns 1.39% of the outstanding capital stock of the Company. No director holds more than two percent (2%) of the Company's issued and outstanding capital stock.

A summary of the qualifications of the incumbent directors who are nominees for directors for election at the stockholders' meeting, and the nominees for independent director and incumbent officers is set forth in **Annex "A"**.

No director has resigned nor declined to stand for re-election to the Board since the date of the last annual meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

The officers of the Company are elected annually by the Board during its organizational meeting.

The Board commits to a formal assessment process to review and evaluate the performance of the Board, its Committees, and its individual members. The purpose of the assessment is to measure the effectiveness of the Company's governance practices and identify areas for improvement; and to adopt new methodologies towards further strengthening the company's corporate governance standards.

In 2020, AON was appointed as the independent consultant to assist in the board assessment exercise.

Each of the directors was requested to complete a self-assessment form which includes Board evaluation categories such as: (1) board composition, (2) roles and functions, (3) information management, (3) representation of shareholders and environment, social and governance factors, (4) managing the Company's performance, (5) senior executive's performance management and succession planning, (6) director development and management, (7) risk management and internal control, and (8) overall perception.

The results of the self-assessment survey, including the comments of the directors, were compiled by the Corporate Secretary and reported during the Board meeting immediately following the completion of the survey. A copy of the Board, Board Committee, and Individual Effectiveness Evaluation Report may be accessed at link: <https://acen.com.ph/disclosures/acen-board-committee-and-individual-assessment-report/>.

ii. Significant Employee

Other than the directors and officers of the Company, no other employee has significant influence on ACEN's major and/or strategic planning and decision-making.

iii. Family Relationships

Fernando Zobel de Ayala, Chairman and director, and Jaime Augusto Zobel de Ayala, Vice-Chairman and director, are brothers. Except for the foregoing, there are no known family relationships between the current members of the Board and key officers.

Other than the foregoing family relationships, none of the directors, executive officers or persons nominated to be elected to ACEN's Board are related up to the fourth civil degree, either by consanguinity or affinity.

iv. Independent Directors

The independent directors of ACEN for the year ending 31 December 2021 and for the current year as of the submission of this Statement are as follows:

1. Ms. Consuelo D. Garcia
2. Ms. Aurora D. Geotina-Garcia
3. Ms. Sherisa P. Nuesa
4. Ms. Melinda L. Ocampo

The incumbent independent directors were nominated by Mr. Vann Allen P. dela Cruz, a minority stockholder of the Company, who holds one hundred fifty-eight thousand five hundred twenty-five (158,525) common shares, or 0.00% of the total outstanding voting shares of the Company. Mr. dela Cruz is not related to any of the independent directors either by consanguinity or affinity.

The independent directors of ACEN are not officers or substantial stockholders of the Company.

v. Involvement in Certain Legal Proceedings

As of 28 March 2022, ACEN has no knowledge and/or information that any of the Company’s directors, officers or nominees for election as Directors is, presently or during the last five (5) years, involved in any material legal proceeding which will have any material effect on the Company, its operations, reputation, or financial condition.

As of 28 March 2022, Ms. Ma. Aurora Geotina-Garcia, independent director, is subject of the following criminal or administrative investigation or proceedings:

<b>Offense charged / investigated</b>	<b>Tribunal / agency involved</b>	<b>Status</b>
<p>Libel during Ms. Geotina-Garcia’s term as director of the Bases Conversion and Development Authority (“BCDA”) Board (Crim. Case No. 150045-PSG)</p>	<p>Branch 167 of the Pasig City Regional Trial Court</p> <p>Case elevated to the Court of Appeals is pending</p>	<p>In an Order dated 18 September 2020, the trial court granted Ms. Geotina-Garcia’s demurrer to evidence and dismissed the case for insufficiency of the prosecution’s evidence. The dismissal is equivalent to an acquittal, which is immediately final and executory.</p> <p>The prosecution filed a Motion for Reconsideration dated 15 October 2020, which was denied by the court at the hearing held on 23 October 2020.</p> <p>The private complainant filed a Petition for Certiorari dated 9 December 2020 with the Court of Appeals, alleging grave abuse of discretion on the part of the trial court in granting the demurrer to evidence and dismissing the case for insufficiency of the prosecution’s evidence. In a Resolution dated 24 May 2021, the Court of Appeals required the respondents to file a comment. The respondents filed their Comment dated 19 July 2021.</p>
<p>Criminal complaint for acts of the BCDA’s Board during Ms. Geotina-Garcia’s term as BCDA director (OMB-C-C-12-0287-G)</p>	<p>Case filed with the Office of the Ombudsman was dismissed. Case elevated to the Supreme Court by complainant is pending.</p>	<p>The Office of the Ombudsman dismissed the complaint on 15 January 2016. The appeal before the Supreme Court was dismissed in a Decision dated 13 January 2021. The petitioner filed a Motion for Reconsideration dated 9 February 2022 and is pending resolution.</p>

<p>Administrative complaint for acts of the BCDA's Board during Ms. Geotina-Garcia's term as BCDA director (OMB-C-A-12-1308-G)</p>	<p>Case filed with the Office of the Ombudsman was dismissed. Case was elevated to the Court of Appeals.</p>	<p>The Office of the Ombudsman dismissed the complaint. The complainant, CJH DevCo, filed a Petition for Review before the Court of Appeals (CA-G.R. SP No. 145849), which was likewise dismissed. CJH DevCo filed a Motion for Reconsideration, which was denied by the Court of Appeals. Ms. Geotina-Garcia is not aware of any appeal or petition filed by CJH DevCo from the Court of Appeals' rulings.</p>
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The libel case is a nuisance case filed against Ms. Geotina-Garcia, as then member of the Board of BCDA. While the private complainant has filed a petition for certiorari with the Court of Appeals to question the dismissal of the libel case, the petition is susceptible to outright dismissal for having been filed out of time. Moreover, the private complainant must show grave abuse of discretion on the part of the trial court, which is difficult to do. In any case, the Court of Appeals has not required Ms. Geotina-Garcia and her co-respondents to file a comment on the petition. Meanwhile, the administrative and criminal complaints filed against Ms. Geotina-Garcia as a member of the Board of BCDA have already been dismissed by the Office of the Ombudsman showing the lack of basis and merits to the charges. Notwithstanding the pendency of these cases, the Company believes that these cases will not and do not in any way affect Ms. Geotina-Garcia's ability and bias her judgement and independence to act as an independent director of the Company. Further, the issues raised therein, as well as the parties to these cases, are not related in any way to the Company or any of its business.

On 28 July 2020, ACEN was provided a copy of the Complaint-Affidavit filed by the Philippine Coast Guard ("PCG") with the Office of the City Prosecutor ("OCP") against Mr. John Eric T. Francia, director, in his capacity as President of ACEIC for violation of Section 107 of Republic Act ("RA") No. 8550, as amended by RA No. 10654, or The Philippine Fisheries Code of 1998. On 24 September 2020, ACEIC received a subpoena addressed to Mr. Francia requiring him to appear before the OCP and to submit his counter-affidavit. On 24 October 2020, Mr. Francia submitted his counter-affidavit to the OCP by courier.

The alleged violation is connected with the accidental discharge of fuel oil by ACEN's Power Barge ("PB") 102 on 3 July 2020. PB 102 is operated and maintained by BPGC.

On 4 December 2020, Mr. Francia through counsel received a copy of the Reply Affidavit of PCG Commander Joe Luviz Mercurio contending, among others that, (1) ACEIC, as the parent company of ACEN, exercises general management authority over ACEN pursuant to a supposed "management contract" between the two (2) corporations, and (2) BPGC does not have full control over the maintenance and operations of PB 102. On 4 February 2021, Mr. Francia, through his counsel, filed by courier his Rejoinder Affidavit with the OCP.

On 12 August 2021, Mr. Gambito through counsel received the OCP's Resolution dated 30 June 2021 which found no probable cause to indict respondents ACEIC, Mr. Francia, and Mr. Gambito, and therefore recommended the dismissal of the complaint for lack of sufficient factual and legal basis. No Motion for Reconsideration by the PCG has been received by any of the respondents to date.

Furthermore, none of the Company's directors and senior executive officers have been the subject of the following during the last five (5) years: (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign; (c) 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 involvement in any type of business, securities, commodities or banking activities; or (d) a finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading, market or self-regulatory organization, of violation of the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

b. Certain Relationships and Related Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

In the ordinary course of business, the Group transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. Outstanding balances at period-end are unsecured and are to be settled in cash throughout the financial year.

ACEN served as the guarantor for the US\$400.00 million senior undated fixed-for-life (non-deferrable) Notes with a fixed coupon of 4.00% for life, with no step-up and no reset, priced at par, issued by ACEN Finance Limited on 8 September 2021, under its medium-term note (MTN) Programme. Proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN's Green Bond Framework.

The transactions and balances of accounts as at and for the year ended 31 December 2021, 2020, and 2019 with related parties are as follows:

**Transaction with ACEIC, the Parent Company**

Nature	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
Development Loans	₱–	₱–	₱–	₱9,596,286	₱–	interest bearing, unsecured
Interest Income / Receivable	142,152	–	–	144,621	–	30-day, non-interest bearing
Management Fees Income	34,785	387,138	–	26,196	14,890	30-day, non-interest bearing
Management Fees (Expense)	456,026	462,602	38,664	(132,893)	(305,350)	30-day, non-interest bearing
SAP IT Support Services	–	8,744	–	–	(7,530)	30-day, non-interest bearing
Lease assignment	–	50,767	–	–	(50,666)	30-day, non-interest bearing
Due from related parties	–	–	–	110,373	110,373	Due and demandable
Due to related parties	–	6,809	–	–	(6,809)	Due and demandable

*Management Fees*

The Parent Company and its subsidiaries BPGC, CIP II and Guimaras Wind Corporation have management contracts with PHINMA, Inc. These Management Contracts were assigned to ACEIC on 25 June 2019 through the execution of a Deed of Assignment.

*Loans Receivable*

On 14 May 2021, the Group and ACEIC entered into an uncommitted interest-bearing short-term loan facility. The interest-bearing loan has a total facility of US\$265.00 million and bears an interest rate equivalent to the sum of (a) applicable average 5-day USD 1-year LIBOR rate immediately prior to the actual drawing; and (b) 2.00% - 2.25%. The principal and interest are payable within one year from the drawdown date. First drawdown was made on 17 May 2021.

Total drawdowns amounted to US\$189.00 million (₱9,060.20 million) in 2021.

As at and for the year ending 31 December 2021, outstanding receivable from ACEIC is US\$189.00 million (₱9,596.28 million) while interest income amounted to US\$2.8million (₱144.62 million).

**Development and Debt Replacement Loans Receivables**

Nature	Related Party	Outstanding Balance		Terms
		2021	2020	
Development Loans				
	Greencore Power Solutions 3, Inc. ("Greencore")	₱212,292	₱–	interest bearing, unsecured
	The Blue Circle ("TBC")	658,437	467,775	Due in 2022, interest bearing
	UPC-AC Energy Solar Limited ("UPC-ACE Solar")	1,015,480	744,558	Due in 2023, interest bearing
	Yoma Strategic Investments Ltd ("Yoma")	1,219,173	1,153,683	Due in 2022, interest bearing
	UPC Renewables Australia Pty. Ltd.	–	1,092,894	Due in 2021, interest bearing

Debt Replacement Loans			
Grencore	<b>2,078,400</b>	–	interest bearing, unsecured
BIM Wind Joint Stock Company (“BIM Wind”)	<b>4,325,183</b>	864,648	10 years, interest bearing
BIM Renewable Energy Joint Stock Company (“BIMRE”)	<b>1,914,180</b>	1,666,849	12 months, interest bearing
Asian Wind Power 1 HK Ltd. (“Asian Wind 1”)	<b>2,883,963</b>	2,728,445	Due in 2022, interest bearing
Vietnam Wind Energy Limited (“VWEL”)	<b>3,637,879</b>	1,026,754	Due in 2022, interest bearing
Asian Wind Power 2 HK Ltd. (“Asian Wind 2”)	<b>2,414,151</b>	996,603	25 years, interest bearing

#### *Receivables from Grencore*

On 4 February 2021, ACEN signed an Omnibus Agreement with Grencore ACE Endeavor, Inc. and Citicore Solar Energy Corp. for the financing of the PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the “Solar Project”).

Under the Omnibus Agreement, ACEN will be extending a term loan facility to Grencore in the amount of up to ₱ 2.675 billion to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start up, testing, delivery, ownership, operation and maintenance of the power plant, which is expected to be operational in November 2021. The loan will be secured by (1) a real estate mortgage over Grencore’s real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of Grencore in favor of ACEN, and (3) the cashflows of the Solar Project.

#### *Receivables from TBC (Associate)*

In 2018, the Group and TBC entered into an interest-bearing loan agreement to fund the development costs for the pipeline projects of TBC. The development loan facility granted to TBC on 26 April 2018 with an initial aggregate principal amount of up to \$10 million which was further extended to \$20 million in February 2019. The loan receivable from an associate is a non-trade, interest-bearing loan, repayable in cash upon maturity on 30 June 2022.

Total drawdowns amounted to US\$3.2 million (₱162.48 million) in 2021 while principal payments totaling US\$12.14 million (₱583.14 million) were made in 2020.

#### *Receivables from UPC-ACE Solar (Joint venture)*

In 2019, the Group and UPC-ACE Solar entered into an interest-bearing loan agreement to fund the development and construction of renewable energy assets in Asia. The interest-bearing loan has a total facility of US\$20.00 million and bears an annual fixed interest. The principal and the related interest are payable on 31 January 2023.

Total drawdowns and principal payments made in 2021 and 2020 amounted to US\$13.3 million (₱679.29 million) and US\$8.80 million (₱306.29 million), respectively.

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 20.00 million (₱1,015 million) and US\$15.50 million (₱744.56 million), respectively.

#### *Receivables from Yoma (Affiliate)*

In 2019, the Group and Yoma, signed a term sheet, which includes an interest-bearing loan for the development of Yoma Micro Power. The interest-bearing loan has a total facility amount of US\$25.00 million, bears an annual fixed interest, and is payable upon maturity. The loan is covered by a Guarantee Agreement between the Group (as "Lender") and Yoma (as "Guarantor"). The Guarantee Agreement stands as security for the prompt and complete payment, where the Guarantor irrevocably and unconditionally undertakes that in case of default, the Guarantor shall pay the Lender the guaranteed obligations as if the Guarantor instead of the Borrower were expressed to be the principal obligor without any further proof or condition and without any investigation or enquiry. The loan is repayable upon maturity on 30 June 2022.

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$24.01 million (₱1,219.17 million) and US\$24.02 million (₱1,153.63 million), respectively.

*Receivables from UPC Renewables Australia Pty. Ltd. (Joint venture)*

On 9 December 2020, the Group entered into a loan facility agreement with UPC Renewables Australia Pty. Ltd. for the implementation of the borrower's business plans amounting to US\$20.96 million. The principal and interests were paid during the year.

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to nil and US\$22.75 million (₱1,092.89 million), respectively.

*Receivables from BIMRE (Joint venture)*

In 2020, the Group and BIMRE entered into an interest-bearing loan agreement to partially fund the construction of the incremental project expansion. The interest-bearing loan has a total facility amount of US\$40.00 million, bears an annual fixed interest and is payable 12 months from the drawdown date. First drawdown was made on June 9, 2020.

On 4 January 2021, the Group made another drawdown amounting to US\$3.00 million (₱144.06 million).

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$37.70 million (₱1,921.15 million) and US\$34.70 million (₱1,666.85 million), respectively.

*Receivables from Asian Wind I (Joint venture)*

In 2020, the Group and Asian Wind 1 entered into an interest-bearing loan agreement to refinance the Preferred B Facility Agreement and to provide additional funding for the development, financing and construction of the Dai Phong Project. The interest-bearing loan has a total facility of US\$61.00 million, bears an annual fixed rate, and is payable 12 months from the projects' commissioning date. On 29 December 2021, the debt replacement facility maturity date was amended to 30 June 2022. For this loan agreement, drawdown was made on 20 May 2020.

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$56.80 million (₱2,883.96 million) and US\$56.80 million (₱2,728.45 million), respectively.

*Receivables from VWEL (Joint venture)*

In 2020, the Group and VWEL entered into an interest-bearing loan facility to provide bridge financing and to partially fund the construction of the Soc Trang Wind projects. The interest-bearing loan has a total facility of US\$19.00 million and bears an annual fixed rate payable from the first utilization date. The loan is repayable on the earlier of 30 June 2021 or 5 days from the issuance of a certificate of registration for Debt Replacement from the State Bank of Vietnam. On 25 June 2021, the facility agreement was amended to: (a) increase the aggregate principal amount to \$86.0 million, and (b) extend maturity date to 31 December 2021. On 31 December 2021, the loan facility was further amended to: (a) increase the principal aggregate amount to \$89.0 million, and (b) extend the maturity date to 30 June 2022.

Total drawdowns for the year ended 31 December 2021 amounted to US\$50.27 million (₱2,552.60 million).

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 71.64 million (₱3,637.88 million) and US\$21.37 million (₱1,026.75 million), respectively.

*Receivables from Asian Wind 2 (Joint venture)*

On 14 April 2020, the Group entered into an interest-bearing loan agreement with Asian Wind 2 to make available a Preferred B Facility in an aggregated amount not exceeding US\$54.00 million (₱2,617.00 million) to finance the development and construction of the Hong Phong 1 Project. The principal and interest are payable on the earlier of 5 business days from the date of drawdown of the Debt Replacement facility or the 25th anniversary of the drawdown date. The first drawdown was made on 8 September 2020.

Total drawdowns made for the year ended 31 December 2021 amounted to US\$26.80 million (₱1,360.74 million).

As at 31 December 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 44.85 million (₱2,285.36 million) and US\$20.75 million (₱996.60 million), respectively. Interest income amounted to US\$ 3.21 million (₱157.35 million), US\$ 3.21 million (₱157.35 million) and US\$ 0.03 million (₱1.39 million) in 2021, 2020 and 2019, respectively.



### Interest Income and Receivable

Accrued interest income relates primarily to the dividend yields from the Company's investments in the redeemable preferred shares and interest from loans extended to its related parties.

Related Party	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
AMI AC Renewables Corporation (AAR)	₱579,614	₱224,102	₱107,860	₱596,277	₱127,869	30-day, non-interest bearing
Asian Wind 1	379,669	145,554	128,330	144,621	333,178	30-day, non-interest bearing
Asian Wind 2	367,250	83,383	–	479,550	96,768	30-day, non-interest bearing
BIM Energy Holdings (BIMEH)	27,414	26,713	14,160	2,488	40,852	30-day, non-interest bearing
BIMRE	342,646	132,037	112,550	208,096	55,768	30-day, non-interest bearing
BIM Wind	308,590	–	–	140,212	1,919	30-day, non-interest bearing
TBC	56,572	58,110	72,450	74,101	19,725	30-day, non-interest bearing
UPC Renewables Asia III Ltd. (UPC Asia III)	201,669	200,789	4,640	55,789	137,062	30-day, non-interest bearing
UPC-ACE Solar	205,636	59,495	19,290	276,126	65,336	30-day, non-interest bearing
UPC-AC Energy Australia (HK) Ltd.	600,597	93,941	–	494,156	93,886	30-day, non-interest bearing
VWEL	549,197	138,140	–	733,811	160,412	30-day, non-interest bearing
Yoma	48,324	33,757	3,710	84,490	33,737	30-day, non-interest bearing
Greencore	57,387	–	–	53,766	–	30-day, non-interest bearing
	3,724,565	1,196,021	462,990	3,561,869	1,166,512	

Loan receivables from related parties bear interest ranging from 2.65% to 12.00% per annum.

### Loans Payable

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
<b>Bank of the Philippine Islands</b>						
Interest Expense/Interest Payable	₱115,256	₱–	₱–	(₱9,533)	(₱146,196)	30 days, unsecured
Long-term loans (Note 19)	–	–	–	(2,079,133)	(2,233,530)	12 years, interest bearing
<b>UPC Holdco II</b>						
Interest Expense/Interest Payable	–	15,308	–	–	(61,341)	30 days, unsecured
Long-term loans (Note 19)	–	–	–	–	(135,383)	5 years, interest bearing
	–	–	–	–	–	

### Right of Use Assets / Lease Liabilities

The Group entered into lease agreements with Ayala Land, Inc. (“ALI”) and Fort Bonifacio Development Corporation (“FBDC”), both affiliates, for the use of the latter's office unit and parking spaces.

	Amortization / Interest Expense			ROU (Lease Liabilities)		Terms
	2021	2020	2019	2021	2020	
<b>ALI</b>						
Right of use Assets (Note 14)	₱93,899	₱13,998	₱3,645	₱930,453	₱21,617	10 years, unsecured
Lease Liabilities (Note 14)	38,847	1,270	454	(990,107)	(25,834)	10 years, unsecured
<b>FBDC</b>						
Right of use Assets (Note 14)	9,227	–	–	11,500	–	3 years, unsecured
Lease Liabilities (Note 14)	435	–	–	(9,771)	–	3 years, unsecured

## Other Related Party Transactions

	Amount/Volume		2019	Outstanding Balance Receivable (Payable)		Terms
	2021	2020		2021	2020	
Management Fees Income	<b>₱53,160</b>	₱35,290	₱–	<b>₱25,860</b>	₱14,499	30-days, unsecured
Rental Income	16,737	3,376	–	1,674	563	30-days, unsecured
Cost of sale of electricity	<b>472,004</b>	116,378	758,974	<b>(94,110)</b>	(128,447)	30-days, unsecured
Due from related parties	3,465	–	–	<b>246,694</b>	70,556	On demand, Unsecured
Due to related parties	–	–	–	<b>(596,079)</b>	(155,683)	On demand, Unsecured

“Management Fees Income” pertains to service fees billed by the Group to its related parties under common control and joint venture & associates for providing a full range of business process outsourcing services, such as, but not limited to, financial and general accounting/ bookkeeping services, human resources management, manpower related services and other related functions.

“Rental income” pertains to revenue from a sublease agreement with Ingrid Power Holdings, Inc.

The Parent Company purchases the entire net electricity output of Maibarara Geothermal, Inc.

The amount “due from related parties” pertains mostly to advances including those for project development or reimbursement of expenses. These are non-trade, interest-free, repayable on demand, and to be settled in cash.

The amount “due to related parties” pertain to advances, including those for development cost, utilities expense, professional services and other miscellaneous expenses. These are non-trade, interest-free, repayable on demand, and to be settled in cash.

## Receivables from Employees and Officers

Receivables from officers and employees amounting to ₱78.36 million in 2021 and ₱16.60 million in 2020 pertain to housing, car, salaries, and other loans granted to the Group’s officers and employees.

## Payable to Directors and Stockholders

	Amount/Volume		2019	Outstanding Balance Receivable (Payable)		Terms
	2021	2020		2021	2020	
<b>Accrued director’s and annual incentives (Note 18)</b>						
Directors’ fee and annual incentives	<b>₱23,352</b>	₱30,574	₱8,993	<b>(₱23,352)</b>	(₱30,574)	On demand, Unsecured
<b>Due to stockholders (Note 33)</b>						
Cash Dividends	<b>1,197</b>	547	89,718	<b>(16,585)</b>	(18,272)	On demand, Unsecured

## Compensation of key management personnel

Compensation of key management personnel of the Group are as follows:

	2021	2020	2019
Short-term employee benefits	<b>₱64,215</b>	₱46,195	₱47,943
Post-employment benefits	<b>2,691</b>	2,532	4,405
	<b>₱66,906</b>	₱48,727	₱52,348

## Identification, Review and Approval of Related Party Transactions

All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Group with the same related party, amounting to ten percent (10%) or higher of the Group’s total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50.00 million or five percent (5%) of the Group’s total consolidated

assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

c. Ownership structure and parent company

As of 28 March 2022, ACEIC owns 64.65% of the outstanding voting shares of the Company. The parent company of ACEN is ACEIC. The Company has a management contract with ACEIC until 1 September 2023. Under the contract, ACEIC has general management authority with corresponding responsibility over all operations and personnel of ACEN, including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company.

**Item 6. Compensation of Directors and Executive Officers**

a. Executive Compensation

For the calendar years ended 31 December 2021, 31 December 2020, and 31 December 2019, the total salaries, allowances, and bonuses paid to the directors and executive officers of ACEN are as follows:

Name/Position	Year	Salaries	Bonus	Others
<b>CEO and Top 4 Most Highly Compensated Executive Officers (Total Compensation)</b>				
John Eric T. Francia – Chief Executive Officer				
Roman Miguel G. De Jesus – Executive Director and Head, Commercial Operations				
Jose Maria Eduardo P. Zabaleta – Chief Development Officer				
Ronald F. Cuadro – Vice President, Finance & Controller				
Alan T. Ascalon – Vice President, Legal & Regulatory				
	2021	42,758,279	7,881,015	2,885,739
	2020	15,703,929	2,920,702	2,487,596
	2019	21,478,153	4,630,134	1,945,000

**All Other Officers and Directors as a Group (Total Compensation)**

2021	86,263,095	36,752,738	5,589,101
2020	20,790,154	10,678,528	3,409,929
2019	17,827,743	3,651,125	4,645,000

For 2022, below are the estimated total salaries, allowances, and bonuses to be paid to the directors and executive officers of ACEN:

Name/Position	Year	Salaries	Bonus	Others
<b>CEO and Top 4 Most Highly Compensated Executive Officers (Estimated Total Compensation)</b>				
John Eric T. Francia – Chief Executive Officer				
Jose Maria Eduardo P. Zabaleta – Chief Development Officer				
Maria Corazon G. Dizon – Treasurer and CFO				
Dodjie D. Lagazo – Assistant Corporate Secretary 1 and Group Head, Legal				
Roman Miguel G. De Jesus – Executive Director and Head, Commercial Operations				
	2022	64,996,166	50,438,790	14,502,092

**All Other Officers and Directors as a Group (Estimated Total Compensation)**

2022      11,061,893      9,430,518      73,309,500

In 2021, the directors of the Company (including independent directors) received per diems for Board and committee meetings attended, net of tax, as follows:

<b>Director</b>	<b>Total Net Amount (in Php)</b>
Jose Rene Gregory D. Almendras	180,000.00
Cezar P. Consing	288,000.00
John Eric T. Francia	None (executive director)
Nicole Goh Phaik Khim	360,000.00
John Philip S. Orbeta	None (executive director)
Fernando M. Zobel de Ayala	180,000.00
Jaime Augusto M. Zobel de Ayala	270,000.00
Consuelo D. Garcia	954,000.00
Ma. Aurora D. Geotina-Garcia	648,000.00
Sherisa P. Nuesa	774,000.00
Melinda L. Ocampo	720,000.00

Below is the estimated per diems to be received by the directors of the Company (including independent directors) in 2022, assuming that the proposed compensation of the non-executive directors is approved by the stockholders at the meeting:

<b>Director</b>	<b>Total Gross Amount (Estimate) in Php</b>
Jose Rene Gregory D. Almendras	2,600,000.00
Cezar P. Consing	3,200,000.00
John Eric T. Francia	None (executive director)
Nicole Goh Phaik Khim	3,400,000.00
John Philip S. Orbeta	None (executive director)
Fernando M. Zobel de Ayala	4,000,000.00
Jaime Augusto M. Zobel de Ayala	3,000,000.00
Consuelo D. Garcia	3,300,000.00
Ma. Aurora D. Geotina-Garcia	3,900,000.00
Sherisa P. Nuesa	3,600,000.00
Melinda L. Ocampo	3,200,000.00

The management fees billed by ACEIC to the Company in 2021 include ₱44,355,708 which pertain to compensation of officers.

i. Compensation of Directors

The incumbent executive - directors do not receive allowances, per diem, or bonuses. The incumbent non-executive and/or independent directors are entitled to receive allowances of Php100,000.00 per Board meeting attended, and Php20,000.00 per Committee meeting attended.

There are no other existing arrangements/agreements to which said directors are to be compensated during the last completed fiscal year and the ensuing year.

ii. Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Under ACEN's By-Laws, the Officers of the Company shall hold office for one (1) year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board may be removed by the affirmative vote of the Board.

ACEN does not have written contracts with any of its executive officers or other significant employees.

iii. **Compensatory Plan or Arrangement**

The compensation received by officers who are not members of the Board consists of salaries, bonuses, and other benefits.

All permanent and regular employees of the Company are covered by the ACEN retirement plan (the “Plan”). The Plan provides benefits upon normal retirement beginning at age sixty (60), early retirement beginning at age fifty (50) with completion of at least ten (10) years of service, voluntary separation beginning upon completion of at least ten (10) years of service, total and physical disability, death, and involuntary separation. The benefits are based on the employee’s final monthly basic salary and length of service.

iv. **Warrants and Options Outstanding**

At the Annual Stockholders' Meeting held on 19 April 2021, stockholders approved the allocation of 960 million common shares to the Employee Stock Ownership Plan (the “Plan”) out of the unsubscribed portion of ACEN’s capital stock, to be available to qualified employees upon achievement of the Group’s goals and the determination of any variable compensation of the grantee. The foregoing Plan replaces the Company’s Stock Grants and Stock Options Plan, which does not have any remaining life.

Under the Plan, qualified employees are awarded the option to subscribe to a specified number of ACEN shares based on discounted market price determined by the Personnel and Compensation Committee and are subjected to the Plan’s vesting period. The subscription price is equal to the market price of the shares with a discount determined by the Personnel and Compensation Committee at the time of the grant of the option. Grants under the Plan are exercisable in three (3) annual tranches. Any availment is payable within a maximum period of ten (1) years.

In 2021, a total of 8,188,997 shares at a subscription price of Php 6.96 per share were granted under the Plan, subject to the SEC’s confirmation that the Plan is an exempt transaction, which confirmation was issued on 4 March 2022.

Total expense arising from the equity-settled share-based payment transaction (included under General and administrative expenses) amounted to ₱3.55 million. There were no grants and availments during 2020 and 2019.

There are no proposed adjustments or amendments to the Plan.

**Item 7. Independent Accountants’ Appointment**

a. The Audit Committee of ACEN proposed that the accounting firm of SyCip Gorres Velayo & Co. (SGV) be retained as the Company’s external auditor for the year 2021. The members of the Audit Committee are as follows:

- |      |                               |   |
|------|-------------------------------|---|
| i.   | Ms. Ma. Aurora Geotina-Garcia | Chairperson (effective 20 April 2020 until present) |
| ii.  | Ms. Consuelo D. Garcia        | Member (effective 20 April 2020 until present)      |
| iii. | Ms. Nicole Goh Phaik Khim     | Member (effective 19 April 2021 until present)      |

SGV has been ACEN’s Independent Public Accountant since 1969. The Audit Committee, the Board, and the stockholders of ACEN approved the engagement of SGV as the Company’s external auditor for 2021. The services rendered by SGV for the calendar year ended 31 December 2021 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of the Company’s annual income tax return, and other services related to filing of reports made with the SEC.

The engagement partner who conducted the audit for Calendar Year 2021 was Mr. Benjamin N. Villacorte, an SEC accredited auditing partner of SGV. This is Mr. Villacorte’s fourth year as engagement partner for the Company.

b. **Changes in and disagreements with accountants on accounting and financial disclosure.**

During the past five (5) years, there has been no event in which ACEN and SGV had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

c. ACEN complied with SRC Rule 68, paragraph 3(b)(ix) which requires the rotation of external auditors or signing partners every five (5) years of engagement and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor.

The external auditors for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting and to answer any question. They are likewise given an opportunity to give statements if they desire to do so.

d. **Audit and Audit-Related Fees**

The total external auditors' fees of SGV in 2021 and 2020 amounted to Php 15.29 million and Php 10.80 million, including VAT, respectively:

2021 External Auditor Fees	Amount in Million Pesos (inclusive of VAT)	
	2021	2020
Audit and Audit-Related Fees	₱15.23	₱10.38
Non-Audit Fees	.06	.42
Grand Total	₱15.29	₱10.80

The audit and audit-related fees include the audit of the Company's annual financial statements, quarterly reviews and other assurance services related to performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

The Audit Committee discusses the nature and scope of the audit with the external auditor before the audit commences. It pre-approves audit fees during its first quarter meeting while plans, scope, and frequency are approved during its third quarter committee meeting. It evaluates and determines non-audit work by the external auditor and reviews the non-audit fees paid to the external auditor, both in relation to their significance to the audit and in relation to the Company's total expenditure on consultancy.

e. **Tax fees**

No tax consultancy services were secured from SGV for the past two years.

f. **All other fees (Non-Audit Fees)**

Non-audit fees for 2021 and 2020 include training and validation of votes during the annual stockholders' meeting.

### Item 8. Compensation Plans

One of the matters that will be presented for the approval of the stockholders is the compensation of directors.

Pursuant to Article IV, Section 4 of the By-Laws, the compensation of directors for their services must be fixed by the stockholders.

On 8 March 2022, the Board of Directors, acting on the endorsement of the Personnel and Compensation Committee approved the endorsement to the stockholders of the following compensation to non-executive directors:

Type of Compensation	Amount (in Php)
Annual Retainer Fee	Director – 1,000,000.00 Chairperson of the Audit Committee – 1,500,000.00 Chairman of the Board – 2,000,000.00

Board of Directors' Meeting (including organizational meeting)	200,000.00
Committee Meeting	100,000.00
Non-Executive Directors' Meeting	100,000.00

The market value of the Company's securities as of 28 March 2022 may be found on page 92 of Annex D, **Management's Discussion and Analysis (MD&A) or Plan of Operations.**

### C. ISSUANCE AND EXCHANGE OF SECURITIES

#### Item 9. Authorization or issuance of securities other than for exchange

a. Title and Amount of Securities to be Authorized or Issued:

To be presented for approval of the stockholders is the allotment and issuance of up to Three Hundred Ninety (390) million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV ("UPC Philippines") (collectively, the "UPC PH Group") and the listing thereof. The shares to be issued are broken down as follows:

Subscriber	Number of Shares
UPC Philippine Wind Partners Ltd.	19,059,423
Alan Kerr	4,248,813
Wind City Inc.	142,668,634
Estanyol Holdings Ltd.	153,493,200
Tenggay Holdings Ltd,	70,525,763
<b>TOTAL</b>	<b>389,995,833</b>

The foregoing issuance of shares was approved by the Board on 8 March 2022. The list of subscribers constituting the UPC PH Group and the allocation of shares were revised and updated from the previous list below approved by the stockholders during the special stockholders' meeting on 15 December 2021. The allocation of shares was revised as a result of an internal arrangement within the UPC PH Group, wherein the UPC PH principals opted to nominate different holding companies as the subscribers to the shares of the Company:

Subscriber	Number of Shares
UPC Philippine Wind Partners Ltd.	183,900,026
Alan Kerr	4,318,008
PQN Holdings Ltd.	8,473,688
Butterfly Securities Ltd.	3,412,744
Brian E. Caffyn Revocable Trust	85,407,247
Estanyol Holdings Ltd.	61,622,826
Tenggay Holdings Ltd,	42,861,294
<b>TOTAL</b>	<b>389,995,833</b>

b. Description of the Registrant's Securities:

The Company's current authorized capital stock is Forty-Eight Billion Four Hundred Million Pesos (Php 48,400,000,000.00) divided into Forty-Eight Billion Four Hundred Million (48,400,000,000) common shares with a par value of One Peso (P1.00) per share. As of 28 March 2022, 38,315,838,177 shares of the Company are issued and outstanding. Stockholders of the Company enjoy full dividend and voting rights in accordance with the Corporation Code, pro-rata to their shareholdings. Pursuant to Article Seventh of the Company's Articles of Incorporation, stockholders have a pre-emptive right to purchase or subscribe to additional shares, except if: (1) the issue of the said additional shares does not exceed 35% of the resulting total issued and outstanding capital stock, and the additional subscribed capital stock will be used exclusively for the benefit of the Company; or (2) in relation to shares issued in good faith in exchange for property needed for corporate purposes or in payment of a previously contracted debt provided however, that shares to be issued for this purpose shall not exceed sixteen (16) billion shares. Considering that the (1) shares to be issued to the UPC PH Group does not exceed 35% of the resulting total issued and outstanding capital stock of the Company, and (2) additional subscribed capital stock will be used exclusively for the Company's benefit, the issuance will not give rise to the stockholders' pre-emptive rights.

All common shares have full voting rights, and the right to receive dividends. There are no other class of shares which enjoy preferential rights as to voting or dividends. There are no provisions in the Articles or the by-laws that would delay, defer or prevent a change in control of the Company.

- c. Nature and approximate amount of consideration received or to be received by the Company and approximate amounts devoted to each purpose for which the net proceeds have been used or are to be used.

The Company will issue up to 390 million common shares to the UPC PH Group in exchange for cash in the aggregate amount of ~Php3.23 billion or Php8.2889 per share. UPC Philippines' principal executive office is located at Italiëstraat 8, 2408 CD Alphen aan den Rijn, The Netherlands. UPC Philippines may be contacted through Mr. David Sutton at david@efawind.com.

Proceeds will be used to pay for the Company's short-term dollar loans by the end of April 2022.

The Company has acquired, in a separate transaction, UPC Philippines' and Ms. Sutton's ownership interest in North Luzon Renewable Energy Corp., Bayog Wind Power Corp., development special purpose vehicles ("SPVs") Buduan Wind Energy Co., Inc, Pangasinan UPC Asia Corporation, Caraballo Mountains UPC Asia Corporation, Sapat Highlands Wind Corporation, and pipeline SPVs Itbayat Island UPC Asia Corporation, Laguna West Renewables, Inc., and Suyo UPC Asia Corporation (the "**UPC Philippines Property**").

- d. If the securities are to be issued other than in a public offering for cash, state reasons for the proposed authorization or issuance and the general effect upon the rights of existing stockholders

The issuance of shares enables the Company to pursue and complete the acquisition of the UPC Philippines Property, which consists of an operating power project, a power project under construction, and development assets, which in turn will increase the Company's attributable capacity and help enable the Company to reach its goal of reaching 5,000 MW of renewables capacity by 2025.

The foregoing issuance of shares will also enable the Company to raise its public ownership level and will also have the effect of diluting the ownership interest of the existing stockholders in the Company to the extent of such shares. Considering that the issuance of up to 390 million shares does not exceed 35% of the resulting total subscribed capital stock of the Company, the existing stockholders of the Company will have no pre-emptive rights as to the issuance of such shares in accordance with paragraph three of Article Sixth of the Articles of Incorporation of the Company which provides as follows:

Sixth. xxx

xxx

That no holder of the capital stock, whether said stock is now or hereafter authorized, shall have any right, as such stockholder, to purchase or subscribe to additional shares of the capital stock which are now or hereafter authorized by the Corporation, if the issue of the said additional stock not to exceed Thirty-Five percent (35%) of the resulting total subscribed capital stock shall be used exclusively for the benefit of the Corporation as determined by resolutions of the Board of Directors.

## **Item 10. Modification or Exchange of Securities**

There are no matters or actions to be taken up in the meeting with respect to the modification or exchange of securities.

## **Item 11. Financial and Other Information**

The Management's Discussion and Analysis (MD&A) or Plan of Operations and ACEN's Audited Financial Statements as of 31 December 2021 are attached hereto as **Annexes "D"** and **"E"**, respectively. A copy of the Integrated Report for the said period will be provided to stockholders of record *via* <https://acen.com.ph/ac-energy-ir-2021/>.

In line with ACEN's commitment to promote responsible business, the Company intends to distribute copies of this Definitive Information Statement (the "**DIS**") through a Quick Response Code ("**QR Code**") and soft copy distribution *via* email or link to the Company's website. The detailed instructions to access information through electronic means and the use thereof is attached hereto as **Annex "F"**.



**THE ANNUAL REPORT ON SEC FORM 17-A FOR THE YEAR ENDED 31 DECEMBER 2021 AND PRINTED COPIES OF THE DIS WILL BE AVAILABLE UPON REQUEST OF STOCKHOLDERS. THE REQUEST MAY BE SENT DIRECTLY TO THE HEAD OF LEGAL AND REGULATORY, ATTY. DODJIE D. LAGAZO, WITH OFFICE ADDRESS AT THE 35<sup>TH</sup> FLOOR, AYALA TRIANGLE GARDENS TOWER 2, PASEO DE ROXAS CORNER AYALA AVENUE, MAKATI CITY AND A COPY WILL BE SENT, FREE OF CHARGE.**

## **Dividends**

The payment by ACEN of dividends shall be subject to the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration, loan covenants, and financial ratios.

ACEN declares cash or stock dividends to its common stockholders in amounts determined by the Board taking into consideration the results of the Company's operations, its cash position, investments and capital expenditure requirements, and unrestricted retained earnings. The Company also declares special cash dividends where appropriate.

On 18 March 2021, the Company declared dividends of Php 0.06 per share based on then current outstanding shares of 19,960,037,644, or a total amount of PhP1,197,602,258.64 from the unrestricted retained earnings of the Company as of 30 June 2020 to all stockholders of record as of 5 April 2021, payable on or before 19 April 2021. ₱1,195,787,042 of the amount declared was paid to the equity holders of the Parent Company.

On 8 March 2022, the Company declared dividends of Php 0.06 per share on the 38,315,838,177 total outstanding shares of the Company, to be paid on 19 April 2022 to the stockholders on record as of 5 April 2022.

Dividends declared and paid in 2018 up to 2022 were as follows:

<b>Date of Declaration</b>	<b>Dividend</b>			<b>Record Date</b>
	<b>Type</b>	<b>Rate (in PHP)</b>	<b>Amount (in thousands PHP) *</b>	
28 February 2018	Cash	0.04 per share	195,591	14 March 2018
18 August 2020	Cash	0.04 per share	547,699	3 September 2020
18 March 2021	Cash	0.06 per share	1,197,602	5 April 2021
8 March 2022	Cash	0.06 per share	2,298,950	19 April 2022

### Retained Earnings

Retained earnings represent the Group's accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries, joint venture and associates, which are not available for dividend declaration. Retained earnings not available for dividend declaration included in the Group's retained earnings to the extent of (a) the cost of treasury shares amounted to ₱28.66 million and ₱40.93 million as at 31 December 2021 and 2020, respectively, and (b) undistributed earnings of subsidiaries, associates and joint ventures included in the Group's retained earnings amounted to ₱28,633.42 million and ₱23,922.10 million as at 31 December 2021 and 2020, respectively.

As of 28 March 2022, there are no changes in and disagreements with accountants on accounting and financial disclosure. Representatives of SGV, the Company's principal accountants for the current year and for the most recently completed fiscal year are expected to be present at the meeting. Relevant questions for the auditors may be sent to [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph) before and during the meeting.

## **Item 12. Mergers, consolidations, acquisitions and similar matters**

There are no matters or actions to be taken up in the meeting with respect to mergers, consolidations, acquisitions, or similar matters.

### Item 13. Acquisition or disposition of property

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Company requiring stockholders' approval under the Revised Corporation Code.

### Item 14. Restatement of accounts

- a. As used herein and in other sections of this Information Statement, unless the context otherwise requires, ACEN refers to the Company and its subsidiaries where the Company has control pursuant to SRC Rule 68, Par. 6 (Consolidated Financial Statements).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC) which became effective beginning 1 January 2018. Extensive discussions are made in the Group's financial statements for PFRS 15 and 9, PIC Q&A on Land Classification, and PIC Q&A on Advances to Contractors, as all these standards have significant impact on the Group. The Group will also adopt several amended and revised standards and interpretations in the coming years 2021, 2022, and 2023.

- b. As of the fiscal year ending 2020, there were restatement of 2019 accounts in relation to the new entities acquired by the Company from ACEIC. ACEN entered into a share swap agreement with ACEIC to acquire the latter's ownership interest in various entities (the "Onshore Companies") in exchange for ACEN's issuance of additional primary shares via a tax-free exchange. The parties obtained relevant regulatory approvals to formalize the agreement. On 22 June 2020, the application for the increase in the capital stock was approved by the SEC, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective 1 July 2019, the date when ACEN and the Onshore Companies became under the common control of ACEIC.
- c. As of the fiscal year ending 2021, there were restatement of 2019 and 2020 accounts in relation to the new entities acquired by the Company from ACEIC. ACEN entered into a share swap agreement with ACEIC to acquire the latter's ownership interest in AC Energy International, Inc. and indirect interests in AC Renewables International, Pte. Ltd., AC Energy Cayman and ACE Investments HK Limited (the "Offshore Companies") in exchange for ACEN's issuance of additional primary shares via a tax-free exchange. The parties obtained relevant regulatory approvals to formalize the agreement. On 7 June 2021, the application for the increase in the Company's authorized capital stock was approved by the SEC, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective 1 July 2019, the date when ACEN and the Offshore Companies became under the common control of ACEIC.
- d. Details of ACEN's consolidated balances and the balances of Offshore Companies' assets and liabilities as at December 31, 2020 and January 1, 2020 which were consolidated to the Group are as follows:

	ACEN consolidated balances as at December 31, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at December 31, 2020	ACEN consolidated balances as at December 31, 2020 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	₱5,135,474	₱22,941,697	₱28,077,171
Accounts and notes receivables	6,095,019	10,516,700	16,611,719
Fuel and spare parts	1,391,340	–	1,391,340
Financial assets at fair value through other comprehensive income (FVOCI)	–	12,620,756	12,620,756
Current portion of:			
Input value added tax (VAT)	430,139	8,599	438,738
Creditable withholding taxes	649,271	–	649,271
Other current assets	453,233	191	453,424
<b>Total Current Assets</b>	<b>14,154,476</b>	<b>46,087,943</b>	<b>60,242,419</b>
<b>Noncurrent Assets</b>			

	ACEN consolidated balances as at December 31, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at December 31, 2020	ACEN consolidated balances as at December 31, 2020 (As restated)
<b>Investments in:</b>			
Financial asset at FVOCI	1,211	379,957	381,168
Associates and joint ventures	6,593,492	12,201,596	18,795,088
Other financial assets at amortized cost	–	15,297,105	15,297,105
Property, plant and equipment	31,837,939	11	31,837,950
Right-of-use assets	2,343,404	–	2,343,404
Investment properties	341,549	–	341,549
Accounts and notes receivables - net of current portion		6,540,288	6,540,288
Goodwill and other intangible assets	2,537,094	–	2,537,094
Deferred income tax assets - net	416,353	–	416,353
<b>Net of current portion:</b>			
Input VAT	1,177,802	–	1,177,802
Creditable withholding taxes	601,840	–	601,840
Other noncurrent assets	3,570,160	(2,266,400)	1,303,760
<b>Total Noncurrent Assets</b>	<b>49,420,844</b>	<b>32,152,557</b>	<b>81,573,401</b>
<b>TOTAL ASSETS</b>	<b>₱63,575,320</b>	<b>₱78,240,500</b>	<b>₱141,815,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	₱6,539,227	(₱49,037)	₱6,490,190
Short-term loans	9,438,600	(4,803,600)	4,635,000
Current portion of long-term loans	707,782	–	707,782
Current portion of lease liabilities	285,001	–	285,001
Income and withholding taxes payable	129,072	216,209	345,281
Due to stockholders	18,272	–	18,272
<b>Total Current Liabilities</b>	<b>17,117,954</b>	<b>(4,636,428)</b>	<b>12,481,526</b>

<b>Noncurrent Liabilities</b>			
Long term loans - net of current portion	21,682,924	(136,551)	21,546,373
Lease liabilities - net of current portion	1,631,628	–	1,631,628
Pension and other employee benefits	50,929	–	50,929
Deferred income tax liabilities - net	127,693	3,288	130,981
Other noncurrent liabilities	1,609,123	85,925	1,695,048
<b>Total Noncurrent Liabilities</b>	<b>25,102,297</b>	<b>(47,338)</b>	<b>25,054,959</b>
<b>Total Liabilities</b>	<b>42,220,251</b>	<b>(4,683,766)</b>	<b>37,536,485</b>

(Forward)

<b>Equity</b>			
Capital stock	₱13,706,957	₱–	₱13,706,957
Additional paid-in capital	8,692,555	–	8,692,555
Other equity reserves	(7,541,223)	36,203,580	28,662,357
Unrealized fair value (loss) gain on equity instruments at FVOCI	(8,169)	151,794	143,625
Unrealized fair value gain on derivative instruments designated as hedges	57,409	–	57,409
Remeasurement loss on defined benefit plans	(6,999)	–	(6,999)
Accumulated share in other comprehensive loss of associates and joint ventures	(2,723)	(227,121)	(229,844)
Cumulative translation adjustments	–	(3,453,708)	(3,453,708)
Retained earnings	5,167,685	1,181,397	6,349,082
Treasury shares	(40,930)	–	(40,930)
Total equity attributable to equity holders of the Parent Company	20,024,562	33,855,942	53,880,504
Non-controlling interests	1,330,507	49,068,324	50,398,831
<b>Total Equity</b>	<b>21,355,069</b>	<b>82,924,266</b>	<b>104,279,335</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱63,575,320</b>	<b>₱78,240,500</b>	<b>₱141,815,820</b>

e.

	ACEN consolidated balances as at January 1, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at January 1, 2020	ACEN consolidated balances as at January 1, 2020 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	₱9,593,248	₱30,037,048	₱39,630,296
Short-term investment	100,000	–	100,000
Accounts and notes receivables	3,122,386	4,294,826	7,417,212
Fuel and spare parts	938,459	–	938,459
Current portion of:			
Input value added tax (VAT)	186,337	4,479	190,816
Creditable withholding taxes	179,007	–	179,007
Other current assets	212,819	–	212,819
	14,332,256	34,336,353	48,668,609
Noncurrent assets held for sale	3,546	–	3,546
<b>Total Current Assets</b>	<b>14,335,802</b>	<b>34,336,353</b>	<b>48,672,155</b>
<b>Noncurrent Assets</b>			
Investments in:			
Financial asset at FVOCI	533,137	21,263,465	21,796,602
Associates and joint ventures	2,534,102	14,538,071	17,072,173
Other financial assets at amortized cost	–	3,374,290	3,374,290
Property, plant and equipment	25,438,929	48	25,438,977
Right-of-use assets	951,750	–	951,750
Investment properties	13,085	–	13,085
Accounts and notes receivables - net of current portion	–	2,389,231	2,389,231
Goodwill and other intangible assets	441,077	–	441,077

	ACEN consolidated balances as at January 1, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at January 1, 2020	ACEN consolidated balances as at January 1, 2020 (As restated)
Deferred income tax assets - net	653,923	-	653,923

*(Forward)*

	ACEN consolidated balances as at January 1, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at January 1, 2020	ACEN consolidated balances as at January 1, 2020 (As restated)
Net of current portion:			
Input VAT	₱372,917	₱–	₱372,917
Creditable withholding taxes	861,208	–	861,208
Other noncurrent assets	2,401,613	–	2,401,613
<b>Total Noncurrent Assets</b>	<b>34,201,741</b>	<b>41,565,105</b>	<b>75,766,846</b>
<b>TOTAL ASSETS</b>	<b>₱48,537,543</b>	<b>₱75,901,458</b>	<b>₱124,439,001</b>

## LIABILITIES AND EQUITY

### Current Liabilities

Accounts payable and other current liabilities	₱4,199,576	(₱134,979)	₱4,064,597
Short-term loans	3,556	–	3,556
Current portion of long-term loans	905,931	–	905,931
Current portion of lease liabilities	128,796	–	128,796
Income and withholding taxes payable	41,208	62,153	103,361
Due to stockholders	16,594	–	16,594
<b>Total Current Liabilities</b>	<b>5,295,661</b>	<b>(72,826)</b>	<b>5,222,835</b>

### Noncurrent Liabilities

Long term loans - net of current portion	22,292,698	–	22,292,698
Lease liabilities - net of current portion	852,742	–	852,742
Pension and other employee benefits	71,034	–	71,034
Deferred income tax liabilities - net	350,487	–	350,487
Other noncurrent liabilities	3,289,902	–	3,289,902
<b>Total Noncurrent Liabilities</b>	<b>26,856,863</b>	<b>–</b>	<b>26,856,863</b>
<b>Total Liabilities</b>	<b>32,152,524</b>	<b>(72,826)</b>	<b>32,079,698</b>

### Equity

Capital stock	7,521,775	–	7,521,775
Additional paid-in capital	83,768	–	83,768
Other equity reserves	5,366,480	36,203,580	41,570,060
Unrealized fair value (loss) gain on equity instruments at FVOCI	(96,584)	70,038	(26,546)
Unrealized fair value gain on derivative instruments designated as hedges	(14,742)	–	(14,742)
Remeasurement loss on defined benefit plans	9,254	–	9,254
Accumulated share in other comprehensive loss of associates and joint ventures	(2,107)	(166,047)	(168,154)
Cumulative translation adjustments	–	96,227	96,227
Retained earnings	3,296,295	647,109	3,943,403
Treasury shares	(27,704)	–	(27,704)
Total equity attributable to equity holders of the Parent Company	16,136,435	36,850,907	52,987,341
Non-controlling interests	248,584	39,123,377	39,371,962
<b>Total Equity</b>	<b>16,385,019</b>	<b>75,974,284</b>	<b>92,359,303</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱48,537,543</b>	<b>₱75,901,458</b>	<b>₱124,439,001</b>

- e. The foregoing restatements will not alter the amount available for distribution to the stockholders given that the same does not affect the retained earnings of the Company and calculation of retained earnings available for dividend declaration. Only the consolidated financial statements were affected by the restatement.

## D. OTHER MATTERS

### Item 15. Action with respect to reports

- a. At the last Annual Stockholders' Meeting held on 19 April 2021, the President and CEO reported the results of operations of the Company through an audio-visual presentation.

*Voting and vote tabulation procedures used in the previous meeting.* For the election of Directors, each stockholder was entitled to one (1) vote per share multiplied by the number of board seats provided in the Articles of Incorporation (*i.e.*, eleven (11)). Cumulative voting was allowed for election of members of the Board of Directors. Each stockholder was allowed to vote the number of shares of stock outstanding in his or her own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of Directors to be elected multiplied by the number of his or her shares shall equal, or he or she 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 or her shall not exceed the number of shares owned by him or her as shown in the books of ACEN multiplied by the whole number of Directors to be elected and provided, however, that no delinquent stock shall be voted.

The amendments to the Articles of Incorporation required the affirmative vote of at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote. All other matters in the Agenda that require corporate action required the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and entitled to vote at the Meeting. Abstentions were treated to have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items that required the vote of stockholders were presented for approval of the stockholders at the previous meeting. Voting was through manual and electronic ballot, counted thereafter by the Corporate Secretary in the presence of SGV to validate the counting. The results were tallied in a book kept exclusively for such purpose, and signed by the Corporate Secretary and the External Auditor.

The following matters were likewise presented and approved by the stockholders during the said meeting:

- i. Minutes of the previous Annual Stockholders' Meeting
- ii. Annual Report of Management including the Audited Financial Statements for the year ended 31 December 2021
- iii. Confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting
- iv. Amendments to the Articles of Incorporation
  1. Increase in the Company's authorized capital stock from PHP 24.4 billion divided into 24.4 billion shares, to PHP 48.4 billion divided into 48.4 billion shares; and
  2. Increase in the number of shares exempt from pre-emptive rights from 16 billion common shares to 24 billion common shares, for shares issued in good faith for corporate purposes or payment of a previously contracted debt.
- v. Issuance of 4 Billion Common Shares to Arran
- vi. Issuance of 2 Billion Common Shares Pursuant to the Company's Follow-On Offering
- vii. Issuance of 16,685,800,533 Common Shares to ACEIC in Exchange for ACEIC's International Renewable Energy Assets and Investments
- viii. Stock Ownership Plan
- ix. Delegation of Power and Authority to the Board to Amend the By-Laws
- x. Election of eleven (11) Directors including four (4) independent directors for the ensuing year
- xi. Appointment of external auditor

- b. At the Special Stockholders' Meeting held on 15 December 2021:

*Voting and vote tabulation procedures used in the previous meeting.* The amendments to the Articles of Incorporation required the affirmative vote of at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote. All other matters in the Agenda that require corporate action required the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and

entitled to vote at the Meeting. Abstentions were treated to have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items that required the vote of stockholders were presented for approval of the stockholders at the previous meeting. Voting was through manual and electronic ballot, counted thereafter by the Corporate Secretary in the presence of SGV to validate the counting. The results were tallied in a book kept exclusively for such purpose, and signed by the Corporate Secretary and the External Auditor.

The following matters were likewise presented and approved by the stockholders during the said meeting:

- i. Amendments to the Articles of Incorporation
  1. Change in the corporate name to ACEN Corporation
  2. Removal of oil exploration, mining and related businesses from the Primary Purpose and Secondary Purposes and specification of retail electricity supply and provision of guarantees as part of the Primary Purpose
  3. Change in the principal office to 35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines
- ii. Issuance of up to 942 million common shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited and Mr. Anton Rohner and the listing of the shares to be issued
- iii. Issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued
- iv. Issuance of up to 90 million common shares to the affiliates and/or partners of the NorthWind Power Development Corporation minority shareholders and the listing of the shares to be issued

The voting results of each agenda item, attendance of the directors, officers, and stockholders are duly reflected in the respective Minutes of the previous Annual Stockholders' Meeting and the Special Stockholders Meeting attached as **Annex "B"** of this Information Statement.

- c. For the Annual Stockholders' Meeting on 25 April 2022, the President and CEO will report on the performance of the Company in 2021. The following matters will also be presented for the consideration of the stockholders at such meeting:
  - i. Minutes of the previous Annual Stockholders' Meeting and Special Stockholders' Meeting (see **Annex "B"**)
  - ii. Annual Report of Management (see **Annex "D"**) including the Audited Financial Statements for the year ended 31 December 2021 (see **Annex "E"**)
  - iii. Confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting (see **Annex "C"**)
  - iv. Approval of Compensation of Directors
  - v. Approval of the Management Agreement with South Luzon Thermal Energy Corporation
  - vi. Issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued
  - vii. Election of eleven (11) Directors including four (4) independent directors for the ensuing year
  - viii. Appointment of external auditor and fixing of its remuneration

The approval of the minutes of the previous Annual Stockholders' Meeting and Special Stockholders' Meeting, the approval of Annual Report of Management including the Audited Financial Statements for the year ended 31 December 2021, the confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting, compensation of directors, and the approval of the appointment of the Company's external auditor shall require the affirmative vote or written assent of at least a majority of the stockholders entitled to vote during the Annual Stockholders' Meeting. The approval of the management agreement with SLTEC requires the affirmative vote of stockholders owning at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting through remote communication or in absentia by the stockholders, the Company has set up an online web address (URL) which may be accessed by the



stockholders to register and vote on the matters at the meeting through remote communication or in *absentia*.<sup>17</sup> A stockholder who votes through remote communication or in *absentia* shall be deemed present for purposes of quorum.

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

- (i) Anyone who wishes to make a remark shall identify himself or herself after being acknowledged by the Chairman and shall limit his or her remarks to the item in the Agenda under consideration.
- (ii) On voting procedures, voting shall be done electronically in *absentia*. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.
- (iii) All the items in the Agenda for 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.
- (iv) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his or her vote.
- (v) 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.

The Chairman will adjourn the meeting when the scheduled order of business is completed, and no further business or matter is considered or raised.

#### **Item 16. Matters Not Required to be Submitted**

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

#### **Item 17. Amendment of Charter, By-Laws or Other Documents**

There are no matters or actions to be taken up in the meeting with respect to the amendment of the Company's Charter, By-Laws, or other documents.

#### **Item 18. Other Proposed Action**

- a. Election of the members of the Board, including the independent directors, for the ensuing year
- b. Ratification of all acts of the Board and officers beginning 19 April 2021 to 24 April 2022

The acts of the Board, its Committees, and Management involve the following:

- (i) constitution of Board Committees and appointment of Chairpersons and members;
- (ii) election of lead independent director and officers;
- (iii) updating of lists of attorneys-in-fact and authorized signatories;
- (iv) ratification of the actions of the board committees;
- (v) execution of agreements relating to the properties of the Company;
- (vi) approval of terms of the Company's follow-on offering;
- (vii) 2022 Consolidated and Parent Company Budget;
- (viii) declaration of dividends;
- (ix) approval and adoption of dividend policy;
- (x) approval of reports to be issued by the Company;
- (xi) investment in power generation projects;
- (xii) acquisition of interest in operating projects; and
- (xiii) others.

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<sup>17</sup> The detailed instructions pertaining to the URL and the use thereof are provided for in **Annex "F"** of this Information Statement.

- c. Appointment of external auditor and fixing of its remuneration
- d. Management agreement with SLTEC

A proposal will be submitted to approve the Management Agreement between the Company and SLTEC.

Under Section 43 of the *Revised Corporation Code of the Philippines*, a management contract must be approved by the board of directors and by stockholders owning at least the majority of the outstanding capital stock, or by at least a majority of the members in the case of a non-stock corporation, of both the managing and the managed corporation, at a meeting duly called for the purpose: *Provided*, That (a) where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own or control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or (b) where a majority of the members of the board of directors of the managing corporation also constitute a majority of the members of the board of directors of the managed corporation, then the management contract must be approved by the stockholders of the managed corporation owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote, or by at least two-thirds (2/3) of the members in the case of a non-stock corporation.

ACEIC is the direct majority stockholder of ACEN and indirectly owns the managed corporation SLTEC through ACEN, which directly owns 100% of SLTEC. Thus, the affirmative vote of stockholders owning at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote is required to approve the proposed action.

#### **Item 19. Voting Procedures**

- a. Vote Required.

The eleven (11) nominees for directors receiving the highest number of votes shall be declared elected, provided that at least two (2) out of the eleven (11) directors shall be independent. The stockholders have cumulative voting rights with respect to the election of the Company's Directors. The approval of the management agreement with SLTEC requires the affirmative vote of stockholders owning at least two-thirds (2/3) of the total outstanding capital stock of the Company entitled to vote. All other items in the Agenda shall require the affirmative vote of a majority of the outstanding capital stock entitled to vote in the meeting. Each stockholder may vote in person or by proxy the number of shares of stock standing in his own name in the books of the Company as of the record date of the meeting.

- b. Method of Voting.

In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one (1) vote. In light of the Regulations (as defined in Item 20), stockholders will only be allowed to vote by appointing the Chairman of the meeting as their proxy or by voting electronically in *absentia*.

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this Information Statement, and shall be received by the Corporate Secretary on or before 15 April 2022.

Each stockholder or member shall have the right to nominate any director or trustee who possesses all of the qualifications and none of the disqualifications set forth in this Code. Stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: *Provided*, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number of directors to be elected: *Provided, however*, That no delinquent stock shall be voted. (Section 23 of the *Revised Corporation Code of the Philippines*)

Because abstentions with respect to any matter are treated as shares present and represented and entitled to vote for purposes of determining whether that matter has been approved by the stockholders, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting. The results shall be tallied in a book kept exclusively for such purpose and signed by the Corporate Secretary and the External Auditor. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.

#### **Item 20. Participation of Stockholders by Remote Communication**

To comply with applicable regulations prohibiting mass gatherings, identifying authorized persons outside residence, and/or requiring social distancing to prevent the spread of COVID-19 (the “Regulations”) and to ensure the safety and welfare of our stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication, as set forth below, and by voting in *absentia*, as provided in Item 4 (c) and Item 19 above, or voting through the Chairman of the meeting as proxy.

The live webcast of the meeting shall be accessible through the following online web address: <http://www.ayalagroupshareholders.com/>. To enable the Company to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, the stockholders shall inform the Company by email to [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph) on or before 19 April 2022, of their participation in the meeting by remote communication. Stockholders may email questions or comments prior to or during the meeting at the following email address: [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph). The detailed instructions for participation through remote communication are attached as Annex F.

## **SIGNATURE**

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 the City of Makati on 30 March 2022.

### **AC ENERGY CORPORATION**

By:  **DODJIE D. LAGAZO**  
*Assistant Corporate Secretary*

**ANNEX A**  
**DIRECTORS AND KEY OFFICERS**

The write-ups below include positions held as of 31 December 2021 and in the past five years, and personal data as of 31 December 2021, of directors and executive officers.

**Board of Directors**

Fernando Zobel de Ayala	Chairman, Executive Committee Member
Jaime Augusto Zobel de Ayala	Vice-Chairman, Executive Committee Member
John Eric T. Francia	President and CEO, Executive Committee Member
Jose Rene Gregory D. Almendras	
Cezar P. Consing	Executive Committee Member
Nicole Goh Phaik Khim	
John Philip S. Orbeta	
Sherisa P. Nuesa	Lead Independent Director
Melinda L. Ocampo	Independent Director
Consuelo D. Garcia	Independent Director
Ma. Aurora D. Geotina-Garcia	Independent Director

***Fernando Zobel de Ayala***, Filipino, 61, director of the Company since 23 July 2019. He has been the President and Chief Operating Officer of Ayala Corporation since April 2006. He holds the following positions in publicly listed companies (“PLCs”): Chairman of Ayala Land, Inc. (“ALI”) and AC Energy Corporation (formerly AC Energy Philippines, Inc.); Vice Chairman of Bank of the Philippine Islands; Co-Vice Chairman of Globe Telecom, Inc. (“Globe”); Director of Integrated Micro- Electronics, Inc. (“IMI”), and Manila Water Company, Inc. (“MWCI”); and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.) (“ACEIC”), Ayala Healthcare Holdings, Inc., Alabang Commercial Corporation, Accendo Commercial Corp., BPI Foundation, and Hero Foundation, Inc.; Co- Chairman of Ayala Foundation, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., ALI Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.; Director of AG Holdings Ltd., AC Infrastructure Holdings Corporation, Altaraza Development Corporation, Asiacom Philippines, Inc., BPI Asset Management and Trust Corp., and Manila Peninsula; Member of the Board of INSEAD Business School and Georgetown University; Member of the Board of Trustees of Asia Philanthropy Circle and of Asia Society; Member of the International Advisory Board of Tikehau Capital; Member of the Philippine-Singapore Business Council; Member of the International Council of The Metropolitan Museum; Co-Chair of Asia Pacific Acquisitions Committee of The Tate Museum; Member of the Chief Executives Organization and Habitat for Humanity International’s Asia Pacific Development Council; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

***Jaime Augusto Zobel de Ayala***, Filipino, 62, director of the Company since 23 July 2019. He has been the Chairman of the Board of Ayala Corporation since April 2006. He was its CEO from April 2006 to April 2021. He holds the following positions in PLCs: Chairman of Globe, IMI, and Bank of the Philippine Islands; and Vice Chairman of ALI and AC Energy Corporation (formerly AC Energy Philippines, Inc.). He is also the Chairman of AC Industrial Technology Holdings, Inc., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc.; Director of AC Ventures Holding Corp., Alabang Commercial Corporation, ACEIC (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Ltd. Outside the Ayala group, he is a Director of Temasek Holdings (Private) Limited and a member of various business and socio- civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He is a member of the Board of Governors of the Asian Institute of Management, the Advisory Board of Asia Global Institute (University of Hong Kong) and of various advisory boards of Harvard University, including the Global Advisory Council and Asia Center Advisory Committee, HBS Board of Dean’s Advisors, and HBS Asia Advisory Committee. He sits on the Board of Singapore Management University (SMU) and is the Chairman of SMU International Advisory Council in the Philippines. He is a member of the Asia Business Council, Asean Business Club Advisory Council, Leapfrog Investment Global Leadership Council, The Council for Inclusive Capitalism, and World Wildlife Philippines National Advisory Council. He is Co-Vice Chairman of the Makati

Business Club, Chairman of Endeavor Philippines, and Trustee Emeritus of Eisenhower Fellowships. He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business. He graduated with B.A. in Economics (*Cum Laude*) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

**John Eric T. Francia**, Filipino, 50, was elected as director on 9 May 2019 to serve effective 15 May 2019. He is the President and Chief Executive Officer of AC Energy Corporation (PSE:ACEN) and the President of ACEIC. Under his leadership, Ayala established its energy platform from a standing start in 2011, to become one of the largest renewable energy platforms in Southeast Asia, with over 2000 MW of attributable renewables capacity.

He is also a Managing Director and member of the Management Committee of Ayala Corporation since 2009, and was appointed as Chairman of Ayala's Investment Committee in 2021. He is also a Director of various Ayala group companies including AC Infrastructure, AC Health, AC Ventures, and Chairman and CEO of ACE Enexor, Inc. ("ACEX") (PSE:ACEX).

He earned a Master's Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating *magna cum laude*.

**Jose Rene Gregory D. Almendras**, Filipino, 61, director of the Company since 1 July 2019. He concurrently serves as Senior Managing Director of Ayala Corporation (AC), Director of MWCI, and President & Chief Executive Officer of AC Infrastructure Holdings Corporation (AC Infra). He is also a member of the Ayala Group Management Committee since August 2016. He is a member of the Executive Committee of MWCI and a member of the Board of Directors of the following companies within the Ayala Group: AF Payments Inc.; Light Rail Manila Holdings, Inc.; and MCX Tollway Inc. He is the Chairman and President of MCX Project Company, Inc. He served as President and Chief Executive Officer of MWCI from September 1, 2019 to June 4, 2021. He spent 13 years with the Citibank group where he started as a management trainee and landed his first CEO position as President of City Savings Bank of the Aboitiz Group at the age of 37. In 2011, he was recognized by the World Economic Forum as a Sustainability Champion for his efforts as President of MWCI. During his stint as MWCI President and Chief Operating Officer, the company received multiple awards and was recognized as one of the Best Managed Companies in Asia, Best in Corporate Governance, one of the Greenest Companies in the Philippines and hailed as the world's Most Efficient Water Company. Under the Administration of President Benigno S. Aquino III, he served as a member of the Cabinet, holding the positions of Secretary of the Department of Energy, Office of the Cabinet Secretary and the Department of Foreign Affairs. In June 2016, he was acknowledged by the Administration for his remarkable performance in addressing the country's urgent issues and was awarded the highest Presidential Award given to a civilian - Order of Lakandula, Rank of Gold Cross Bayani. He graduated from Ateneo de Manila University with a degree in Bachelor of Science in Business Management in 1981.

**Cezar P. Consing**, Filipino, 62, is a Senior Managing Director of Ayala Corporation and has been a member of the Ayala Group Management Committee since April 2013. He is a Director of the publicly-listed subsidiaries of Ayala Corporation: Bank of the Philippine Islands (BPI), Globe, and AC Energy Corporation. He is also a Director of the Singapore-listed Yoma Strategic Holdings Ltd., and the Myanmar-listed First Myanmar Investment Public Company Limited. Mr. Consing was a Senior Managing Director of Ayala Corporation and President and CEO of BPI from 2013 to 2021. In the latter capacity, he served as the chairman of BPI's thrift bank, investment bank, UK-registered bank, microfinance bank, property and casualty insurance joint venture and leasing and rental joint venture and board director of its asset management company and its life insurance joint venture. He is currently a member of BPI's executive committee of the board and is a board director of its investment bank, microfinance bank and asset management company.

He served as the Chairman and President of the Bankers Association of the Philippines and was the President of Bancnet, Inc. He was a Partner at the Rohatyn Group from 2004 to 2013 and headed its Hong Kong office and its private investing business in Asia and was a board director of its real estate and energy and infrastructure private equity investing subsidiaries. He worked for J. P. Morgan & Co. in Hong Kong and Singapore from 1985 to 2004 and headed the firm's investment banking business in Asia Pacific from 1997 to 2004 and served as President of J. P. Morgan Securities (Asia Pacific) Ltd. As a senior Managing Director. Mr. Consing was a member of the

firm's Global Investment Banking Management Committee, its Asia Pacific Management Committee, and its Global Managing Director Selection Committee. He worked for BPI from 1981 to 1985, as a Management Trainee and eventually as Assistant Vice President. He has served as an independent board director of four PLCs in Asia: Jollibee Foods Corporation (2010 to 2021), CIMB Group Holdings (2006 to 2013), First Gen Corporation (2005 to 2013), and National Reinsurance Corporation (2014 to 2019), where he also served as Chairman (2018 to 2019). He currently serves on the board of FILGIFTS.com. He has also served on the boards of SQREEM Technologies, Endeavor Philippines and the Hongkong based Asian Youth Orchestra. He is a board director of the US-Philippines Society and the Philippine-American Educational Foundation, and a board trustee of the Manila Golf Club Foundation. He is a member of the National Mission Council of De La Salle Philippines and a board trustee of College of St. Benilde and La Salle Greenhills. Mr. Consing has been a member of the Trilateral Commission since 2014. Mr. Consing received an A.B. Economics degree (Accelerated Program), magna cum laude, from De La Salle University in 1979. He obtained an M.A. in Applied Economics from the University of Michigan in 1980.

**Nicole Goh Phaik Khim**, Malaysian, 37, is Head, Asia ex-China at GIC Infrastructure. She has coverage responsibility for the Asia-Pacific region with prior experience investing in the US and Europe. GIC was established in 1981 as a private company, wholly-owned by the Government of Singapore, to manage the foreign reserves of Singapore. It is one of the world's largest global investors, with well over US\$100 billion of assets in more than 40 countries worldwide.

Ms. Goh has been a member of GIC's infrastructure practice since 2008. She has an MSc in Management Science & Engineering from Stanford University and a BSc in Mathematics with Statistics for Finance from Imperial College London.

**John Philip S. Orbeta**, Filipino, 60, director of the Company since 1 July 2019. He served as Managing Director and member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He was Ayala Corporation's Chief Human Resources Officer (CHRO) and Group Head for Corporate Resources, covering Strategic Human Resources, Information & Communications Technology, Knowledge Management, and Corporate Support Services from January 2008 until September 2021. He is currently the Chief Administrative Officer (CAO), Chief Human Resource Officer (CHRO), and Chief Risk Officer (CRO) of AC Energy Corporation where he also serves as Director. He is also a Director of ACE Endeavor, Inc., ACE Shared Services, Inc., Ayala Group Counselors Corporation, and AC Industrial Technology Holdings, Inc. Mr. Orbeta is also the Chairman of Ayala Multipurpose Cooperative. He sits on the Board of Ayala Automotive Holdings and HCX Technology Partners. He also serves as Trustee of Ayala Young Leaders Alumni Association, Inc., World Archery Philippines, La Salle University Ozamis, and National Mission Council of De La Salle Philippines, Inc. He served as President and CEO of Automobile Central Enterprise, Inc. (ACEI), Iconic Dealership, Inc. (IDI), Honda Cars Makati, Inc. (HCMI), and Isuzu Automotive Dealership, Inc. (IADI) from Jan 2013 until December 2016. He was the Chairman and President of HCX Technology Partners, Inc. from September 2016 until November 2021 and President of Ayala Retirement Fund Holdings, Inc. (July 2021 – February 2022). He was Chairman of Ayala Group HR Council (October 2005 – September 2021), Ayala Aviation Corporation (August 2010 – October 2021), Ayala Group Corporate Security Council (January 2011 – October 2021), Ayala Business Clubs (January 2008 – November 2021), and Vice-Chairman of Ayala Group Club, Inc. (February 2015 – November 2021). He was a Director of Honda Cars Cebu, Inc. (August 2016 – August 2017), Isuzu Cebu, Inc. (August 2016 – August 2017), BPI Family Savings Bank, Inc. (May 2013 – June 2020), Ayala Foundation, Inc. (March 2013 – December 2021), Ayala Healthcare Holdings, Inc. (Y2016-February 2022), Healthway Medical, Inc. (Y2020 – February 2022), and the Generika Group of Companies (August 2018 – December 2021). Mr. Orbeta served as a Director and Chairman of the Audit Committee of the ALFM group of funds from April 2012 to December 2021 which included the ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., Philippine Stock Index Fund, Corp. as well as the ALFM Global Multi-Asset Income Fund, Inc. (April 2018 – December 2021), ALFM Retail Corporate Fixed Income Fund, Inc. (June 2019 – December 2021), ALFM Fixed Income Feeder Fund, Inc. (August 2019 – December 2021). Mr. Orbeta was also a Trustee of De La Salle University Dasmariñas Cavite and the De La Salle Health Sciences Institute, from December 2013 to September 2019, and the Weather Philippines Foundation, Inc. (October 2015 – June 2020). He was also a Board of Governors of the Management Association of the Philippines from Jan 2019 until December 2020. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services, and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from the Ateneo de Manila University in 1982 and has taken advanced management programs at the Harvard Business School, IMD and INSEAD.

**Sherisa P. Nuesa**, Filipino, 67, independent director of the Company since 17 September 2019. She was a former Managing Director of Ayala Corporation until her retirement in 2011. Currently, she is an Independent Director of the following PLCs: MWCI, IMI, and ALI. She is also an Independent Director of FERN Realty Corp, a Director of Far Eastern University, Inc., also a PLC, and a Senior Adviser to the Boards of Metro Retail Stores Group, Inc. and Vicsal Development Corporation. She is a member of the Boards of Trustees of the Judicial Reform Initiative, Nextgen Organization of Women Corporate Directors, and the Financial Executives Institute ("FINEX") Foundation.

In the recent past, from 2012 to early 2021, she was the President and Director of the ALFM Mutual Funds Group and a Trustee of the Institute of Corporate Directors. In addition to her background as a Chief Finance Officer and currently as a Board Director, she also held previous senior positions in management operations and has been active in speaking and lecturing engagements. She was the Chief Finance Officer and Chief Administrative Officer of IMI from January 2009 to July 2010. She was then a Managing Director of Ayala Corporation and served in various capacities in Ayala Corporation, ALI, and MWCI. She received a Master of Business Administration degree from Ateneo Graduate School of Business in Manila. She also attended post-graduate courses in Harvard Business School and Stanford University. She graduated summa cum laude with a degree of Bachelor of Science in Commerce from the Far Eastern University. She is a Certified Public Accountant and was awarded as the ING-FINEX CFO of the Year for 2008.

**Melinda L. Ocampo**, Filipino, 65, independent director of the Company since 17 September 2019. She served as President of the Philippine Electricity Market Corporation ("PEMC"), a nonstock, non-profit private organization that governs the country's wholesale electricity spot market, from 27 March 2009 until 31 July 2017. Her experience includes developing energy policies and programs as Undersecretary of the Department of Energy from May 2005 to December 2007. She was also involved in electric utility system regulation, planning and technical feasibility of electric power generation, transmission and distribution systems including granting of electric franchises to both electric cooperatives and private distribution utilities. She has extensive knowledge of energy regulation including petroleum and electricity pricing and competition rules and has provided consulting services to legislators on electricity pricing, particularly on the power purchased adjustments. She was also a consultant in the World Bank's project on Electric Cooperatives system loss reduction program and to the USAID under the Asia Foundation in its project to introduce the open access and competition in the coverage of Philippine Economic Zone (PEZA). She was a board member (February 1996 to June 1998) and Chairman (August 1998 to August 2001) of the Energy Regulatory Board (now Energy Regulatory Commission). She served as a division chief (October 1979 to November 1988) and a director (December 1988 to February 1996) of the National Electrification Administration. In 1977, she obtained her Bachelor of Science degree in Commerce, Major in Accounting, from the Republic Central Colleges, in Angeles City, Pampanga. She received her MBA from the University of the Philippines, Diliman, Quezon City. She is a certified public accountant.

**Consuelo D. Garcia**, Filipino, 66, independent director of the Company since 17 September 2019. She is currently an Independent Director of The Philippine Stock Exchange, Inc., Sun Life Investment and Trust Corporation, FT Capital Holdings Inc., and Far Eastern University, Incorporated. She is presently the Senior Consultant for Challengers and Growth Markets, Asia for ING Bank. She is an Independent Director and Trustee of ING Foundation Philippines, Inc. and is a member of the board of the Financial Executives Institute of the Philippines ("FINEX") and the liaison director to the FINEX Capital Markets Development Committee and the ICT Committee. She is a Fellow of the Institute of Corporate Directors and is a director of a family-owned business - Murrayhill Realty and Development Corporation. She was formerly the Country Manager and Head of Clients of ING Bank N.V. Manila, Philippines from September 2008 to 15 November 2017. She joined ING in February 1991 as Head of Financial Markets. She previously worked with SyCip, Gorres, Velayo & Co. ("SGV & Co.") and Bank of Boston, Philippine Branch.

She received a Bachelor of Science degree in Business Administration, major in Accounting (*magna cum laude*) from University of the East and is a Certified Public Accountant

**Ma. Aurora D. Geotina-Garcia**, Filipino, 69, independent director of the Company since 17 September 2019. She is currently the President of Mageo Consulting Inc., a company providing business advisory and corporate finance consulting services. A Certified Public Accountant, she started her professional career at SGV & Co., Ernst & Young Philippines, where she led the Firm's Global Corporate Finance Division. She is also currently an Independent Director of ACEX and Cebu Landmasters Inc., both of which are PLCs, and Professional Services Inc. She is the first female Chairperson of the Bases Conversion and Development Authority (BCDA) (2015 -



2016), and was a Director in the following companies: Bases Conversion and Development Authority (2011-2016), BCDA Management Holdings, Inc. (2011-2016), Fort Bonifacio Development Corporation (2011-2016), Heritage Park Management Corporation (2015-2016), Bonifacio Global City Estates Association, Inc. (2012-2016), Bonifacio Estates Services Corporation (2012-2016), HBC, Inc. (2012-2016), and Queen City Development Bank (2009-2021).

Ms. Garcia is a Fellow and Vice Chairperson of the Institute of Corporate Directors (ICD), and a Trustee and Vice Chairperson of the Shareholders Association of the Philippines. She is the Founding Chairperson and President of the Philippine Women's Economic Network, and is Chairperson of the NextGen Organization of Women Corporate Directors. She also Co-Chairs the Philippine Business Coalition for Women Empowerment and is CoConvenor of Male Champions of Change Philippines. Ms. Garcia is former Co-Chair of the ASEAN Women's Entrepreneurs' Network where she remains as one of the Philippine Focal Points. Boots serves several women business organizations as a long-time Trustee, namely: Women's Business Council Phils., Inc., Business & Professional Women's, Makati (BPW), and the Samahan ng Pilipina para sa Reporma at Kaunlaran (Spark! Philippines). She received her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines in 1973 and completed her Master of Business Administration from the same university in 1978.

#### Nominees to the Board of Directors for election at the stockholders' meeting

All of the above, except for Mr. Orbeta (not nominated for re-election in the annual stockholders' meeting for 2022), are nominee directors.

Mr. Dean L. Travers is also being nominated to the Board of Directors.

**Dean L. Travers**, Australian, 52, has occupied senior executive roles in the energy sector for more than 25 years and is experienced in multi-disciplinary projects covering global markets, mergers and acquisitions, deal structuring and project development. He has been active in Europe, North America, Asia and Australia leading teams developing conventional and renewable energy projects for ENGIE, a global electricity utility and energy service company. Prior to leaving ENGIE in 2019, he occupied positions of Senior Vice President Business Development, Indonesia, and General Manager, ENGIE Renewables Australia, which was responsible for the development of 2GW of wind and solar projects. He is currently active in the clean energy and climate tech sectors in Australia and Indonesia as a founder, mentor and advisor.

Mr. Travers has a PhD in Electrical Engineering, Bachelor of Engineering and a Bachelor of Science from University of NSW.

The certifications on the qualifications of the nominees for independent directors are attached, followed by the certification that no directors or officers are connected with any government agencies or its instrumentalities.

#### ACEN Group Management Committee Members / Senior Leadership Team

John Eric T. Francia	President and Chief Executive Officer
Maria Corazon G. Dizon	Treasurer and CFO, Compliance Officer
John Philip S. Orbeta	Chief Administrative Officer, Chief Human Resources Officer, and Chief Risk Officer
Solomon M. Hermosura	Corporate Secretary
Dodjie D. Lagazo	Head, Legal and Regulatory and Assistant Corporate Secretary
Alan T. Ascalon	Assistant Corporate Secretary and Data Protection Officer
Roman Miguel G. de Jesus	Head, Commercial Operations
Gabino Ramon G. Mejia	Co-Head, Plant Operations
Jose Maria Eduardo P. Zabaleta	Chief Development Officer
Patrice R. Clausse	Head, International Group
Irene S. Maranan	Head, Corporate Communications and Sustainability
Ronald F. Cuadro	VP, Finance and Controller
Henry T. Gomez, Jr.	Chief Audit Executive

**John Eric T. Francia**, Filipino, 50, was elected as director on 9 May 2019 to serve effective 15 May 2019. He is the President and Chief Executive Officer of AC Energy Corporation (PSE:ACEN) and the President of ACEIC. Under his leadership, Ayala established its energy platform from a standing start in 2011, to become one of the largest renewable energy platforms in Southeast Asia, with over 2000 MW of attributable renewables capacity.

He is also a Managing Director and member of the Management Committee of Ayala Corporation since 2009, and was appointed as Chairman of Ayala's Investment Committee in 2021. He is also a Director of various Ayala group companies including AC Infrastructure, AC Health, AC Ventures, and Chairman and CEO of ACE Enexor, Inc. ("ACEX") (PSE:ACEX).

He earned a Master's Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating *magna cum laude*.

**Maria Corazon G. Dizon**, Filipino, 58, was appointed as Chief Finance Officer on 9 May 2019, effective 15 May 2019. She is concurrently the Treasurer and Compliance Officer of the Company, Chief Finance Officer, Treasurer, and Chief Risk Officer of ACEX, and Chief Finance Officer and Treasurer of ACEIC. She previously held key positions with ALL, the publicly listed real estate vehicle of Ayala Corporation, as Head of ALI Capital Corp., Head of Business Development and Strategic Planning of the Commercial Business Group, Head of Asset Management Group of Shopping Centers, Head of Control and Analysis, Head of Investor Relations as well as Chief Financial Officer of Residential Buildings, Office Buildings and Shopping Centers groups. Ms. Dizon also worked in SGV & Co for three years as a senior auditor. She is a Certified Public Accountant and graduated with a degree in Accountancy, *cum laude*, from the University of Santo Tomas. She completed academic units for an MBA at De La Salle University Graduate School of Business, and attended an Executive Management Program at the Wharton University of Pennsylvania.

**John Philip S. Orbeta**, Filipino, 60, director of the Company since 1 July 2019. He served as Managing Director and member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He was Ayala Corporation's Chief Human Resources Officer (CHRO) and Group Head for Corporate Resources, covering Strategic Human Resources, Information & Communications Technology, Knowledge Management, and Corporate Support Services from January 2008 until September 2021. He is currently the Chief Administrative Officer (CAO), Chief Human Resource Officer (CHRO), and Chief Risk Officer (CRO) of AC Energy Corporation where he also serves as Director. He is also a Director of ACE Endeavor, Inc., ACE Shared Services, Inc., Ayala Group Counselors Corporation, and AC Industrial Technology Holdings, Inc. Mr. Orbeta is also the Chairman of Ayala Multipurpose Cooperative. He sits on the Board of Ayala Automotive Holdings and HCX Technology Partners. He also serves as Trustee of Ayala Young Leaders Alumni Association, Inc., World Archery Philippines, La Salle University Ozamis, and National Mission Council of De La Salle Philippines, Inc. He served as President and CEO of Automobile Central Enterprise, Inc. (ACEI), Iconic Dealership, Inc. (IDI), Honda Cars Makati, Inc. (HCMI), and Isuzu Automotive Dealership, Inc. (IADI) from Jan 2013 until December 2016. He was the Chairman and President of HCX Technology Partners, Inc. from September 2016 until November 2021 and President of Ayala Retirement Fund Holdings, Inc. (July 2021 – February 2022). He was Chairman of Ayala Group HR Council (October 2005 – September 2021), Ayala Aviation Corporation (August 2010 – October 2021), Ayala Group Corporate Security Council (January 2011 – October 2021), Ayala Business Clubs (January 2008 – November 2021), and Vice-Chairman of Ayala Group Club, Inc. (February 2015 – November 2021). He was a Director of Honda Cars Cebu, Inc. (August 2016 – August 2017), Isuzu Cebu, Inc. (August 2016 – August 2017), BPI Family Savings Bank, Inc. (May 2013 – June 2020), Ayala Foundation, Inc. (Mach 2013 – December 2021), Ayala Healthcare Holdings, Inc. (Y2016-February 2022), Healthway Medical, Inc. (Y2020 – February 2022), and the Generika Group of Companies (August 2018 – December 2021). Mr. Orbeta served as a Director and Chairman of the Audit Committee of the ALFM group of funds from April 2012 to December 2021 which included the ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., Philippine Stock Index Fund, Corp. as well as the ALFM Global Multi-Asset Income Fund, Inc. (April 2018 – December 2021), ALFM Retail Corporate Fixed Income Fund, Inc. (June 2019 – December 2021), ALFM Fixed Income Feeder Fund, Inc. (August 2019 – December 2021). Mr. Orbeta was also a Trustee of De La Salle University Dasmariñas Cavite and the De La Salle Health Sciences Institute, from December 2013 to September 2019, and the Weather Philippines Foundation, Inc. (October 2015 – June 2020). He was also a Board of Governors of the Management Association of the Philippines from Jan 2019 until December 2020. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services, and organization effectiveness around the world. He was also a

member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from the Ateneo de Manila University in 1982 and has taken advanced management programs at the Harvard Business School, IMD and INSEAD.

**Solomon M. Hermosura**, Filipino, 59, is the Corporate Secretary of the Company. He has served as Managing Director of Ayala Corporation since 1999 and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is the Group Head of Corporate Governance, and the Chief Legal Officer, Chief Compliance Officer, Corporate Secretary, and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He also serves as the Corporate Secretary and Group General Counsel of ALI, and Corporate Secretary of Globe, IMI, Ayala Foundation, Inc., and AREIT, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. Mr. Hermosura is currently a member of the faculty of the College of Law of San Beda University. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

**Dodjie D. Lagazo**, Filipino, 42, is the Head of the Legal and Regulatory Group and Assistant Corporate Secretary of the Company. He is also an Executive Director of ACEIC. He previously served as Director and member of AG Counselors Corporation's Management Committee from January 2014 to July 2017. He is also the Assistant Corporate Secretary of ACEIC and the Corporate Secretary of ACEX and other various AC Energy subsidiaries and affiliates. Mr. Lagazo received his undergraduate degree in Political Science from the University of the Philippines, Diliman, graduating *magna cum laude*. He then completed his Bachelor of Laws degree in the College of Law of the University of the Philippines, Diliman. He is a member in good standing of the Integrated Bar of the Philippines.

**Alan T. Ascalon**, Filipino, 47, is Vice President for Legal and Regulatory, Assistant Corporate Secretary, and Data Protection Officer of the Company. He served as director of Guimaras Wind Corporation and is the Corporate Secretary of Guimaras Wind Corporation, One Subic Power Generation Corp., One Subic Oil Distribution Corp., Bulacan Power Generation Corporation, and CIP II Power Corporation. He is also Assistant Corporate Secretary of ACEX and Palawan55 Exploration and Production Corp. He was the Assistant Legal Counsel of PHINMA, Inc. from 2005 to 2008. Prior to joining the Company, he worked as Senior Associate at SGV & Co Tax Division from 2002 to 2005, junior associate at Ponce Enrile Cayetano and Manalastas Law Offices from 2001-2002, and as law clerk with the Supreme Court from 2000 to 2001. He graduated from the University of the Philippines with a Bachelor of Arts degree in Journalism in 1996 and a Bachelor of Laws degree in 2000. He completed the Management Development Program of the Asian Institute of Management.

**Roman Miguel G. de Jesus**, Filipino, 46, is the Company's Head of Commercial Operations and of its Materials Management Group. Prior to assuming these roles, he led the development of ACEIC's solar portfolio in Vietnam, served as the President and CEO of North Luzon Renewable Energy Corp. ("NLR"), and headed the Retail Electricity Supply group of ACEIC. Prior to joining ACEIC, he practiced law in the law firms of Romulo Mabanta Buenaventura Sayoc & de los Angeles where he specialized in corporate banking and finance, and Puyat Jacinto & Santos where he specialized in energy law and special projects. He has Bachelor of Arts and Master of Arts degrees in Philosophy from the Ateneo de Manila University, where he was an instructor for 10 years. He also has a Bachelor of Laws degree from the University of the Philippines where he graduated *cum laude* and was the Chair of the Philippine Law Journal.

**Gabino Ramon G. Mejia**, Filipino, 50, is the Company's Head of Plant Operations and Executive Director, and Head of the Asset Management Group of ACEIC. He also holds the following positions among the subsidiaries of ACEIC: Executive Vice President of GNPowder Kauswagan Ltd. Co., President of Northwind Power Development Corporation, NLR, Monte Solar Energy, Inc., Negros Island Solar Power Inc., and San Carlos Solar Energy, Inc. He holds a master's degree in Business Administration (MBA) from the Asian Institute of Management and has completed his MBA Internship in York University, Schulich School of Business. He obtained his Bachelor of Arts in Philosophy and Letters degree from San Beda College where he graduated with Academic Distinction.

**Irene S. Maranan**, Filipino, 47, is the Head of Corporate Communications and Sustainability of the Company. She leads the overall communications team in protecting and building the Company's reputation, oversees public relations and drives the corporate sustainability strategy. Prior to joining Ayala, she established and headed strategic marketing and corporate communications for energy, telecommunications, and real estate companies. Irene completed her Leadership Program from The World Business Council for Sustainable Development (WBCSD), in collaboration with INSEAD and Yale University. She holds a bachelor's degree in Mass Communications from St. Scholastica's College, Manila.

**Ronald F. Cuadro, Filipino**, 52, is the Company's VP-Finance & Controller. Prior to joining ACEIC, he worked at ALI with the following designations and assignments: Assistant Vice President, Finance Group (April 2013 to 2020), Director and General Manager of APRISA Business Process Solutions, Inc. (April 2013 to February 2019), Chief Finance Officer of the Strategic Land Management Group (April 2010 to March 2013), Chief Finance Officer of Ayala Land Office and Laguna Technopark, Inc. (April 2016 to April 2010), Finance Manager of Buyers' Financing Group (May 2002 to April 2006), Senior Financial Analyst, Control & Analysis Division (January 1997 to December 2003), and Senior Account, Ayala Hotels (October 1991 to December 1996). He obtained his Bachelor's degree in Accountancy from the Polytechnic University of the Philippines. He is a certified public accountant. He has a Master's Degree in Business Administration from the Ateneo Graduate School of Business.

**Henry T. Gomez, Jr.**, Filipino, 32, is the Company's Chief Audit Executive. He is also the Internal Audit Head of ACEIC. Prior to joining ACEIC, he worked with Aboitiz Power Corporation in 2012 as a Senior Internal Auditor and at SGV & Co. in 2011 as an Assurance Associate. He is a Certified Public Accountant, Certified Internal Auditor (CIA), a passer of the Certified Information Systems Auditor (CISA) examinations, and a CQI & IRCA Certified ISO 14001:2015 Environmental Management System Lead Auditor. He graduated from University of the Philippines-Visayas with a degree in BS in Accountancy.

**Jose Maria Eduardo P. Zabaleta**, Filipino, 48, is the Company's Chief Development Officer and is concurrently the Chief Development Officer of ACEIC, and Chief Executive Officer of ACE Endeavor, the development arm of AC Energy. Prior to joining AC Energy, he was co-founder and Chief Executive Officer of Bronzeoak Philippines, a pioneer and leader in clean technology energy development in the Philippines. Bronzeoak's energy businesses were integrated into AC Energy in early 2017. He has a BS Management Honors degree from Ateneo de Manila University, and a Masters in Business Administration from the Fuqua School of Business, Duke University, USA.

**Patrice R. Clausse**, Luxembourgeoise, 42, is the Head of the International Group of the Company. He joined Ayala Corporation in May 2010 as an advisor to the Strategy and Business Development team. He was a founding member of the AC Energy management in 2011 where he led the business development and operations teams. Currently, he is heading AC Energy's International business, with focus on Southeast Asia and Australia.

Patrice is a member of the Board of Directors/Management & Advisory Committee of AC Energy International Projects. Prior to joining Ayala, he was a management consultant with McKinsey & Company in London as well as with Marakon Associates (part of Charles River Associates).

Patrice received his Bachelor's and Master's degrees in Manufacturing Engineering from Cambridge University (UK). He also holds a Master of Business Administration degree from Harvard Business School where he graduated with high distinction as Baker Scholar.

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CONSUELO D. GARCIA**, Filipino, of legal age, and a resident of No. 2 Poinsettia St., Tahanan Village, Paranaque City, after having duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **AC Energy Corporation** (the “Corporation”) and have been its Independent Director since 17 September 2019.
2. I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
The Philippine Stock Exchange, Inc.	Independent Director	November 2020 to date
Far Eastern University, Incorporated	Independent Director	October 2021 to date
GT Capital Holdings, Inc.	Independent Director	May 2021 to date
Sun Life Investment Management and Trust Corporation	Independent Director	September 2020 to date
Murrayhill Realty and Development Corporation	Director	October 2020 to date
Institute of Corporate Directors (ICD)	Fellow	April 2020 to date
ING Foundation Philippines, Inc.	Independent Director and Member, Board of Trustees	February 2020 to date
Financial Executives Institute of the Philippines, Inc. (“FINEX”)	Member, Board of Directors; Liason Director, FINEX Capital Markets Development Committee, and Information, Communication and Technology Committee (2021)	January 2020 to date
ING Bank N.V., Manila Branch	Senior Consultant – Challengers and Growth Markets, Asia	November 2017 to date
Filipina CEO Circle (FCC)	Member	2017 to date

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other relevant issuances of the Securities and Exchange Commission (“SEC”).
4. I am not related to the any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2 of the Securities Regulation Code (where applicable).

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other relevant issuances of the SEC.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from my receipt of knowledge of any such changes.


IN WITNESS WHEREOF, I have signed this Certification this MAR 08 2022, in Makati City.

  
\_\_\_\_\_  
**CONSUELO D. GARCIA**

SUBSCRIBED AND SWORN to before me this MAR 08 2022 in Makati City, affiant personally appeared before me and exhibited to me her Driver's License no. N17-79-010463 issued by Land Transportation Office on 4 October 2018.

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Page No. 59;  
Book No. VIII;  
Series of 2022.



  
**ATTY. MARK DEAN D.R. ITARALDE**  
Notary Public Makati City  
Appt. No. M-163 extended until June 30, 2022  
Roll of Attorneys No. 71073  
IBP OR No.183298; January 3, 2022  
PTR No. MKT-8853599; January 3, 2022; Makati City  
MCLE Compliance No. VI-0028680; valid until April 14, 2022  
7727 E. Jacinto cor. Medina St.  
Barangay Pio Del Pilar, Makati City

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MA. AURORA D. GEOTINA-GARCIA**, Filipino, of legal age, and a resident of No. 27 Sanso St., Corinthian Gardens, Quezon City, after having duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **AC Energy Corporation** (the "Corporation") and have been its Independent Director since 17 September 2019.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Professional Services, Inc.	Independent Director	February 2022 to present
ACE Enexor, Inc.	Independent Director	September 2019 to present
Cebu Landmasters, Inc.	Independent Director	February 2017 to present
MAGEO Consulting, Inc.	President	March 2014 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other relevant issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2 of the Securities Regulation Code (where applicable).
5. I disclose that I am a party in the following legal proceedings, which were filed against me in my capacity as former member of the Board of Directors of the Bases Conversion and Development Authority:

Offense charged / investigated	Tribunal / agency involved	Status
Libel	Court of Appeals	The case involves statements, which the Bases Conversion and Development Authority ("BCDA") caused to be published in the 10 April 2012 issue of the Philippine Daily Inquirer. At the time of publication, the accused were members of BCDA's Board of Directors, including myself. The private complainant, who is the Chief Executive Officer of CJH Development Corporation ("CJH DevCo"), contended that by these publications, the accused deliberately, maliciously, knowingly, and

		<p>publicly imputed crimes, acts, and omissions against him, which supposedly tarnished, tainted, and besmirched his good name, honor, and reputation.</p> <p>The trial court granted our demurrer to evidence and dismissed the case for insufficiency of the prosecution's evidence. The dismissal was equivalent to an acquittal, which was immediately final and executory.</p> <p>The Private Complainant filed a Petition for Certiorari dated 9 December 2020 with the Court of Appeals, alleging grave abuse of discretion on the part of the trial court in granting our demurrer to evidence and dismissing the case for insufficiency of the prosecution's evidence. In a Resolution dated 24 May 2021, the Court of Appeals required the respondents to file a comment. We filed our Comment dated 19 July 2021.</p>
<p>Appeal from the dismissal by the Office of the Ombudsman of criminal charges for acts of the BCDA Board of Directors</p>	<p>Supreme Court</p>	<p>The case was originally filed with the Office of the Ombudsman, which was dismissed on 15 January 2016.</p> <p>The appeal before the Supreme Court was dismissed in a Decision dated 13 January 2021. The petitioner filed a Motion for Reconsideration dated 9 February 2022. We await the Supreme Court's disposition of the motion.</p>
<p>Appeal from the dismissal by the Office of the Ombudsman of administrative charges for acts of the BCDA Board of Directors</p>	<p>Court of Appeals</p>	<p>The appeal was dismissed in a Decision dated 30 January 2018, which was affirmed in a Resolution dated 16 May 2018. I am not aware of any appeal or petition filed by CJH DevCo from the Court of Appeals' rulings.</p>

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other relevant issuances of the SEC.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from my receipt of knowledge of any such changes.

[Signature page follows.]




IN WITNESS WHEREOF, I have signed this Certification on this MAR 08 2022 in Makati City.

MA. AURORA D. GEOTINA-GARCIA

SUBSCRIBED AND SWORN to before me this MAR 08 2022 in Makati City, affiant personally appeared before me and exhibited to me her Senior Citizen's ID no. 40360-B issued on 10 October 2012 in Quezon City.

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Page No. 59;  
Book No. VIII;  
Series of 2022.



  
ATTY. MARK DEAN D.R. ITARALDE  
Notary Public Makati City  
Appt. No. M-163 extended until June 30, 2022  
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IBP OR No. 183298; January 3, 2022  
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MCLE Compliance No. VI-0028680; valid until April 14, 2022  
7727 E. Jacinto cor. Medina St.  
Barangay Pio Del Pilar, Makati City

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SHERISA P. NUESA**, Filipino, of legal age, and a resident of No. 306 Lian St., Ayala Alabang Village, Muntinlupa City, after having duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **AC Energy Corporation** (the "Corporation") and have been its Independent Director since 17 September 2019.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Ayala Land, Inc.	Independent Director	April 2020 to date
Integrated Micro-Electronics, Inc.	Independent Director	April 2018 to date
Manila Water Company, Inc.	Independent Director	April 2013 to date
Far Eastern University, Inc.	Director	August 2010 to date
FERN Realty Corp.	Independent Director	August 2012 to date
Metro Retail Stores, Group Inc.	Senior Board Adviser	August 2015 to date
Vicsal Development Corporation	Senior Board Adviser	March 2012 to date
Financial Executives Institute of the Philippines (FINEX) Foundation	Board Trustee	January 2020 to date
Judicial Reform Initiative	Board Trustee/Chair	May 2017 to date
NextGen Organization of Women Corp Directors	Board Trustee	Sept 2021 to date

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other relevant issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2 of the Securities Regulation Code (where applicable).
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other relevant issuances of the SEC.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from my receipt of knowledge of any such changes.

[Signature page follows.]


IN WITNESS WHEREOF, I have signed this Certification this MAR 08 2022, in Makati City.

  
SHERISA P. NUESA

SUBSCRIBED AND SWORN to before me this MAR 08 2022 in Makati City, affiant personally appeared before me and exhibited to me her Philippine Passport no. P8595622A issued at DFA NCR South on 4 September 2018.

Doc. No. 287 ;  
Page No. 59 ;  
Book No. VIII ;  
Series of 2022.



  
ATTY. MARK DEAN D.R. ITARALDE  
Notary Public Makati City  
Appt. No. M-163 extended until June 30, 2022  
Roll of Attorneys No. 71073  
IBP-OR No.183298; January 3, 2022  
PTR No. MKT-8853599; January 3, 2022; Makati City  
MCLE-Compliance No. VI-0028680; valid until April 14, 2022  
7727 E. Jacinto cor. Medina St.  
Barangay Pio Del Pilar, Makati City

REPUBLIC OF THE PHILIPPINES }  
MAKATI CITY } S.S.

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MELINDA L. OCAMPO**, Filipino, of legal age, and a resident of No. 8 Cohen St., Filinvest 2, Batasan Hills, Quezon City, after having duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **AC Energy Corporation** (the "Corporation") and have been its Independent Director since 17 September 2019.
2. I am currently not affiliated with any company or organization (including Government Owned and Controlled Corporations).
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other relevant issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to the any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2 of the Securities Regulation Code (where applicable).
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other relevant issuances of the SEC.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from my receipt of knowledge of any such changes.

IN WITNESS WHEREOF, I have signed this Certification this MAR 08 2022, in Makati City.

  
\_\_\_\_\_  
**MELINDA L. OCAMPO**

SUBSCRIBED AND SWORN to before me this MAR 08 2022 in Makati City, affiant personally appeared before me and exhibited to me her Driver's License no. N20-78-000518 issued by the Land Transportation Office on 11 December 2018.

Doc. No. 289 ;  
Page No. 5 ;  
Book No. VIII ;  
Series of 2022.





**ATTY. MARK DEAN D.R. ITARALDE**

Notary Public Makati City  
Appt. No. M-163 extended until June 30, 2022  
Roll of Attorneys No. 71073  
IBP OR No. 183298; January 3, 2022

PTR No. MKT-8853599; January 3, 2022; Makati City  
MCLE Compliance No. VI-028689; valid until April 14, 2022  
7727 E. Jacinto cor. Medina St. Ocampo, Melinda L.  
Barangay Pio Del Pilar, Makati City

Page 1 of 1

REPUBLIC OF THE PHILIPPINES)  
CITY OF MAKATI )S.S.

**SECRETARY'S CERTIFICATE**

I, **DODJIE D. LAGAZO**, of legal age, Filipino, with office address at 35<sup>th</sup> Floor Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City, being the Assistant Corporate Secretary of **AC ENERGY CORPORATION** (the "*Corporation*"), a corporation duly organized and existing under the laws of the Philippines, with principal place of business at 35<sup>th</sup> Floor Ayala Triangle Gardens Tower Two, Paseo de Roxas corner Makati Avenue, Makati City hereby certify that no director or officer of the Corporation is connected with any government agency or instrumentality.

**IN WITNESS WHEREOF**, I have signed this Certificate on MAR 30 2022 2022 at Makati City.

  
**DODJIE D. LAGAZO**  
*Assistant Corporate Secretary*

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of MAR 30 2022 at Makati City, with the affiant personally exhibiting to me his Driver's License No. N01-01-267424 valid until October 15, 2023 bearing his photograph and signature.

Doc. No. SI ;  
Page No. 12 ;  
Book No. 11 ;  
Series of 2022.



  
**JORDAN MAE T. CHUA**  
Notary Public for Makati City  
Appointment No. M-67 until 30 June 2022  
per SC B.M. 3795  
Attorney's Roll No. 63561; 8 May 2014  
PTR No. MKT 8653590/ 03 January 2022/Makati City  
IBP Lifetime No. 012851/2 April 2015/Quezon City  
MCLE Compliance No. VI-0015897 valid until 14 April 2022  
4th floor 6780 Office Tower, Ayala Avenue, Makati City  
Tel No. 77306300



4F 6750 Office Building, Ayala Avenue  
 Makati City 1226 Philippines  
 Tel +632 7730 6300  
 www.acenergy.com.ph

## MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

April 19, 2021 at 9:00 AM

Conducted virtually via <http://ayalagroupshareholders.com>

**Stockholders present and represented:** The complete list is attached as Annex A

<b>Total Outstanding Shares</b>	<b>19,960,037,644</b>
<b>No. of Shares Present in Person or Proxy</b>	16,019,998,264
<b>Percentage of Total</b>	80.26%

### Directors Present:

Fernando Zobel de Ayala <sup>1</sup>	<i>Chairman of the Board Chairman, Executive Committee</i>
Jaime Augusto Zobel de Ayala	<i>Vice Chairman of the Board Member, Executive Committee</i>
Jose Rene Gregory D. Almendras	
John Eric T. Francia <sup>2</sup>	<i>Member, Executive Committee</i>
John Philip S. Orbeta	<i>Chairman, Personnel and Compensation Committee</i>
Nicole Goh Phaik Khim	
Consuelo D. Garcia (independent director)	<i>Chairperson, Corporate Governance and Nomination Committee Member, Audit Committee</i>
Ma. Aurora Geotina-Garcia (independent director)	<i>Chairperson, Audit Committee Member, Board Risk Management and Related Party Transactions Committee</i>
Sherisa P. Nuesa (independent director)	<i>Chairperson, Board Risk Management and Related Party Transactions Committee Member, Personnel and Compensation Committee</i>
Melinda P. Ocampo (independent director)	<i>Member, Board Risk Management and Related Party Transactions Committee Member, Corporate Governance and Nomination Committee</i>
Mario Antonio V. Paner (independent director)	<i>Member, Corporate Governance and Nomination Committee Member, Audit Committee</i>

<sup>1</sup> Mr. Zobel de Ayala presided over the meeting and presented from his residence in Makati City.

<sup>2</sup> Mr. Francia participated and presented while being physically present in the principal office of the Corporation.

## **1. Call to Order**

After the national anthem, the Chairman, Mr. Fernando Zobel de Ayala, called the meeting to order at 9:00 AM. He stated at the outset that the Corporation is holding the meeting in virtual format because of restrictions to address the COVID-19 pandemic and the utmost importance accorded to the health, safety and well-being of Corporation's employees, stockholders and partners. Nevertheless, the Corporation strived to give its stockholders the same opportunity to participate as in an in-person meeting. The Chairman then introduced his co-presenters, namely: Mr. John Eric T. Francia, the President, Mr. Solomon M. Hermosura, the Corporate Secretary,<sup>3</sup> and Mr. Dodjie D. Lagazo, the Assistant Corporate Secretary.<sup>4</sup> The Chairman also noted the presence of the other members of the Board of Directors (the "**Board**"), other officers of the Corporation, and representatives of the Corporation's external auditor, SyCip Gorres Velayo & Co. ("**SGV**"), who joined the meeting through the live webcast.

## **2. Notice of Meeting**

The Secretary, Mr. Solomon M. Hermosura, certified that the Notice of the Annual Stockholders' Meeting (the "**Notice**") and the Definitive Information Statement ("**DIS**") were sent on March 25, 2021, respectively, to all stockholders of record as of March 19, 2021 in three (3) ways: first, by email to all stockholders who have provided their e-mail addresses, second, by posting on the Corporation's website and third, by disclosure through the Philippine Stock Exchange EDGE system. In addition, the Notice was published on March 25, 2021 in the Philippine Daily Inquirer and the Philippine Star, and on March 26, 2021, in the Manila Bulletin and the Philippine Star, which are newspapers of general circulation. Accordingly, the stockholders have been duly notified in accordance with the By-Laws and applicable rules, including the Corporation's Internal Guidelines on Participation in Stockholders' Meeting by Remote Communication and Voting in Absentia.

## **3. Determination of Quorum**

The Corporate Secretary certified that that a quorum existed for the meeting and that based on partial tabulation, stockholders owning 15,995,614,219 shares or 80.14% of the 19,960,037,644 total outstanding shares were present in the meeting, with the final total to be determined at the end of the meeting.

## **4. Instructions on Rules of Conduct, Voting Procedures and Voting Requirements**

The Chairman stated that although the meeting was held in a virtual format because of government regulations that prevented the Corporation from conducting an in-person meeting, the Corporation strived to provide the stockholders the opportunity to participate in the meeting to the same extent possible as in an in-person meeting.

The Corporate Secretary explained that the rules of conduct and voting procedures were provided to the stockholders in the DIS together with the Notice and emphasized the following:

- (i) The agenda for the meeting covers a range of matters requiring stockholders' vote and was included in the Notice sent to the stockholders. Stockholders were also provided an opportunity to propose matters for inclusion in the agenda, pursuant to applicable laws, rules and regulations, and the Corporation's internal guidelines.
- (ii) Stockholders who registered under the Voting in Absentia & Shareholder (VIASH) system or who notified the Corporation by email by April 14, 2021 of their intention to participate in the meeting by remote communication, may send their questions or comments at [corpse.acen@acenergy.com.ph](mailto:corpse.acen@acenergy.com.ph).

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<sup>3</sup> Mr. Hermosura participated and presented from his office in Quezon City.

<sup>4</sup> Mr. Lagazo participated and presented while being physically present in the principal office of the Corporation.

- (iii) Questions or comments received before 9:30 a.m. will be read aloud and addressed during the Question and Answer period, which will take place after “Other Matters”. Management will reply by email to questions and comments not taken up during the meeting.
- (iv) There are thirteen (13) resolutions proposed for adoption by the stockholders, each of which will be shown on the screen as the same is being taken up.
- (v) Stockholders could cast their votes on the proposed resolutions and in the election of directors beginning April 12, 2021 through the VIASH System with the polls remaining open until the end of the meeting for stockholders using said system.
- (vi) Alternatively, the stockholders were provided with the option of appointing the Chairman as proxy.
- (vii) The Corporation tabulated the votes cast as of 6:00 P.M. of April 18, 2021 and based on this partial tabulation, votes have been casted by stockholders owning 15,995,614,219 voting shares representing 99.85% of the total voting shares represented in the meeting and 80.14% of the total outstanding voting shares. All voting results reported at the meeting, will refer to this preliminary tabulation, with the final tabulation of votes, with full details of the affirmative and negative votes and abstentions, to be reflected in the minutes of meeting.

## 5. Approval of the Minutes of the 2020 Stockholders' Meeting

The Chairman then proceeded with the approval of the minutes of the annual stockholders' meeting held on April 20, 2020. An electronic copy of the minutes was posted on the website of the Corporation and is contained in the DIS.

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-001 for the approval of the minutes of the annual stockholders' meeting held on April 20, 2020. Resolution No. S-2021-001 was shown on the screen:

### **Resolution No. S-2021-001**

**RESOLVED**, to approve the minutes of the annual stockholders' meeting held on 20 April 2020.

The Corporate Secretary reported that Shareholders owning 15,981,851,776 shares, or 80.07% of the total outstanding shares, have voted in favor of Resolution No. S-2021-001. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-001 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,987,221,147	-	122,965
% of Total Outstanding Shares	80.096%	-	0.000%

## 6. Annual Report Report of Management including the 2020 Audited Financial Statements

### Message of the Chairman

The Chairman introduced his pre-recorded message, which started with an acknowledgement of the stockholders, colleagues from the Board and management, and guests.

After more than a year, the COVID-19 pandemic remains as the most challenging crisis of recent times in terms of impact to human life to the healthcare and economic system. The Chairman recognized the sacrifice of the healthcare and economic frontliners and thanked the entire AC Energy team for its commitment to ensure stable and reliable access to power, the energy front liners, for staying in the powerplants and away from their families to provide power, and for going beyond the call of duty and contributing resources in the fight against COVID-19 by putting up treatment facilities early during the pandemic, all in the Bayanihan spirit.



The Chairman observed that due to the pandemic, there is new appreciation of the link between communities and the infrastructure that hold these together. Global emergencies, such as the pandemic, economic inequality, and climate change, can be traced to failure to integrate sustainability in decision-making and operation. He emphasized sustainability as the way forward to “build back better”, to mitigate climate change, create jobs, build economic resilience, and ultimately, improve the well-being of people, and to this end AC Energy has made significant progress along these fronts and continues to be recognized as a key contributor to sustainability, due to its focus on renewable energy.

The Chairman emphasized the Company’s commitment to its vision of a sustainable energy future, built on three focus areas embedded across its business operations, governance, and culture. He reiterated the goal to have a low carbon portfolio by 2030, protect the environment, and invest in our host communities.

The Chairman related that he recently visited the pilot Sustainability Hub in the 120 MW GigaSol plant in Alaminos, Laguna, a clear example of shared value coming to life. He remarked that the high levels of engagement of the local community and the warm reception that our solar farm investment received was inspiring.

The Chairman also acknowledged the contributions of the outgoing member of the Board, Mr. Gerardo C. Ablaza, Jr. and welcomed the new director, Ms. Nicole Goh Phaik Khim of GIC Private Limited, the Company’s new investor.

The Chairman closed the speech by thanking the entire AC Energy organization and its management team for a milestone 2020, and the shareholders and stakeholders for the continued trust and support.

#### Report of the President

The President acknowledged the stockholders, colleagues from the Board and management, and guests and reported as follows:

2020 was an exceptionally difficult year for everyone and the President thanked the men and women of AC Energy who remained committed to deliver amidst the unprecedented challenges, and for living the true spirit of Bayanihan, and for continuing the Company’s transformation journey despite such challenges.

On a brighter note, 2020 was an extraordinary turnaround year for the company, which registered a record Php 3.75 billion in net income, driven by three factors, namely:

1. significant improvement in operating efficiencies and reliability, with thermal plant availability increasing by 29 percentage points;
2. significantly improvement in operating margins, driven by the ability to secure longer term contracts that provide more stable cash flows, and strategic sourcing of competitive priced electricity and fuel to help improve margins;
3. completion of the acquisition of additional stakes in three (3) renewable projects in early 2020: the North Luzon Renewables wind farm in Ilocos Norte, and the Sacasol and Islasol solar farms in Negros Occidental. These acquisitions, with a total investment of Php 7.4 billion pesos, were earnings accretive given the operational status of the power plants.

To augment the generating capacity of the Company and notwithstanding the pandemic, the Company carried out the construction of five projects through 2020 totaling around 374 MW of gross capacity, including:

- (a) the 120 MW solar project and the 40 MWH battery storage project in Alaminos Laguna,
- (b) the 60 MW solar project in Palauig Zambales,
- (c) the 150 MW quick response thermal plant in Pililla, Rizal, and
- (d) a renewable energy laboratory in Mariveles, Bataan equivalent to a 4 MW hybrid solar plant integrated with an energy storage system, which will test various new storage technologies to help the Company select the best technologies as it adds more capacity.

For approval in the 2022 stockholders' meeting

With all of these capacity additions, the Company now has over 1,000 MW of attributable capacity in the Philippines, with almost half of the capacity coming from renewable sources, which is expected to increase as the Company focuses on scaling up solar and wind farm investments.

The President reported that the Company has also recently reaffirmed the March 2020 board decision to infuse the international assets of its parent, AC Energy and Infrastructure Corporation, comprised of around 1,400 MW of attributable capacity in operation and under construction across countries such as Vietnam, Indonesia, Australia and India, all of which are renewable sources - particularly solar, wind and geothermal. After the infusion is completed, this will increase the Company's attributable capacity to 2,400 MW, of which over 1,800 MW or 77% is from renewable sources, putting the Company in the position to attain its vision of reaching 5 GW of renewables capacity by 2025, and realize its aspiration of becoming the largest listed renewables platform in Southeast Asia.

To achieve its bold ambition, the Company is further strengthening its balance sheet and augmenting its cash position. The President thus reported that in January 2021, the Company completed its stock rights offering that raised Php 5.4 billion from the issuance of 2.27 billion primary shares, followed by the successful private placement of 4 billion primary shares to GIC, Singapore's sovereign wealth fund, adding around Php 11.9 billion of cash, resulting in a total of Php 17.3 billion pesos of additional cash in the first quarter of 2021. The planned infusion of the international assets and the recent fund raising will further grow the Company's balance sheet by about three and a half times.

The Company's strong balance sheet is complemented by a robust pipeline of renewable projects, and a highly capable and motivated team, which places the Company in the position to play a meaningful role in the green-led recovery.

The President then thanked the AC Energy team for the unparalleled commitment and exceptional results delivered under an extraordinarily difficult situation, and the shareholders for the continuing trust and support.

In closing, the President conveyed the excitement to continue the journey as the Company works towards its aspiration of becoming the largest listed renewables platform in Southeast Asia.

The President then introduced a video presentation, and emphasized the urgent need for sustainable development, as across the globe, renewable energy is now seen as the main driver of the green-led recovery. He added that the Company aims to transform communities and build a greener and more resilient future, and is focused on making positive changes for the people and the planet.

After the video presentation, the Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-002 to note the Corporation's Annual Report and approve the 2020 consolidated audited financial statements of the Corporation and its subsidiaries, and parent company financial statement of the Corporation, as of December 31, 2020, as audited by SGV. Resolution No. S-2021-002 was shown on the screen:

**Resolution No. S-2021-002**

**RESOLVED**, to note the Corporation's Annual Report, which consists of the Chairman's Message, the President's Report, and the audio-visual presentation to the stockholders, and to approve the consolidated financial statements of the Corporation and its subsidiaries, and the parent company financial statement of the Corporation, as of December 31, 2020, as audited by the Corporation's external auditor, SyCip Gorres Velayo & Co.

Thereafter, the Corporate Secretary reported that stockholders owning 15,981,974,741 shares, or 80.07% of the total outstanding shares, voted in favor of Resolution No. S-2021-002. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-002 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,987,344,112	-	-
% of Total Outstanding Shares	80.097%	-	-

## 7. Ratification of the Acts of the Board of Directors and Officers

The Corporate Secretary, upon the Chairman's request, announced that stockholders' ratification is being sought for all the acts and resolutions of the Board, the Executive Committee, and other Board Committees exercising powers delegated by the Board, which were adopted from April 20, 2020 until April 18, 2021, as well as for all the acts of the Corporation's officers performed to implement the resolutions of the Board or its Committees, or in connection with the Corporation's general conduct of its business. The acts and resolutions of the Board are reflected in the minutes of the meetings and include the following:

- (i) appointment of authorized representatives and bank signatories,
- (ii) treasury transactions,
- (iii) budget and funding plans,
- (iv) investments in greenfield renewable energy projects including the 120MW solar farm project in Alaminos, Laguna, the 63MW solar farm project in Palauig, Zambales, and the 40MW battery energy storage system project in Alaminos, Laguna, to name a few,
- (v) joint ventures for power projects such as with Marubeni Corporation and Citicore Solar Energy Corporation, and
- (vi) acts and resolutions covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-003 for the ratification and approval of all the acts of the Board and officers since April 20, 2020 until April 18, 2021. Resolution No. S-2021-003 was shown on the screen:

### **Resolution No. S-2021-003**

**RESOLVED**, to ratify each and every act and resolution, from 20 April 2020 to 18 April 2021 (the "Period"), of the Board of Directors (the "Board"), the Executive Committee and other Board committees exercising powers delegated by the Board, and each and every act, during the Period, of the officers of the Corporation performed in accordance with the resolutions of the Board, the Executive Committee, and other Board committees as well as with the By-laws of the Corporation."

Thereafter, the Corporate Secretary reported that stockholders owning 15,981,928,329 shares, or 80.07% of the total outstanding shares, voted in favor of Resolution No. S-2021-003. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-003 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,987,297,700	-	46,412
% of Total Outstanding Shares	80.097%	-	0.000%

## 8. Approval of the Amendment of the Seventh Article of the Articles of Incorporation to Increase the Authorized Capital Stock of the Corporation to PHP48.4 Billion

At the request of the Chairman, the President presented the first proposed amendment to the Articles of Incorporation which is the increase in the authorized capital stock from Php24.4 billion divided into 24.4 billion shares, to Php48.4 billion divided into 48.4 billion shares. The stockholders already previously approved this proposed amendment in the last annual stockholders meeting on April 20, 2020, to enable and implement the consolidation of AC Energy and Infrastructure Corporation's ("ACEIC") international business into the Corporation. However, due to a then pending prior application for increase in authorized capital stock in 2020 for the implementation of the first share swap between ACEIC and the Corporation for the infusion of ACEIC's Philippine assets into the Corporation, the Corporation was unable to file an application to increase its authorized capital stock with the SEC within six (6) months from date of

For approval in the 2022 stockholders' meeting

approval of the Board (March 18, 2020) and stockholders (April 20, 2020), as required under the Revised Corporation Code.

Given that the Board of Directors had previously approved the acquisition by the Corporation of ACEIC's international business operations, currently housed under AC Energy International, Inc. ("AC Energy International", formerly, Presage Corporation) through a tax-free exchange, with ACEIC transferring its shares of stock in AC Energy International in consideration for additional shares in the Corporation, there is a need to increase the authorized capital stock of the Corporation by 24 billion common shares to enable the issuance of additional shares to ACEIC.

Accordingly, to comply with the requirement of the Revised Corporation Code, there is a need to seek anew the approval of the stockholders for the increase in the authorized capital stock of the Corporation from 24.4 billion common shares to 48.4 billion common shares.

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-004 for: (1) the increase in the authorized capital stock from PHP24.4 billion divided into 24.4 billion shares, to PHP48.4 billion divided into 48.4 billion shares and the amendment of the Seventh Article of the Articles of Incorporation for this purpose; and (2) the authorization of the registration under the Securities Regulation Code and listing with the Philippine Stock Exchange of the shares that will be issued out of the increase in the authorized capital stock. Resolution No. S-2021-004 was shown on the screen:

**Resolution No. S-2021-004**

**RESOLVED**, as approved by the Board of Directors under Resolution No. B-2021-0318-21, to increase the authorized capital stock of the Corporation from Twenty-Four Billion Four Hundred Million Pesos (PHP24,400,000,000.00), divided into Twenty-Four Billion Four Hundred Million (24,400,000,000) Common Shares at a par value of One Peso (PHP1.00) per share to Forty-Eight Billion Four Hundred Million Pesos (PHP48,400,000,000.00) divided into Forty-Eight Billion Four Hundred Million (48,400,000,000) Shares at a par value of One Peso (PHP1.00) per share and for this purpose, to amend the Seventh Article of the Articles of Incorporation, such that, as amended, the Seventh Article shall read as follows (xxx are ellipses to denote that portions of the provision not subject of the amendment were redacted for brevity):

**SEVENTH:** That the authorized capital stock of said corporation is FORTY-EIGHT BILLION FOUR HUNDRED MILLION PESOS (PHP48,400,000,000.00) Philippine Currency, and said capital stock is divided into FORTY-EIGHT BILLION FOUR HUNDRED MILLION (48,400,000,000) shares with a par value of One Peso (PHP1.00) per share. xxx

**RESOLVED, FURTHER**, to approve and authorize the registration under the Securities Regulation Code with the Securities and Exchange Commission and listing with the Philippine Stock Exchange of the shares that will be issued out of the increase in the authorized capital stock, and to authorize any two (2) of the "Class A" Attorneys-in-Fact of the Corporation to sign and execute any and all documents, and to perform any and all acts, as may be necessary or required to implement the registration and/or listing of the shares to be issued."

Thereafter, the Corporate Secretary reported that stockholders owning 15,943,427,735 shares, or 79.88% of the total outstanding shares, voted in favor of Resolution No. S-2021-004. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-004 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,948,797,106	38,547,006	-
% of Total Outstanding Shares	79.904%	0.193%	-

**9. Amendment to Article Seventh of Articles of Incorporation to Increase the Number of Shares Exempt from Pre-emptive Rights for Share Issuances in Exchange for Property Needed for Corporate Purposes or in Payment for Previously Contracted Debt from 16 billion Shares to 24 Billion Shares**

At the request of the Chairman, the President explained that the proposed amendment is meant, among others, to make expedient, and streamline the process for the infusion by ACEIC of its international assets into the Corporation, wherein the Corporation will issue 16,685,800,533 common shares to ACEIC out of the increase in the Corporation's authorized capital stock earlier approved by the stockholders, and subject to the necessary regulatory approvals. Thus, the President proposed the amendment to the Articles of Incorporation to increase the number of shares exempt from the pre-emptive right of stockholders in relation to shares issued in exchange for property needed for corporate purposes or in payment of a previously contracted debt from 16 billion common shares to 24 billion common shares. Resolution No. S-2021-005 was shown on the screen:

**Resolution No. S-2021-005**

**RESOLVED**, as approved by the Board of Directors in Resolution No. B-2021-0318-019, to increase the number of shares exempt from the pre-emptive right of shareholders in relation to shares issued in exchange for property needed for corporate purposes or in payment of a previously contracted debt from sixteen billion (16,000,000,000) shares to twenty-four billion (24,000,000,000) shares and for this purpose, to amend the Seventh Article of the Articles of Incorporation, such that, as amended, the Seventh Article shall read as follows (xxx are ellipses to denote that portions of the provision not subject of the amendment were redacted for brevity):

**SEVENTH:** That the authorized capital stock of said corporation is xxx

xxx

That existing stockholders shall have no pre-emptive right in relation to shares issued in good faith in exchange for property needed for corporate purposes or in payment of a previously contracted debt provided however, that shares to be issued for this purpose shall not exceed twenty-four (24) billion shares."

Thereafter, the Corporate Secretary reported that stockholders owning 15,890,069,899 shares, or 79.61% of the total outstanding shares, voted in favor of Resolution No. S-2021-005. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-005 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,895,439,270	91,858,430	46,412
% of Total Outstanding Shares	79.615%	0.460%	0.000%

**10. Issuance of 4 Billion Common Shares to Arran Investment Pte Ltd.**

At the request of the Chairman, the President explained that at its meeting on November 11, 2020, the Board of Directors approved the issuance of 4 billion common shares to Arran Investment Pte Ltd, and that on December 30, 2020, the Corporation signed an Investment Agreement with Arran for this purpose (the "Investment Agreement"). Since the shares issued to Arran do not exceed 35% of the resulting total issued and outstanding capital stock of the Corporation, such issuance is not subject to the pre-emptive right of stockholders in accordance with the second paragraph of Article Seventh of the Articles of Incorporation.

On March 18, 2021, the Corporation and Arran signed a Subscription Agreement for the issuance of 4 billion primary common shares to Arran in accordance with the Investment Agreement, which resulted in Arran acquiring a 20.04% ownership interest in the Corporation. Arran is an affiliate of GIC Private Limited ("GIC"), a private limited company established in 1981 to manage Singapore's foreign reserves. The President explained that Arran is an investment

holding company for investments managed by GIC or GIC's wholly-owned subsidiaries, and primarily holds investments which are managed by the private equity and infrastructure arm of GIC. The private placement enabled the Corporation to raise additional capital to fund its various developmental and operating projects, as well as potential acquisitions. The entry of Arran as an institutional investor will also strengthen the Corporation's investor base.

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-006 for the: (1) issuance of 4 billion common shares to Arran Investment Pte Ltd, and (2) registration under the Securities Regulation Code and listing with the Philippine Stock Exchange of the shares issued to Arran. Resolution No. S-2021-006 was shown on the screen:

**Resolution No. S-2021-006**

**RESOLVED**, to approve and ratify the subscription for cash by Arran Investments Pte Ltd ("Arran") to, and the issuance to Arran of, four billion (4,000,000,000) shares (the "Subject Shares"), from the authorized but unissued capital stock of the Corporation, at a subscription price of Two Pesos and 97/100 Centavos (Php 2.97) per share, or an aggregate subscription price of Eleven Billion Eight Hundred Eighty Million Pesos (Php 11,880,000,000.00), which subscription constitutes less than thirty-five percent (35%) of the resulting subscribed capital of the Corporation and thus, under the Corporation's Articles of Incorporation, is not subject to pre-emptive rights of the stockholders; and

**RESOLVED, FURTHER**, to approve and authorize the registration under the Securities Regulation Code with the Securities and Exchange Commission and listing with the Philippine Stock Exchange of the Subject Shares, and to authorize any two (2) of the "Class A" Attorneys-in-Fact of the Corporation to sign and execute any and all documents, and to perform any and all acts, as may be necessary or required to implement the registration and/or listing of the Subject Shares.

Thereafter, the Corporate Secretary reported that stockholders owning 15,885,909,199 shares, or 79.59% of the total outstanding shares, voted in favor of Resolution No. S-2021-006. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-006 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,891,278,570	96,019,130	46,412
% of Total Outstanding Shares	79.615%	0.481%	0.000%

**11. Issuance of 1,580,000,000 Primary Common Shares Pursuant to the Corporation's Follow-On-Offering**

At the request of the Chairman, the President explained that at its meeting on March 18, 2021, the Board of Directors approved the issuance of 1,580,000,000 primary common shares pursuant to the planned follow-on offering of the Corporation, with a secondary shares component of up to 420 million common shares. On February 3, 2021, pursuant to the authority delegated by the Board of Directors in connection with the planned follow-on offering, the Executive Committee approved a price range of Php 6.00 to Php 8.20 per share. On February 8, 2021, the Corporation submitted a registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC. Finally, on March 18, 2021, the Board approved the firmed-up primary share issuance size of 1,580,000,000 common shares.

The Corporation expects to raise gross proceeds of up to Php12,956,000,000.00 from the sale of 1,580,000,000 primary shares, which will be used by the Corporation to partially fund the development of its power projects in the pipeline and inorganic growth opportunities if and when they arise, repayment of loans and reduction of payables, and other general corporate requirements. The Corporation will not receive any proceeds from the sale of the secondary shares by the selling stockholders.

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-007 for the: (1) issuance of 1,580,000,000 primary common shares pursuant to the Corporation's follow-on offering, and (2) registration under the Securities Regulation Code and listing with the Philippine Stock Exchange of the shares to be issued therefor. Resolution No. S-2021-007 was shown on the screen:

**Resolution No. S-2021-007**

**RESOLVED**, to approve the issuance of one billion five hundred eighty million (1,580,000,000) shares of the Corporation pursuant to the Corporation's planned follow-on offering, with a secondary common shares component of up to four hundred twenty million (420,000,000) common shares at an FOO price range of Six Pesos (Php 6.00) to Eight Pesos and 20/100 Centavos (Php 8.20) per share (the "FOO Shares"); and

**RESOLVED, FURTHER**, to approve and authorize the registration under the Securities Regulation Code with the Securities and Exchange Commission and listing with the Philippine Stock Exchange of the FOO Shares, and to authorize any two (2) of the "Class A" Attorneys-in-Fact of the Corporation to sign and execute any and all documents, and to perform any and all acts, as may be necessary or required to implement the registration and/or listing of the shares to be issued."

Thereafter, the Corporate Secretary reported that stockholders owning 15,943,425,535 shares, or 79.88% of the total outstanding shares, voted in favor of Resolution No. S-2021-007. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-007 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,948,794,906	38,547,006	2,200
% of Total Outstanding Shares	79.904%	0.193%	0.000%

**12. Issuance of 16,685,800,533 Common Shares to AC Energy and Infrastructure Corporation ("ACEIC") in Exchange for ACEIC's International Renewable Energy Assets and Investments ("International Share Swap")**

The President explained that in late 2020, ACEIC and the Corporation completed the infusion by ACEIC of its Philippine energy assets and investments into the Corporation via a tax-free property-for-share swap. In line with the objective of constituting the Corporation as the consolidated listed platform for Ayala's Philippine and international renewable assets and investments, on March 18, 2021, the Board of Directors approved the consolidation of ACEIC's international renewable energy assets and investments into the Corporation, and for this purpose, the issuance of 16,685,800,533 common shares to ACEIC out of the increase in capital stock of the Corporation, at a subscription price of Php 5.15 per share, or an aggregate subscription price of Php 85,931,872,744.95 in exchange for ACEIC's 1,650,166,347 common shares 15,035,347,600 redeemable preferred shares in AC Energy International, Inc. ("AC Energy International").

AC Energy International is the holding company for all of ACEIC'S international renewable energy assets and investments across the Asia Pacific region, with various assets already in operation particularly in Indonesia and Vietnam, projects under construction in India, Vietnam and Australia, and a healthy pipeline of projects in various stages of development in other countries in the Asia Pacific region.

By acquiring 100% of the outstanding capital stock of AC Energy International from ACEIC, the Corporation will acquire full ownership of ACEIC's international renewable energy business that will complete the transformation of the Corporation as Ayala's single listed platform for both its Philippine and international renewable energy business.

In support of the share swap involving ACEIC's international business, the Corporation and ACEIC commissioned FTI Consulting Philippines, Inc., an independent third-party valuer duly accredited by the Securities and Exchange

Commission and the Philippine Stock Exchange, to prepare a Fairness Opinion as to the valuation of the Corporation's business and that of the international assets that ACEIC will be infusing into the Corporation, with December 31, 2020 as the valuation date. The Fairness Opinion served as basis for the Board of Director's approval of the issuance of 16,685,800,533 common shares to ACEIC at a subscription price of Php 5.15 per share, or an aggregate subscription price of Php85,931,872,744.95. Moreover, the subscription price of Php 5.15 per share is also close to the 60-day volume weighted average price (VWAP) of Php 5.33 per share (on a post-SRO basis) as of the valuation date of December 31, 2020.

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-008 for the (i) issuance of 16,685,800,533 common shares to ACEIC out of the increase in capital stock of the Corporation, at a subscription price of Php 5.15 per share, or an aggregate subscription price of Php 85,931,872,744.95 in exchange for ACEIC's 1,650,166,347 common shares and 15,035,347,600 redeemable preferred shares in AC Energy International, and (2) registration under the Securities Regulation Code and listing with the Philippine Stock Exchange of the shares to be issued therefor. Resolution No. S-2021-008 was shown on the screen:

**Resolution No. S-2021-008**

**RESOLVED**, to approve the subscription by AC Energy and Infrastructure Corporation ("ACEIC") to, and the issuance to ACEIC of, sixteen billion six hundred eighty-five million eight hundred thousand five hundred thirty-three (16,685,800,533) shares (the "Shares"), out of the increase in capital stock of the Corporation, at a subscription price of Five Pesos and 15/100 Centavos (Php 5.15) per share, or an aggregate subscription price of Eighty Five Billion Nine Hundred Thirty-One Million Eight Hundred Seventy-Two Thousand Seven Hundred Forty Four Pesos and 95/100 Centavos (Php 85,931,872,744.95) in exchange for ACEIC's one billion six hundred fifty million one hundred sixty-six thousand three hundred forty-seven (1,650,166,347) common shares and fifteen billion thirty-five million three hundred forty-seven thousand six hundred (15,035,347,600) redeemable preferred shares in AC Energy International, Inc.; and

**RESOLVED, FURTHER**, to approve and authorize the registration under the Securities Regulation Code with the Securities and Exchange Commission and listing with the Philippine Stock Exchange of the Shares, and to authorize any two (2) of the "Class A" Attorneys-in-Fact of the Corporation to sign and execute any and all documents, and to perform any and all acts, as may be necessary or required to implement the registration and/or listing of the shares to be issued.

Thereafter, the Corporate Secretary reported that stockholders owning 15,943,423,253 shares, or 79.88% of the total outstanding shares, have voted for the adoption of Resolution No. 2021-008. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-008 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,948,697,579	38,551,488	95,045
% of Total Outstanding Shares	79.903%	0.193%	0.000%

**13. Waiver of Requirement to Conduct a Rights or Public Offering in Relation to the Issuance of 16,685,800,533 Common Shares to ACEIC for the International Share Swap**

The President explained that given the approval to issue 16,685,800,533 common shares to ACEIC, a party related to the Corporation, the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange require the conduct of a rights or public offering of shares unless a waiver to conduct such rights or public offering of shares is obtained from majority of the minority stockholders present or represented in a stockholders' meeting for this purpose.

Management thus requested the stockholders to waive the requirement of a rights or public offering of shares to enable the infusion by ACEIC of its international assets and investments into the Corporation and the completion of the



transformation of the Corporation as Ayala's single listed platform for its Philippine and international renewable energy business. The asset infusion will be done via a tax-free exchange and the waiver of the requirement to conduct a rights or public offering of shares will greatly facilitate the international asset infusion into the Corporation that will not only greatly improve the current asset base of the Corporation, but will also enable the Corporation to expand its business internationally in line with the Corporation's target to become the largest listed renewables platform in Southeast Asia.

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-009 for the waiver of the requirement to conduct a rights or public offering of shares in relation to the issuance of 16,685,800,533 common shares to ACEIC in exchange for ACEIC's international renewable energy assets and investments. Resolution No. S-2021-009 was shown on the screen:

**Resolution No. S-2021-009**

**RESOLVED**, to waive the requirement of Article V, Part A, Section 1 of the PSE's Consolidated Listing and Disclosure Rules for the Corporation to conduct a rights or public offering in relation to the issuance of the sixteen billion six hundred eighty-five million eight hundred thousand five hundred thirty-three (16,685,800,533) common shares to AC Energy and Infrastructure Corporation ("ACEIC") in exchange for ACEIC's one billion six hundred fifty million one hundred sixty-six thousand three hundred forty-seven (1,650,166,347) common shares and fifteen billion thirty-five million three hundred forty-seven thousand six hundred (15,035,347,600) redeemable preferred shares in AC Energy International, Inc."

Thereafter, the Corporate Secretary reported that stockholders owning 15,892,727,311 shares, or 79.62% of the total outstanding shares, have voted for the adoption of Resolution No. S-2021-009. In addition, minority stockholders owning 616,836,888 shares, or 86.60% of the 712,290,016 shares owned by minority stockholders present or represented in the meeting, have voted for the adoption of Resolution No. S-2021-009. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-009 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,898,096,682	89,247,430	-
% of Total Outstanding Shares	79.650%	0.447%	-

Minority Shares Present/Represented in the Meeting	711,453,689
Number of Minority Shares voted in favor of the Waiver	622,206,259
% of Minority Shares Present/Represented in the Meeting	87.46%

#### **14. Stock Ownership Plan**

The President explained that on March 18, 2021, the Board of Directors approved the stock ownership plan of the Corporation and the allocation of 960 million common shares from the unsubscribed portion of the Corporation's authorized capital stock for this purpose. The stock ownership plan is intended to be implemented by the Corporation starting with the performance year 2020 and beyond. Grantees are qualified executives, managers, staff, or consultants of the Corporation and its affiliates and subsidiaries, subject to satisfaction of certain eligibility requirements.

The availment terms of the stock ownership plan (including annual allocation, prices, and other material conditions upon which the option may be exercised) will be reviewed and approved by the Personnel and Compensation Committee, for endorsement to the Board for approval.

For approval in the 2022 stockholders' meeting

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-010 for the: (1) stock ownership plan, and (2) registration under the Securities Regulation Code and listing with the Philippine Stock Exchange of the shares to be issued and allocated therefor. Resolution No. S-2021-010 was shown on the screen:

**Resolution No. S-2021-010**

**RESOLVED**, as recommended by the Personnel and Compensation Committee and approved by the Board of Directors in Resolution No. B-2021-0318-020, to approve and ratify the stock ownership plan to be made available to qualified officers, employees and consultants of the Corporation, its affiliates, and subsidiaries (the “ACEN Group”), on terms as presented (the “Stock Ownership Plan”);

**RESOLVED, FURTHER**, to approve and ratify the allocation of nine hundred sixty million (960,000,000) common shares from the unsubscribed portion of the Corporation’s authorized capital stock for the Stock Ownership Plan; and

**RESOLVED, FINALLY**, to approve and authorize the registration under the Securities Regulation Code with the Securities and Exchange Commission and listing with the Philippine Stock Exchange of the shares to be allocated for the Stock Ownership Plan, and to authorize any two (2) of the “Class A” Attorneys-in-Fact of the Corporation to sign and execute any and all documents, and to perform any and all acts, as may be necessary or required to implement the registration and/or listing of the shares to be issued.”

Thereafter, the Corporate Secretary reported that stockholders owning 15,910,467,225 shares, or 79.71% of the total outstanding shares, have voted for the adoption of Resolution No. 2021-010. Thus, the said resolution was adopted.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-010 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,915,736,596	71,387,451	220,065
% of Total Outstanding Shares	79.738%	0.358%	0.001%

**15. Delegation of Power and Authority to the Board to Amend the By-laws**

The Corporate Secretary, at the request of the Chairman, explained that, in accordance with Article VIII of the By-Laws, the Board of Directors has agreed to endorse for approval of the stockholder the delegation of authority to amend the Corporation’s By-Laws to the Board of Directors. The amendments that may be proposed include but are not limited to:

- (i) ensuring alignment of the By-laws with the provisions of the Revised Corporation Code,
- (ii) establishing rules of conduct for fully virtual meetings,
- (iii) enabling the election of other offices such as Compliance Officers, Assistant Corporate Secretaries, and Assistant Treasurers and establishing their duties and functions, and
- (iv) allowing the payment of cash dividends through electronic means.

Resolution No. S-2021-011 for the delegation of authority to the Board of Directors to amend the Corporation’s By-Laws, was shown on the screen:

**Resolution No. S-2021-011**

**RESOLVED**, to delegate to the Board of Directors the power to amend the Corporation’s By-Laws and any portion thereof.

For approval in the 2022 stockholders' meeting

Thereafter, the Corporate Secretary reported that stockholders owning 15,885,909,199 shares, or 79.59% of the total outstanding shares, have voted for the adoption of Resolution No. 2021-011. Thus, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-011 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,891,278,570	96,019,130	46,412
% of Total Outstanding Shares	79.615%	0.481%	0.000%

**16. Election of Directors (Including Independent Directors)**

The Corporate Secretary explained that in accordance with the requirements of the Corporation's By-Laws, the Manual of Corporate Governance, and the Rules of the SEC, the following stockholders were duly nominated to the Board for the ensuing term: Fernando Zobel de Ayala, Jaime Augusto Zobel de Ayala, Jose Rene Gregory D. Almendras, Cezar P. Consing, John Eric T. Francia, John Philip S. Orbeta, Nicole Goh Phaik Khim, Consuelo D. Garcia, Ma. Aurora D. Geotina-Garcia, Sherisa P. Nuesa, and Melinda L. Ocampo.

Mdmes. Garcia, Geotina-Garcia, Nuesa, and Ocampo have been nominated as Independent Directors.

The Corporate Governance and Nomination Committee of the Board ascertained that the eleven (11) nominees, including the four (4) nominees for Independent Directors, are qualified to serve as Directors of the Corporation, and that all nominees have given their consent to their nominations.

The Corporate Secretary reported that each of the eleven (11) nominees has garnered at least 11,930,086,204 votes which represent 59.77% of the total outstanding shares. Thus, each nominee has received sufficient number of votes for election to the Board. The Corporate Secretary, on behalf of management, thus proposed the adoption of Resolution No. S-2021-0012 for the election of the eleven (11) nominees to the Board. Resolution No. S-2021-0012 was shown on the screen:

**Resolution No. S-2021-012**

**RESOLVED**, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

Fernando Zobel de Ayala  
Jaime Augusto Zobel de Ayala  
Jose Rene Gregory D. Almendras  
Cezar P. Consing  
John Eric T. Francia  
John Philip S. Orbeta  
Nicole Goh Phaik Khim  
Consuelo D. Garcia (*Independent Director*)  
Ma. Aurora D. Geotina-Garcia (*Independent Director*)  
Sherisa P. Nuesa (*Independent Director*)  
Melinda L. Ocampo (*Independent Director*)

There being a sufficient number of votes for each director, the said resolution was approved. The Chairman thanked Mr. Mario Antonio V. Paner for his valuable contributions as an Independent Director of the Corporation and welcomed Mr. Cezar P. Consing as the Corporation's newest director.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the final votes received by the nominees based on the total cumulative votes received are as follows:

<b>Director</b>	<b>No. of votes received</b>
Fernando Zobel de Ayala	11,985,401,345
Jaime Augusto Zobel de Ayala	11,985,396,215
Jose Rene Gregory D. Almendras	11,989,542,387
Cezar P. Consing	11,974,593,579
John Eric T. Francia	11,981,426,484
John Philip S. Orbeta	11,935,448,575
Nicole Goh Phaik Khim	55,979,727,484
Consuelo D. Garcia	11,942,859,472
Ma. Aurora D. Geotina-Garcia	11,942,759,073
Sherisa P. Nuesa	11,950,759,173
Melinda L. Ocampo	11,942,759,673

### **17. Appointment of External Auditor and Fixing of Its Remuneration**

The Corporate Secretary explained to the stockholders that the external auditor plays a key role in undertaking an independent audit of the Corporation and in providing an objective assurance on the Corporation's financial statements. Further, the Audit Committee exercises oversight over the company's external auditors, including assessing their integrity and independence and the effectiveness of their audit process. The Audit Committee evaluated the performance during the past year of the Corporation's present auditor, the firm of SGV and found it satisfactory. Therefore, the Committee and the Board endorse the appointment of SGV as the Corporation's external auditor for the present fiscal year for an audit fee of up to Php1,755,750.00, exclusive of value-added tax and out of pocket expenses.

The Corporate Secretary, on behalf of management, proposed the adoption of Resolution No. S-2021-013 for the election of the Corporation's external auditor and fixing of its remuneration. Resolution No. S-2021-013 was shown on the screen:

#### **Resolution No. S-2021-013**

**RESOLVED**, as endorsed by the Board of Directors, to appoint SyCip Gorres Velayo & Co. as the external auditor of the Corporation for the year ending 31 December 2021 for an audit fee of up to One Million Seven Hundred Fifty-Five Thousand Seven Hundred Fifty Pesos (PHP 1,755,750.00), exclusive of value-added tax and out-of-pocket expenses."

Thereafter, the Corporate Secretary reported that stockholders owning 15,981,854,674 shares, or 80.07% of the total outstanding shares, voted in favor of Resolution No. S-2021-013. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-013 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	15,982,412,623	2	120,065
% of Total Outstanding Shares	80.07%	0.00%	0.00%

### **18. Other Matters**

There being no other matters for consideration by the stockholders, the Chairman opened the floor to questions or comments from the stockholders. The Assistant Corporate Secretary, Mr. Dodjie D. Lagazo, read aloud the questions and comments together with the names of the stockholders who sent them. Management will reply by email to questions and comments not taken up during this meeting.

Romualdo L. Bea (stockholder): *“Does ACEN have a dividend policy?”*

Chairman: Yes. As approved by the Board last year, 25%-50% of the prior year's core net income, excluding significant non-recurring gains or losses, could be distributed as dividends. This was recommended so that the company could retain and redeploy sufficient capital to fund growth. Special dividends could also be declared depending on the financial position of the Company.

Mr. Bea: *“Why were the 2019 Financial Statements restated?”*

Ms. Ma. Corazon G. Dizon (CFO and Treasurer): The 2019 financial statements were restated to reflect the retroactive treatment of the infusion of Philippine power assets from parent company ACEIC into ACEN, as if the transaction happened in July 2019. This is in line with the company's policy on business combinations, which is retroactive pooling of interests. July 2019 was the date when ACEIC had common control over ACEN and the Philippine assets.

Vann Allen P. dela Cruz (stockholder): *“Why did the Company decide to pursue a renewable energy portfolio? Will you consider going into other technologies also?”*

Chairman: The energy transition is already happening globally, where renewables are increasingly providing a sustainable and competitively priced solution to our growing energy requirements. We believe that AC Energy has the potential to play a leading role in this transition in this part of the world.

President: We have strong momentum with our renewable energy investments in the Philippines and around the region as well, once the international asset infusion is completed. The cost of renewable energy, particularly solar and wind, has declined significantly over the past decade, and now competes well with fossil fuel-fired power plants. Meanwhile, the cost of battery storage is also experiencing a steep decline, and we expect storage to be economically viable in the next 5 years or so. Storage is an important component to increase the reliability of intermittent renewables. We expect to accelerate investments in solar and wind in the coming decade, and complement these with battery storage.

Mr. dela Cruz: *“We have seen a very encouraging trend in the market price of ACEN shares from 2020. What forecasts, if any, does the Company have for this year? What projects and/or plans, if any, does the Company intend to implement to maintain this trend?”*

Chairman: While we cannot give firm guidance on share prices or financial results, we can say that the growth plans discussed by our CEO earlier, including our renewables expansion in the Philippines as well as the infusion of the international platform will create long term value for the Company.

Rafael Guillermo (stockholder): *“Does the Company have plans to further expand overseas?”*

Chairman: The Philippines will continue to be the Company's core market, and as such, we expect our home market to account for 40-50% of our portfolio. We also recognize the opportunity to expand overseas, and this is why we have made the decision to integrate ACEIC's international assets into ACEN.

President: Currently, AC Energy international has around 1400MW of attributable capacity, 100% from renewable sources. We are currently present in Vietnam, Indonesia, Australia, India, and Myanmar. These markets provide significant opportunities as they go through the renewable energy transition. For example, Vietnam is a high growth market with very strong government policies in support of renewables. Meanwhile, Australia is expected to retire several ageing coal plants in the next two decades and will require the building of large-scale renewable power plants. After the integration of the international assets into ACEN, the Company will have a total of around 1800MW of renewables capacity. This puts us in an excellent position to meet or exceed our goal of reaching 5GW of renewables by 2025, and realize our aspiration of becoming the largest listed renewables platform in Southeast Asia.

Joylin Telagen (BTSE Philippines): *“Can you give an update on the follow-on offer?”*

President: We are currently working on the requisite regulatory approvals for the FOO, and upon securing the said approvals, we will right away proceed with the offering. We are targeting receipt of approvals this week in order to proceed with the timeline as disclosed in the latest preliminary prospectus – that is, listing by May 14.

**19. Adjournment**

There being no other comments or questions from the stockholders, the Chairman adjourned the meeting. The Chairman announced that the Corporation will be posting a link to the recorded webcast of the meeting on its website, and that stockholders may raise issues, clarifications, and concerns on the meeting within two (2) weeks from posting of the link or by sending an e-mail to [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph)

The Chairman thanked the stockholders for joining the meeting and wished everyone continued good health amidst the turbulent times.

**SOLOMON M. HERMOSURA**

*Corporate Secretary*

**DODJIE D. LAGAZO**

*Assistant Corporate Secretary*

**ALAN T. ASCALON**

*Assistant Corporate Secretary*

ATTESTED BY:

**FERNANDO ZOBEL DE AYALA**

Chairman of the Board of Directors and of the Meeting

**ANNEX “A”**

The stockholders' participation in the meeting broken down into the various modes of attendance is as follows:

<b>Mode of Attendance</b>	<b>Number of Shares</b>	<b>% of Total Outstanding Shares</b>
Appointment of proxy	11,775,182,933	58.99%
Voting in absentia	4,212,161,179	21.10%
Remote Communication	32,654,152	0.16%

Additionally, there were a total of 440 viewers of the live webcast of the meeting.

**A. By Proxy**

	<b>Stockholder</b>	<b>No. of Shares</b>	<b>Appointee</b>
1	[REDACTED]	35,243,162	Chairman of the Meeting
2	[REDACTED]	955,500	Chairman of the Meeting
3	[REDACTED]	11,175,442,921	John Eric T. Francia
4	[REDACTED]	6,969,271	John Eric T. Francia
5	[REDACTED]	23,284,346	Chairman
6	[REDACTED]	145,187,207	Chairman
7	[REDACTED]	597,000	Chairman of the Meeting
8	[REDACTED]	1,051,030	Chairman of the Board
9	[REDACTED]	90,000	<i>blank</i>
10	[REDACTED]	2,081,080	John Eric T. Francia
11	[REDACTED]	1,321,185	Chairman of the Board
12	[REDACTED]	2,439,207	Chairman of the Board
13	[REDACTED]	348,569,387	<i>blank</i>
14	[REDACTED]	2,809,753	John Eric T. Francia
15	[REDACTED]	2,974,293	John Eric T. Francia
16	[REDACTED]	1,200,520	John Eric T. Francia
17	[REDACTED]	2,112,155	John Eric T. Francia
18	[REDACTED]	,427,278	John Eric T. Francia
19	[REDACTED]	1,294,222	John Eric T. Francia
20	[REDACTED]	2,416,364	John Eric T. Francia
21	[REDACTED]	14,065,856	Chairman
22	[REDACTED]	2,651,196	Chairman
	<b>SUB-TOTAL</b>	<b>11,775,182,933</b>	
	<i>Minorities</i>	<i>560,944,095</i>	
	<i>Non-Minorities</i>	<i>11,214,238,838</i>	

**B: By remote communication**

<i>By Remote Communication</i>	Stockholder	No. of Shares
23	John Eric T. Francia	32,654,147
24	Fernando Zobel M. de Ayala	1
25	Jaime Augusto Zobel M. de Ayala	1
26	Ma. Aurora D. Geotina-Garcia	1
27	Melinda L. Ocampo	1
28	Mario Antonio V. Paner	1
	<b>SUB-TOTAL</b>	<b>32,654,152</b>

Note: The shares under this table include only direct shares of the directors. Shares of directors that are either held under a broker, or have been directly voted by proxy or under VIASH are not included herein.

**C. By voting in absentia**

	Stockholder	No. of Shares
29	████████████████████	2,200
30	██	11,000
31	████████████████████	560,173
32	████████████████████	2,918,800
33	██	1,714,619
34	██	7,055,313
35	██	6,526,166
36	██	21,682
37	████████████████████	13,800
38	██	2,312,582
39	██	1
40	██	3,999,999,999
41	██	12,230,830
42	██	1,575,186
43	██	1,607,641
44	██	4,169
45	██	1,844,454
46	██	1,930,004
47	██	1,776,316
48	██	2,511,807
49	██	548,810
50	██	826,328
51	██	4,162,161
52	██	1,212,310



*For approval in the 2022 stockholders' meeting*

53		1,456,365
54		640,277
55		2,572,064
56		33,073,125
57		533,565
58		26,051,545
59		3,749,079
60		7,537,921
61		5,157,833
62		37,534
63		2,227,101
64		3,344,571
65		15,000
66		34,233,197
67		8,288,247
68		11,678,583
69		19,064,036
70		64,303
71		3,100
72		139,525
73		2,900
74		2
75		120,000
76		8,340
77		17,207
78		46,412
79		4,482
80		120,065
81		50,500
82		100,000
83		67,728
84		19,446
85		500
86		7,000
87		39,620
88		138,029
89		7,670
90		95,045
91		70,400
92		12,511
	<b>SUB-TOTAL</b>	<b>4,212,161,179</b>

For approval in the 2022 stockholders' meeting

	<i>Minorities</i>	<i>150,509,594</i>
	<i>Non-Minorities</i>	<i>4,061,651,585</i>
	<b>TOTAL</b>	<b>16,019,998,264</b>

**MINUTES OF THE SPECIAL STOCKHOLDERS' MEETING**
**December 15, 2021 at 9:00 AM**
**Conducted virtually via <https://acenergy-ph.zoom.us/j/83201722009?pwd=MXJ4bDJ1OWErQzhiMk9KVFhJaGVyZz09>**
**Stockholders present and represented:** The complete list is attached as Annex A

<b>Total Outstanding Shares</b>	<b>38,225,838,177</b>
<b>No. of Shares Present in Person or Proxy</b>	<b>33,284,348,423</b>
<b>Percentage of Total</b>	<b>87.07%</b>

**Directors Present:**

Fernando Zobel de Ayala <sup>1</sup>	<i>Chairman of the Board Chairman, Executive Committee</i>
Jaime Augusto Zobel de Ayala	<i>Vice Chairman of the Board Member, Executive Committee</i>
Jose Rene Gregory D. Almendras	
John Eric T. Francia <sup>2</sup>	<i>President and Chief Executive Officer Member, Executive Committee</i>
John Philip S. Orbeta	
Cezar P. Consing	<i>Member, Executive Committee Member, Personnel and Compensation Committee</i>
Nicole Goh Phaik Khim	<i>Member, Audit Committee Member, Board Risk Management and Related Party Transactions Committee</i>
Consuelo D. Garcia (independent director)	<i>Chairperson, Corporate Governance and Nomination Committee Chairperson, Personnel and Compensation Committee Member, Audit Committee</i>
Ma. Aurora Geotina-Garcia (independent director)	<i>Chairperson, Audit Committee</i>
Sherisa P. Nuesa (independent director)	<i>Lead Independent Director Chairperson, Board Risk Management and Related Party Transactions Committee Member, Corporate Governance and Nomination Committee Member, Personnel and Compensation Committee</i>
Melinda P. Ocampo (independent director)	<i>Member, Board Risk Management and Related Party Transactions Committee Member, Corporate Governance and Nomination Committee</i>

<sup>1</sup> Mr. Zobel de Ayala presided over the meeting and presented from Tower One & Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City.

<sup>2</sup> Mr. Francia participated and presented from the Corporation's principal office in Makati City.

## 1. Call to Order

After the national anthem, the Chairman, Mr. Fernando Zobel de Ayala, called the meeting to order at 9:00 AM. He stated at the outset that the Corporation is holding the meeting in virtual format because of restrictions to address the COVID-19 pandemic and the utmost importance accorded to the health, safety and well-being of Corporation's employees, stockholders and partners. Nevertheless, the Corporation strived to give its stockholders the same opportunity to participate as in an in-person meeting.

The Chairman then introduced his co-presenters, namely: Mr. John Eric T. Francia, the President and Chief Executive Officer, Mr. Solomon M. Hermosura, the Corporate Secretary,<sup>3</sup> and Mr. Dodjie D. Lagazo, the Assistant Corporate Secretary.<sup>4</sup> The Chairman also noted the presence of the other members of the Board of Directors (the "**Board**"), the officers of the Corporation, and representatives of the Corporation's external auditor, SyCip Gorres Velayo & Co. ("**SGV**"), who joined the meeting through the live webcast.

## 2. Notice of Meeting

The Secretary, Mr. Hermosura, certified that the stockholders have been duly notified in accordance with the By-Laws and applicable rules, including the Corporation's Internal Guidelines on Participation in Stockholders' Meeting by Remote Communication and Voting in Absentia.

The Secretary mentioned that the Notice of the Annual Stockholders' Meeting (the "**Notice**") and the Definitive Information Statement ("**DIS**") were sent on November 23, 2021 to all stockholders of record as of November 15, 2021 in two (2) ways: first, by posting on the Corporation's website, and second, by disclosure through the Philippine Stock Exchange EDGE system. In addition, the Notice was published on November 23, 2021 in the Philippine Star and the Philippine Daily Inquirer, and on November 24, 2021, in the Philippine Star and the Manila Bulletin, which are newspapers of general circulation. On December 2, 2021, the Notice and DIS were also sent by email to all stockholders who have provided their e-mail addresses.

## 3. Determination of Quorum

The Corporate Secretary certified that that a quorum existed for the meeting and that based on partial tabulation, stockholders owning 33,258,229,438 shares or 87% of the 38,225,838,177 total outstanding shares were present in the meeting, with the final total to be determined at the end of the meeting.

## 4. Instructions on Rules of Conduct, Voting Procedures and Voting Requirements

The Chairman stated that although the meeting is being held in a virtual format because of government regulations that prevented the Corporation from conducting an in-person meeting, the Corporation strived to provide the stockholders the opportunity to participate in the meeting to the same extent possible as in an in-person meeting.

The Corporate Secretary explained that the rules of conduct and voting procedures were provided to the stockholders in the DIS together with the Notice and emphasized the following:

(1) The agenda for the meeting covers a range of matters requiring stockholders' vote and was included in the Notice sent to the stockholders. Stockholders were also provided an opportunity to propose matters for inclusion in the agenda, pursuant to applicable laws, rules and regulations, and the Corporation's internal guidelines.

(2) Stockholders who registered under the Voting in Absentia & Shareholder (VIASH) system or who notified the Corporation by email by December 10, 2021 of their intention to participate in the meeting by remote communication, may send their questions or comments at [corpse.acen@acenergy.com.ph](mailto:corpse.acen@acenergy.com.ph).

<sup>3</sup> Mr. Hermosura participated and presented from his office in Quezon City.

<sup>4</sup> Mr. Lagazo participated and presented while being physically present in the principal office of the Corporation.

(3) Questions or comments received before 9:30 a.m. will be read out loud and addressed during the Question and Answer period, which will take place after “Other Matters”. Management will reply by email to questions and comments not taken up during the meeting.

(4) There are six (6) resolutions proposed for adoption by the stockholders, each of which will be shown on the screen as the same is being taken up.

(5) Stockholders could cast their votes on the proposed resolutions and in the election of directors beginning December 6, 2021 through the VIASH System with the polls remaining open until the end of the meeting for stockholders using said system.

(6) Alternatively, the stockholders were provided with the option of appointing the Chairman as proxy.

(7) The Corporation tabulated the votes cast as of December 5, 2021, after the end of the proxy validation process, and based on this partial tabulation, votes have been cast by stockholders owning 33,189,554,058 voting shares representing 86.82% of the total outstanding voting shares. The voting results to be reported at the meeting will refer to this preliminary tabulation, with the final tabulation of votes, with full details of the affirmative and negative votes and abstentions, to be reflected in the minutes of meeting.

## **5. Amendment to the Articles of Incorporation (“Articles”) to change the corporate name to ACEN Corporation**

At the request of the Chairman, the President presented the first proposed amendment to the Articles of Incorporation which is the change in the Corporation’s name from “AC Energy Corporation” to “ACEN Corporation.”

The President explained that the Corporation has become one of the Ayala Group’s core businesses and has recently been included in the PSE Index and MSCI Philippines Index. With the Corporation’s recent commitment to Net Zero GHG by 2050 and ongoing transition to 100% renewables generation, it is timely for the Corporation to have a standalone brand and identity while maintaining the values and fundamentals of Ayala.

Upon the request of the Chairman, the Corporate Secretary presented for stockholders’ approval Resolution No. S-2021-014 for the: (1) change in the Corporation’s name to ACEN Corporation, and (2) amendment of the Title and the First Article of the Articles for this purpose. Resolution No. S-2021-014 was shown on the screen:

### **Resolution No. S-2021-014**

**RESOLVED**, as recommended by the Board of Directors in Resolution No. B-2021-1111-013, to amend the Title and the First Article of the Articles of Incorporation to change the name of the Corporation from “AC Energy Corporation” to “ACEN Corporation” such that the amended portions of the Articles of Incorporation shall read as follows:

### **AMENDED ARTICLES OF INCORPORATION OF ACEN CORPORATION**

FIRST: That the name of said corporation shall be **ACEN Corporation**, hereinafter called the Corporation.

The Corporate Secretary reported that Shareholders owning 33,187,490,558 shares, or 86.82% of the total outstanding shares, have voted in favor of Resolution No. S-2021-014. Therefore, the said resolution was approved.

At the request of the Chairman, the President elaborated on the essence of the new corporate name, which is the shorthand for “AC Energy” and the Corporation’s PSE ticker symbol. The President then introduced a video presentation highlighting the spirit of the ACEN brand.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-014 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	33,255,197,295	2,063,500	-
% of Total Outstanding Shares	87.00%	0.01%	-

**6. Amendment to the Articles to remove oil exploration, mining, and related businesses from the Primary Purpose and Secondary Purposes and to specify retail electricity supply and provision of guarantees**

At the request of the Chairman, the President explained that the proposed amendment will enable the Corporation to focus on its core business of renewable energy generation. The President affirmed that the Corporation does not intend to pursue any oil exploration or mining activities.

Upon the request of the Chairman, the Corporate Secretary presented for stockholders' approval Resolution No. S-2021-015 for the: (1) removal of oil exploration, mining, and related business from the Primary Purpose and Secondary Purposes of the Corporation, and explicit mention of retail electricity supply and provision of guarantees as part of the Primary Purpose, and (2) amendment of the Second Article of the Articles for this purpose. Resolution No. S-2021-015 was shown on the screen:

**Resolution No. S-2021-015**

**RESOLVED**, as recommended by the Board of Directors in Resolution No. B-2021-1111-014, to amend the Second Article of the Articles of Incorporation to remove oil exploration, mining and related businesses from the Primary Purpose and Secondary Purposes and to specify retail electricity supply and provision of guarantees in the Primary Purpose such that the amended portions of the Articles of Incorporation shall read as follows:

**SECOND:** That the purposes for which said Corporation is formed are:

**PRIMARY PURPOSE**

To engage generally in the business of, and/or investing in, electric power development, generation and distribution, to engage in retail electricity supply, and to provide guarantees or similar security arrangements.

**SECONDARY PURPOSE**

And in furtherance of and as may be incident to the foregoing purposes, the Corporation shall have the power:

(a) To purchase or otherwise acquire, assemble, install, construct, equip, repair, remodel, maintain, operate, hold, own lease, rent, mortgage, charge, sell, convey or otherwise dispose of, any and all kinds of works, factories, installations, plants, shops laboratories, electrical works, power plants, warehouses, terminals, office buildings and other buildings and structures, roads, railroad, cars, railroad equipment, garages, motor and road equipment, transmission lines, wireless facilities, and any and all kinds of machinery, apparatus, instruments, fixtures and appliances;

(b) To acquire by purchase lease, contract concession or otherwise any and all real estate, lands, land patents, options, grants, concessions, franchises, water, timber and other rights, privileges, easements, estates, interest and properties of every kind and description whatsoever which the Corporation may deem necessary or appropriate in connection with the conduct of any business enumerated in these Articles of Incorporation, or of any other business in which the Corporation may lawfully engage, and to won, hold, operate, improve, develop, reorganize, manage, grant, lease, sell, exchange or otherwise dispose of all the whole or any part thereof;

(c) To manufacture, purchase, or otherwise, and to hold, own, invest, trade and deal in, mortgage, pledge, charge, assign, sell exchange, transfer or otherwise dispose of goods, wares, merchandise and personal property of every class and description and to transport the same in manner;

(d) To purchase, create, generate or otherwise acquire, use, sell, supply or otherwise dispose of, electric current and to sell, supply or otherwise dispose of, power of every kind and description;

x x x

(remaining portions of the Secondary Purposes are retained and renumbered accordingly.)

Thereafter, the Corporate Secretary reported that stockholders owning 33,187,490,558 shares, or 86.82% of the total outstanding shares, voted in favor of Resolution No. S-2021-015. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-015 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	33,255,156,195	2,063,500	41,100
% of Total Outstanding Shares	87.00%	0.01%	0.00%

#### **7. Amendment to the Articles to change the principal office of the Corporation**

The President presented the third and final amendment to the Articles, to change the principal office of the Corporation from the 4<sup>th</sup> Floor, 6750 Office Tower, Ayala Avenue, Makati City 1226 Philippines to the 35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines. The proposed amendment reflects the Corporation’s move to its new corporate office.

Upon the request of the Chairman, the Corporate Secretary presented for stockholders’ approval Resolution No. S-2021-016 for the: (1) change in the Corporation’s principal office, and (2) amendment of the Third Article of the Articles for this purpose. Resolution No. S-2021-016 was shown on the screen:

#### **Resolution No. S-2021-016**

**RESOLVED**, as recommended by the Board of Directors in Resolution No. B-2021-1111-015, to approve the amendment of the Third Article of the Articles of Incorporation to change the principal office of the Corporation from “4<sup>th</sup> Floor, 6750 Office Tower, Ayala Avenue, Makati City, Philippines,” to “35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines” such that the Third Article shall read as follows:

**THIRD:** That the place where the principal office of the corporation is to be established or located is at 35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines. The Corporation may establish and maintain branch offices or agencies elsewhere in the Philippines or in foreign counties whenever warranted by exigencies of its business.

Thereafter, the Corporate Secretary reported that stockholders owning 33,187,490,558 shares, or 86.82% of the total outstanding shares, voted in favor of Resolution No. S-2021-016. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted

on Resolution No. S-2021-016 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	33,255,197,295	2,063,500	-
% of Total Outstanding Shares	87.00%	0.01%	-

**8. Issuance of up to 942 million shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings PTE Limited and Mr. Anton Rohner**

At the request of the Chairman, the President explained that at its meeting on October 18, 2021, the Board of Directors approved the issuance of up to 942 million primary common shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited (“**UPCAPH**”) and Mr. Anton Rohner (“**Rohner**”).

Since the shares issued to UPCAPH and Mr. Rohner do not exceed 35% of the resulting total issued and outstanding capital stock of the Corporation, such issuance is not subject to the pre-emptive right of stockholders in accordance with the second paragraph of Article Seventh of the Articles.

UPCAPH is the joint venture partner of the Corporation’s subsidiary, AC Renewables International Pte Ltd (“**ACRI**”), in UPC-AC Renewables Australia (“**UPC Australia**”). The President explained that UPC Australia is currently constructing a 520-megawatt solar farm in New England, Australia and has a development pipeline of more than 8,000 MW spanning New South Wales, Tasmania, Victoria, and South Australia. The private placement will enable the Corporation to acquire, through ACRI, the ownership interest of UPCAPH and Mr. Rohner in UPC Australia, which will result in the Corporation having full and consolidated ownership in UPC Australia. The foregoing will simplify the Corporation’s structure and will enable the Corporation to develop, finance, build, and operate renewable energy projects in Australia.

Upon the request of the Chairman, the Corporate Secretary presented for stockholders’ approval Resolution No. S-2021-017 for the: (1) issuance of up to 942 million common shares to the owners, affiliates, and/or partners of UPCAPH and Mr. Rohner, and (2) registration under the Securities Regulation Code and listing with the Philippine Stock Exchange of the shares issued to UPCAPH and Mr. Rohner. Resolution No. S-2021-017 was shown on the screen:

**Resolution No. S-2021-017**

**RESOLVED**, as approved by the Board of Directors under Resolution No. B-2021-1018-006, to approve and ratify, the subscription for cash by the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited and Mr. Anton Rohner (the “**Subscribers**”) to, and the issuance to such Subscribers of, up to Nine Hundred Forty Two million (942,000,000) common shares from the authorized but unissued capital stock of the Corporation, at a subscription price of Eleven Pesos and Thirty-Two Centavos (Php11.32) per share (subject to adjustment), or a total subscription price of up to Ten Billion Six Hundred Sixty-Three Million Four Hundred Forty Thousand Pesos (Php10,663,440,000.00) (subject to adjustment), as follows:

<b>Name</b>	<b>Number of common shares subscribed (up to)</b>
UPC Renewables Asia Pacific Holdings Pte Limited	880,369,204
Mr. Anton Rohner	61,630,796
<b>Total</b>	<b>942,000,000</b>

which subscriptions constitute less than thirty-five percent (35%) of the resulting subscribed capital of the Corporation and thus, under the second paragraph of Article Seventh of the Corporation’s Articles of Incorporation, are not subject to pre-emptive rights of the



stockholders; and

**RESOLVED, FURTHER**, to approve and authorize the registration under the Securities Regulation Code with the Securities and Exchange Commission and listing with the Philippine Stock Exchange of the subject shares, and to authorize any two (2) of the “Class A” Attorneys-in-Fact of the Corporation to sign and execute any and all documents, and to perform any and all acts, as may be necessary or required to implement the registration and/or listing of the shares to be issued.

Thereafter, the Corporate Secretary reported that stockholders owning 33,189,554,058 shares, or 86.82% of the total outstanding shares, voted in favor of Resolution No. S-2021-017. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-017 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	33,257,260,795	-	-
% of Total Outstanding Shares	87.00%	-	-

**9. Issuance of up to 390 million Common Shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued**

At the request of the Chairman, the President explained that at its meeting on October 18, 2021, the Board of Directors approved the issuance of up to 389,995,833 primary common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. (“**UPC Philippines**”), namely:

- UPC Philippine Wind Partners Ltd.;
- Alan Kerr;
- PQN Holdings Ltd.;
- Butterfly Securities Ltd.;
- Brian E. Caffyn Revocable Trust;
- Estanyol Holdings Ltd.; and
- Tenggay Holdings Ltd.

Since the shares issued to the foregoing subscribers do not exceed 35% of the resulting total issued and outstanding capital stock of the Corporation, such issuance is not subject to the pre-emptive right of stockholders in accordance with the second paragraph of Article Seventh of the Articles.

UPC Philippines has ownership interests in North Luzon Renewable Energy Corp. or NLR, which owns and operates an 81-megawatt wind farm in Pagudpud, Ilocos Norte. The Corporation currently has an ownership interest of 67% in NLR.

UPC Philippines also holds interests in Bayog Wind Power Corp., which owns a wind power project under construction, as well as various development and pipeline projects across the Philippines, namely:

- Buduan Wind Energy Co., Inc,
- Pangasinan UPC Asia Corporation,
- Caraballo Mountains,
- UPC Asia Corporation,
- Sapat Highlands Wind Corporation,
- Itbayat Island UPC Asia Corporation,
- Laguna West Renewables, Inc., and
- Suyo UPC Asia Corporation.

The private placement will enable the Corporation to acquire UPC Philippines' ownership interests in the said projects, which will in turn increase the Corporation's attributable generation capacity and help achieve the Corporation's goal of reaching 5,000 megawatts of renewables capacity by 2025.

Upon the request of the Chairman, the Corporate Secretary presented for stockholders' approval Resolution No. S-2021-018 for the: (1) issuance of up to 389,995,833 primary common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV, and (2) registration under the Securities Regulation Code and listing with the Philippine Stock Exchange of the shares to be issued therefor. Resolution No. S-2021-018 was shown on the screen:

**Resolution No. S-2021-018**

**RESOLVED**, as approved by the Board of Directors under Resolution No. B-2021-1018-008, to approve and ratify, the subscription for cash by the subscribers named below to, and the issuance to such subscribers of, up to Three Hundred Eighty-Nine Million Nine Hundred Ninety Five Thousand Eight Hundred Thirty Three (389,995,833) common shares from the authorized but unissued capital stock of the Corporation, at a subscription price of Eleven Pesos and Thirty-Two Centavos (Php11.32) per share (subject to adjustment), or a total subscription price of up to Four Billion Four Hundred Fourteen Million Seven Hundred Fifty Two Thousand Eight Hundred Twenty Nine Pesos and Fifty Six Centavos (Php4,414,752,829.56) (subject to adjustment), as follows:

<b>Name</b>	<b>Number of common shares subscribed (up to)</b>
UPC Philippine Wind Partners Ltd.	183,900,026
Alan Kerr	4,318,008
PQN Holdings Ltd.	8,473,688
Butterfly Securities Ltd.	3,412,744
Brian E. Caffyn Revocable Trust	85,407,247
Estanyol Holdings Ltd.	61,622,826
Tenggay Holdings Ltd.	42,861,294
<b>Total</b>	<b>389,995,833</b>

which subscriptions constitute less than thirty-five percent (35%) of the resulting subscribed capital of the Corporation and thus, under the second paragraph of Article Seventh of the Corporation's Articles of Incorporation, are not subject to pre-emptive rights of the stockholders; and

**RESOLVED, FURTHER**, to approve and authorize the registration under the Securities Regulation Code with the Securities and Exchange Commission and listing with the Philippine Stock Exchange of the subject shares, and to authorize any two (2) of the "Class A" Attorneys-in-Fact of the Corporation to sign and execute any and all documents, and to perform any and all acts, as may be necessary or required to implement the registration and/or listing of the shares to be issued.

Thereafter, the Corporate Secretary reported that stockholders owning 33,160,702,158 shares, or 86.75% of the total outstanding shares, voted in favor of Resolution No. S-2021-018. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-018 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	33,228,408,895	28,851,900	-

% of Total Outstanding Shares	86.93%	0.08%	-
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**10. Issuance of up to 90,000,000 Common Shares to the affiliates and/or partners of the NorthWind Power Development Corporation minority stockholders and the listing of the shares to be issued**

At the request of the Chairman, the President explained that at its meeting on October 18, 2021, the Board of Directors approved the issuance of up to 90 million primary common shares to the affiliates, and/or partners of the minority shareholders of NorthWind Power Development Corporation (“NorthWind”), namely:

- Niels Jacobsen;
- Ferdinand A. Dumlao;
- Jose Ildebrando B. Ambrosio;
- Laura Bauí;
- Kresten B. Jacobsen; and
- Kia Jacobsen.

On November 12, 2021, the Corporation and the foregoing subscribers entered into a Subscription Agreement for the transaction.

Since the shares issued to the foregoing subscribers do not exceed 35% of the resulting total issued and outstanding capital stock of the Corporation, such issuance is not subject to the pre-emptive right of stockholders in accordance with the second paragraph of Article Seventh of the Articles of Incorporation.

NorthWind owns and operates a 52-megawatt wind farm in Bangui, Ilocos Norte. The Corporation currently has an effective ownership of 67.8% in NorthWind, with the remaining 32.2% being owned by the NorthWind minority shareholders.

The private placement will enable the Corporation to acquire the interests of the minority shareholders in NorthWind. This will increase the Corporation’s attributable capacity and will further help the Corporation achieve its goal of reaching 5,000 megawatts of renewables capacity by 2025.

Upon the request of the Chairman, the Corporate Secretary presented for stockholders’ approval Resolution No. S-2021-019 for the (i) issuance of up to 90 million common shares to the affiliates, and/or partners of the minority shareholders of NorthWind, and (2) registration under the Securities Regulation Code and listing with the Philippine Stock Exchange of the shares to be issued therefor. Resolution No. S-2021-019 was shown on the screen:

**Resolution No. S-2021-019**

**RESOLVED**, as approved by the Board of Directors under Resolution No. B-2021-1018-011, to approve and ratify, the subscription for cash by the subscribers named below to, and the issuance to such subscribers of, Ninety Million (90,000,000) common shares from the authorized but unissued capital stock of the Corporation, at a subscription price of Eleven Pesos and Thirty-Two Centavos (Php11.32) per share, or a total subscription price of One Billion Eighteen Million Eight Hundred Thousand Pesos (Php1,018,800,000.00), as follows,

Name	Number of common shares subscribed
Niels Jacobsen	16,767,108
Ferdinand A. Dumlao	41,375,371
Jose Ildebrando B. Ambrosio	1,956,209
Laura Bauí	1,956,132
Kresten B. Jacobsen	13,972,590
Kia Jacobsen	13,972,590

<b>Total</b>	<b>90,000,000</b>
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which subscription constitutes less than thirty-five percent (35%) of the resulting subscribed capital of the Corporation and thus, under the second paragraph of Article Seventh of the Corporation’s Articles of Incorporation, is not subject to pre-emptive rights of the stockholders; and

**RESOLVED, FURTHER,** to approve and authorize the registration under the Securities Regulation Code with the Securities and Exchange Commission and listing with the Philippine Stock Exchange of the subject shares, and to authorize any two (2) of the “Class A” Attorneys-in-Fact of the Corporation to sign and execute any and all documents, and to perform any and all acts, as may be necessary or required to implement the registration and/or listing of the shares to be issued.

Thereafter, the Corporate Secretary reported that stockholders owning 33,160,702,158 shares, or 86.75% of the total outstanding shares, have voted for the adoption of Resolution No. 2021-019. Therefore, the said resolution was approved.

As tabulated by the Committee of Inspectors of Proxies and Ballots and validated by SGV, the stockholders voted on Resolution No. S-2021-019 as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Number of voted shares	33,228,408,895	-	-
% of Total Outstanding Shares	86.93%	-	-

## 11. Other Matters

There being no other matters for consideration by the stockholders, the Chairman opened the floor to questions or comments from the stockholders. The Assistant Corporate Secretary, Mr. Lagazo, read out loud the questions and comments together with the names of the stockholders who sent them. Management will reply by email to questions and comments not taken up during this meeting.

Miguel Fernandez (stockholder): *“Do we expect potential dilution from the issuance of shares to UPC and the Northwind founders? What will the resulting public float be? What will be Ayala Corp’s stake in ACEN?”*

President: We plan to issue around 1.4 billion primary shares to the UPC Philippines principals, the UPC Australia principals, and the Northwind minorities, so this is expected to bring ACEN’s total outstanding stock to 39.6 billion shares. This will result in minimal dilution to the existing stockholders of ACEN and this will increase the public float of ACEN by around 3 percentage points. ACEN’s public float will increase to around 18.73% after the issuance of these shares, and parent ACEIC’s ownership will go down to 62.48%. GIC’s stake will also go down to 16.87% from the current ~17.5%.

Chiara Zotomayor: *“What’s the basis of the pricing of the shares to be issued to UPC and the Northwind founders? Are these prices fixed or will they be adjusted based on the latest stock price?”*

President: For UPC Philippines and UPC Australia, the pricing of the shares was pegged to the market price at the time that terms of the sale were agreed, and this serves as the base price for the subscription. The number of shares to be subscribed were fixed, but the price per share may still adjust in line with market prices.

As to the NorthWind share price, we already signed the subscription agreement and fixed the subscription price at the base price so it will not be subjected to any further adjustment. The price was similarly pegged to the market price at the time that the ACEN Board approved the transaction.

Princess Tayag (stockholder): *“The revised PSE rules require a 20% minimum public float for the Company to remain in the PSE Index, and ACEN’s public float is currently still below this level. What is the Company planning*

to do in order to meet this minimum public float requirement to remain in the index?”

President: The issuance of shares to the UPC Philippines principals, the UPC Australia principals, and the Northwind minorities will actually help ACEN increase its public float. From 15.9% today, the public float is expected to increase to 18.73% after these share issuances. This is still short of the 20% minimum public float that we have to meet by December 2022 for ACEN to remain in the PSE Index, but we still have some time to plan for this. Right now, we are not looking to do any further public offerings, but we still intend to work on meeting the public requirement sooner rather than later. We will disclose our plans for this in due course.

## 12. Adjournment

There being no other comments or questions from the stockholders, the Chairman adjourned the meeting. The Chairman announced that the Corporation will be posting a link to the recorded webcast of the meeting on its website, and that stockholders may raise issues, clarifications, and concerns on the meeting within two (2) weeks from posting of the link or by sending an e-mail to [corpsec.acen@acenergy.com.ph](mailto:corpsec.acen@acenergy.com.ph)

The Chairman thanked the stockholders for joining the meeting and wished everyone joy and peace for the holiday season.

**SOLOMON M. HERMOSURA**  
*Corporate Secretary*

**DODJIE D. LAGAZO**  
*Assistant Corporate Secretary*

**ALAN T. ASCALON**  
*Assistant Corporate Secretary*

ATTESTED BY:

**FERNANDO ZOBEL DE AYALA**  
Chairman of the Board of Directors and of the Meeting

**ANNEX “A”**

The stockholders’ participation in the meeting broken down into the various modes of attendance is as follows:

<b>Mode of Attendance</b>	<b>Number of Shares</b>	<b>% of Total Outstanding Shares</b>
Appointment of the Chairman as proxy	33,189,554,058	86.82%
Voting in absentia	67,706,737	0.18%
Remote Communication	27,087,628	0.07%
<b>Total</b>	<b>33,284,348,423</b>	<b>87.07%</b>

Additionally, there were a total of 95 viewers of the live webcast of the meeting.

**A. By Proxy**

	<b>Stockholder</b>	<b>No. of Shares</b>	<b>Appointee</b>
1	AC Energy and Infrastructure Corporation	27,461,243,454	John Eric T. Francia
2	PLU - PRULINK EQUITY FUND	48,699,300	Chairman of the Meeting
3	Citibank N.A. Philippine Branch	231,153,121	Chairman of the Meeting
4	Standard Chartered Bank (non-resident clients)	815,119,530	Chairman of the Meeting
5	Deutsche Bank AG Manila Branch	52,809,353	Chairman of the Meeting
6	HSBC Securities Services	4,538,026,600	Chairman of the Meeting
7	Citibank N.A. client	42,502,700	Chairman of the Meeting
	<b>Sub-total</b>	<b>33,189,554,058</b>	

**B. By Remote Communication**

	<b>Stockholder</b>	<b>No. of Shares</b>
8	Fernando Zobel de Ayala	1
9	Jaime Augusto Zobel de Ayala	1
10	John Eric T. Francia	16,327,073
11	John Philip S. Orbeta	1
12	Cezar P. Consing	1
13	Ma. Aurora D. Geotina-Garcia	1
14	Sherisa P. Nuesa	90,000
15	Melinda L. Ocampo	1
16	Dodjie D. Lagazo	6,526,166
17	Maria Corazon G. Dizon	4,144,123
18	██████████	260
	<b>Sub-total</b>	<b>27,087,628</b>

Note: The shares under this table include only direct shares of the directors and officers. Shares of directors and officers that are either held under a broker or have been directly voted by proxy or under VIASH are not included herein.

**C. By Voting in Absentia**

	<b>Stockholder</b>	<b>No. of Shares</b>
19	Alan T. Ascalon	1,386,501
20	██████████	41,100
21	██████████	3,500
22	████████████████████	20
23	██████████	65,628,505
24	██████████	647,111
	<b>Sub-total</b>	<b>67,706,737</b>

**ANNEX C**  
**RELEVANT RESOLUTIONS APPROVED BY THE BOARD OF DIRECTORS**  
**FROM 19 APRIL 2021 UNTIL 24 APRIL 2022**  
**FOR RATIFICATION BY THE STOCKHOLDERS**

**Organizational Meeting of the Board of Directors**  
**19 April 2021**

**Resolution No. B-2021-0419-001**

**RESOLVED**, to note the reports of the Audit Committee, Board Risk Management and Related Party Transactions Committee, Corporate Governance and Nomination Committee, and Personnel and Compensation Committee, and to ratify the actions by the committees as reported.

**Resolution No. B-2021-0419-002**

**RESOLVED**, to appoint the following as officers of the Company to serve as such beginning today until their successors are elected and qualified:

Fernando Zobel de Ayala	Chairman, Board of Directors
Jaime Augusto Zobel de Ayala	Vice-Chairman, Board of Directors
John Eric T. Francia	President & CEO
Maria Corazon G. Dizon	Treasurer & CFO; Compliance Officer; Chief Risk Officer
Solomon M. Hermosura	Corporate Secretary
Dodjie D. Lagazo	Assistant Corporate Secretary 1 and Head of Legal and Regulatory
Alan T. Ascalon	Assistant Corporate Secretary 2, VP-Legal and Data Privacy Officer
Henry T. Gomez, Jr.	Chief Audit Executive
Jose Maria Eduardo P. Zabaleta	Chief Development Officer
Roman Miguel G. de Jesus	Head of Commercial Operations
Gabino Ramon G. Mejia	Head of Plant Operations
Irene S. Maranan	Head of Corporate Communications and Sustainability
Peter C. Buenaseda	Chief Human Resources Officer
Ronald F. Cuadro	VP-Finance and Controller

**Resolution No. B-2021-0419-003**

**RESOLVED**, to appoint the following as members of the various board committees as indicated, and to serve as such beginning today until their successors are elected and qualified:

Executive Committee

Fernando Zobel de Ayala  
 Jaime Augusto Zobel de Ayala  
 John Eric T. Francia  
 Cezar P. Consing

Audit Committee

Ma. Aurora D. Geotina-Garcia (independent director) - *Chairperson*  
 Consuelo D. Garcia (independent director)  
 Nicole Goh Phaik Khim

Board Risk Management and Related Party Transactions Committee

Sherisa P. Nuesa (independent director) - *Chairperson*  
 Nicole Goh Phaik Khim  
 Melinda L. Ocampo (independent director)



Corporate Governance and Nomination Committee

Consuelo D. Garcia (independent director) - *Chairperson*  
Melinda L. Ocampo (independent director)  
Sherisa P. Nuesa (independent director)

Personnel and Compensation Committee

Consuelo D. Garcia (independent director) - *Chairperson*  
Cezar P. Consing  
Sherisa P. Nuesa (independent director)

**RESOLVED, FINALLY**, to appoint Ms. Sherisa P. Nuesa as the lead independent director of the Company.

**Resolution No. B-2020-0420-004**

**RESOLVED**, to appoint the following as officers of the Company to serve as such beginning today until their successors are elected and qualified:

Fernando Zobel de Ayala	Chairman, Board of Directors
Jaime Augusto Zobel de Ayala	Vice-Chairman, Board of Directors
John Eric T. Francia	President & CEO
Maria Corazon G. Dizon	Treasurer & CFO; Compliance Officer
Solomon M. Hermosura	Corporate Secretary
Dodjie D. Lagazo	Assistant Corporate Secretary 1 and Head of Legal and Regulatory
Alan T. Ascalon	Assistant Corporate Secretary 2, WP-Legal and Data Privacy Officer
Henry T. Gomez	Chief Audit Executive
Jose Maria Eduardo P. Zabaleta	Chief Development Officer
Roman Miguel G. de Jesus	Head of Commercial Operations
Sebastian Arsenio R. Lacson	Head of Plant Operations
Gabino Ramon G. Mejia	Co-Head of Plant Operations
Irene S. Maranan	Head of Plant Operations
Andree Lou C. Kintanar	Head of Corporate Communications and Sustainability
Mariejo P. Bautista	Head of Human Resources
Danilo L. Panes	SVP-Finance and Controller
Ma. Teresa P. Posadas	Head of Wind Operations
	SVP – Finance and Controller
	VP – Wind Operations
	AVP – Human Resources

**Resolution No. B-2021-0419-005**

**RESOLVED**, to approve and authorize the recovery by AC Energy and Infrastructure Corporation (“ACEIC”) from the Company of business development expenses and general administrative expenses in the amount of up to Php 464 million, effective upon the implementation of the exchange of ACEIC’s international assets of ACEIC for the Corporation’s shares.

**Resolution No. B-2021-0419-006**

**RESOLVED**, to enter into a power supply agreement (“PSA”) with DirectPower Services, Inc., on terms as presented; and

**RESOLVED, FINALLY**, to delegate authority to the Chief Development Officer, Jose Maria Eduardo P. Zabaleta, Head of Commercial Operations, Roman Miguel G. De Jesus, and Head of Legal, Dodjie D. Lagazo, to negotiate and finalize the terms and conditions of the PSA.

**Resolution No. B-2021-0419-007**

**RESOLVED**, to authorize the execution by the Company's wholly-owned subsidiary, Buendia Christiana Holdings Corp., of an Option to Lease Agreement, and eventually, a Lease Agreement, with Tabangao Realty, Inc. on terms as presented; and

**RESOLVED, FINALLY**, to delegate authority to the Chief Development Officer, Jose Maria Eduardo P. Zabaleta, and Head of Legal, Dodjie D. Lagazo, to jointly determine the final terms and conditions of the option and lease, and to perform such other actions as are necessary or required to implement the foregoing.

**Resolution No. B-2021-0419-008**

**RESOLVED**, to authorize the execution by the Company's wholly-owned subsidiary, Buendia Christiana Holdings Corp., of an Option to Lease Agreement, and eventually, a Lease Agreement with Tabangao Realty, Inc. on terms as presented; and

**RESOLVED, FINALLY**, to delegate authority to the Chief Development Officer, Jose Maria Eduardo P. Zabaleta, and Head of Legal, Dodjie D. Lagazo, to jointly determine the final terms and conditions of the option and lease, and to perform such other actions as are necessary or required to implement the foregoing.

**Resolution No. B-2021-0419-009**

**RESOLVED**, to approve the investment of PhP4.5Bn into Santa Cruz Solar Energy Inc., the project company for the San Marcelino solar power project, and the issuance of a notice to proceed ("NTP") for the development, mobilization, design, and construction of the access and infrastructure and grid connection facilities of the project, on terms as presented; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, Chief Finance Officer, Maria Corazon G. Dizon, and Chief Development Officer, Jose Maria Eduardo P. Zabaleta, to jointly determine and agree the final terms and conditions of the investment and the issuance of the NTP.

**Regular Meeting of the Board of Directors**

**4 August 2021**

**Resolution No. B-2021-0804-001**

**RESOLVED**, to approve the minutes of the organizational board meeting held on 19 April 2021.

**Resolution No. B-2021-0804-002**

**RESOLVED**, to appoint Ms. Sherisa P. Nuesa as member of the Corporation's Executive Committee to serve as such beginning today until her successor is elected and qualified.

**Resolution No. B-2021-0804-003**

**RESOLVED**, to appoint Mr. Patrice R. Clause as the Head of the Corporation's International Group to serve as such beginning today until his successor is elected and qualified.

**Resolution No. B-2021-0804-004**

**RESOLVED**, to approve the proposed remuneration for non-executive and non-independent directors at Php100,000.00 per board meeting attended, and Php20,000.00 per committee meeting attended.

**Resolution No. B-2021-0804-005**

**RESOLVED**, to authorize the Corporation to transact with following banks and banking institutions, and such other banks and banking institutions that the Board of Directors may authorize from time to time (the “Banks”):

**Philippine Banks**

Bank of the Philippine Islands and any of its subsidiaries  
BDO Unibank, Inc. and BDO Private Bank  
China Banking Corporation  
Development Bank of the Philippines  
Land Bank of the Philippines  
Metropolitan Bank & Trust Company and First Metro Investment Corp.  
Security Bank Corporation  
Rizal Commercial Banking Corporation  
Philippine National Bank  
Union Bank of the Philippines  
EastWest Banking Corporation  
Asia United Bank

**Foreign Banks**

Australia & New Zealand Banking Group Ltd.  
MUFG Bank, Ltd. Group (formerly The Bank of Tokyo-Mitsubishi, Ltd.)  
Bank of China, Ltd.  
Chinatrust Commercial Banking Corp.  
Citibank N.A.  
Deutsche Bank AG  
The Hongkong & Shanghai Banking Corp., Ltd.  
ING Bank N.V.  
Maybank Inc. or other members of the Maybank Group  
JP Morgan Chase Bank, N.A.  
Mizuho Bank Ltd.  
Standard Chartered Bank Group  
Sumitomo Mitsui Banking Corporation  
DBS Bank Ltd.  
Macquarie Bank, Ltd. Group  
Taipei Fubon Bank  
Cathay United Bank  
Industrial and Commercial Bank of China  
Groupe BPCE and Natixis Group  
Societe Generale Corporate & Investment Banking Group  
Bangkok Bank Public Co. Ltd.

**Other Banks**

Yoma Bank Limited

**RESOLVED, FURTHER**, to authorize the following as the Corporation’s Attorneys-in-Fact for transactions with the Banks:

<b>Class “A”</b>	<b>Class “B”</b>
John Eric T. Francia	Hannielynn F. Tucay
Maria Corazon G. Dizon	Joyce Dominique J. Cotaoco
Jose Maria Eduardo P. Zabaleta	Edgar Allan M. Alcantara
Dodjie D. Lagazo	
Gabino Ramon G. Mejia	
J. Edmond C. Garcia	

**RESOLVED, FURTHER**, to authorize the Corporation’s Attorneys-in-Fact to enter into the transactions specified below (hereinafter, the “Transactions”) on behalf of the Corporation, under such number of signatories and observing the required class of signatories corresponding to the particular Transaction described:

<b>Banking Transactions</b>	<b>Authorized Number of AIFs</b>	<b>Authorized Signatory Class</b>
<ol style="list-style-type: none"> <li>1) To invest in the following instruments, both in local and foreign currency with the Banks:               <ol style="list-style-type: none"> <li>(a) Unit investment Trust Funds, Trust Accounts and/or similar products;</li> <li>(b) Bonds, Stocks, Short-duration and/or long-duration funds;</li> <li>(c) Government Securities such as treasury bills, treasury notes, treasury bonds, retail treasury bonds and other securities that carry the full faith and credit of the Republic of the Philippines;</li> <li>(d) Promissory notes, corporate notes, bonds, commercial papers and preferred shares</li> <li>(e) Time deposits, certificate of deposits, special savings and other deposit products;</li> </ol> </li> <li>2) To open, operate, and close deposit accounts, both in local and foreign currency, with the Banks;</li> <li>3) To enter into foreign exchange dealings as well as derivative transactions and contracts, such as buying and selling of foreign exchange, under spot, swaps, options and forwards transactions with the Banks</li> </ol>	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B” or</li> <li>• Two (2) Class “B”</li> </ul>
<ol style="list-style-type: none"> <li>4) To avail of collections and cheque outsourcing/payments services including but not limited cheque printing, cheque releasing, e-tax services, etc. with the banks;</li> <li>5) To open, operate, and close trust accounts with the Trust Department of the Banks;</li> <li>6) To open, maintain, and close third party custodian account/s with the Banks;</li> <li>7) To register as a qualified Institutional buyer (QIB) and to appoint any of Banks and/or any of its branches as the Corporation’s registrar;</li> <li>8) To open and utilize the electronic or internet banking services, Transactional Banking services and payroll services of the Banks;</li> <li>9) To avail of electronic banking services through the Banks’ proprietary systems and/or deployment of a Host-to-Host solution and authorize the Company to co-use the electronic channel of AC Energy and Infrastructure Corporation;</li> <li>10) To connect to the Society for the Worldwide Interbank Financial Telecommunication (SWIFT) and/or avail of Fidelity National Information Services, Inc.’s (FIS) managed bank connectivity service for electronic bank communication;</li> <li>11) To enroll in the Bills Collection Service and Auto Debit Arrangement (ADA) Facility from any of the Banks to facilitate payment collection from the Corporation’s customers;</li> <li>12) To avail of prepaid or credit cards facilities with the Banks, under such terms and conditions as may have been agreed upon;</li> <li>13) To implement Standard Settlement Instruction and/or fax indemnities with the Banks;</li> <li>14) To implement liquidity management solutions such as cash concentration, sweeping and interest optimization facilities;</li> </ol>	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B”</li> </ul>

15) To confirm transactions such as bank balances, money market, foreign exchange, investment position and other forms of trade with the Banks;	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B” or</li> <li>• Two (2) Class “B”</li> </ul>
16) To issue dealing instructions to the Banks for money market, foreign exchange, trade finance and equity instruments;	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B” or</li> <li>• Two (2) Class “B”</li> </ul>
17) To issue Bank confirmation replies;	1	<ul style="list-style-type: none"> <li>• Class “A” or</li> <li>• Class “B”</li> </ul>
18) To sign, execute and deliver credit facilities including but not limited to term loan agreements, revolving credit lines, letter of credit, stand-by letter of credit, bank guarantees, pre-settlement risk line and hedging agreements, regardless of amount;	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B”</li> </ul>
19) To implement bank loan agreements including submission of compliance/reportorial requirements in accordance with such agreements;	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B”</li> </ul>
20) To approve and authorize availment of electronic or internet banking services, to approve and sign the necessary cash management agreements including enrollment documents designating the system administrator(s), system maker(s), system approver(s) for electronic banking and prepaid or credit card facilities, and other such documents to implement the foregoing;	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B”</li> </ul>
21) To withdraw, transfer or charge at any time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, or other instruments or orders for the payment of money when needed, signed, drawn, accepted or endorsed on behalf of the Corporation, the funds of the Corporation deposited with any and all Banks for such amounts and in the manner, form, and limitations indicated below:		
a) For amounts up to Ten Million Pesos (Php10,000,000.00) or its foreign currency equivalent:	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B” or</li> <li>• Two (2) Class “B”</li> </ul>
b) For amounts above Ten Million Pesos (Php10,000,000.00) or its foreign currency equivalent.	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B”</li> </ul>

**RESOLVED, FINALLY**, to authorize the Corporate Secretary or the Assistant Corporate Secretary to adopt the form of resolution or certification as may be required to effect the authorizations granted herein.

**Resolution No. B-2021-0804-006**

**RESOLVED**, to appoint the following as the Corporation’s Attorneys-in-Fact, and together with such other persons as may be designed by the Board of Directors from time to time, shall be authorized to enter into the transactions below, subject to the limitations specified herein:

**Class “A”**

Jaime Augusto Zobel de Ayala	Fernando Zobel de Ayala	Solomon M. Hermosura	Jose Rene Gregory D. Almendras
John Eric T. Francia	Maria Corazon G. Dizon	Dodjie D. Lagazo	Roman Miguel G. De Jesus
Jose Maria Eduardo P. Zabaleta	J. Edmond C. Garcia	Gabino Ramon G. Mejia	Paolo F. Borromeo Jaime Alfonso Zobel de Ayala

**Class “B”**

Christian Gerard P. Castillo	Hannielynn F. Tucay
Alan T. Ascalon	Joyce Dominique J. Cotaoco
Riolita C. Inocencio	Edgar Allan M. Alcantara
Irene S. Maranan	Daniel O. Arago
Ma. Chiara Lubich H. Zotomayor	Mico B. Cornejo
Andree Lou C. Kintanar	Shiela C. Mina
John Henry Lique	

**Class “C”**

Ronald F. Cuadro	Herman B. Timoteo
Shirlene M. Anyayahan	Christine Gale Paras
Cheyenne Francis B. Batnag	Sheryl L. Buena
Maria Joanna Paula A. Lim	Gale Q. Launio
Aaron G. Angeles	Henry T. Gomez Jr.
Michael Alexander Soriano	

**RESOLVED, FURTHER,** to authorize the Corporation’s Attorneys-in-Fact and/or officers of the Corporation specified below to enter into the following (hereinafter, the “**Transactions**”) on behalf of the Corporation, under such number of signatories and observing the required class of signatories corresponding to the particular Transaction described:

<b>COMMERCIAL OPERATIONS TRANSACTIONS</b>	<b>Authorized Number of AIFs</b>	<b>Authorized Signatory Class</b>
1. To sign and execute agreements and contracts involving the purchase or supply above 5MW	2	One (1) Class “A” and Head of Commercial Operations
2. To sign and execute agreements and contracts involving the purchase or supply of 5MW and below, including distribution wheeling and services agreement and ancillary services procurement agreements.	2	Any two (2) signatories
3. To sign and execute all other agreements, protocols, supplements, documents, letters, forms, and the like, incidental or required in the purchase or sale of electricity or distribution wheeling and services agreement, or required by the customer, supplier or counterparty, DOE, ERC, PEMC, IEMOP, NGCP, Distribution Utility or Electric Cooperative, such as but not limited to, the registration, accreditation, transmission connection of electricity,, withdrawal of bill deposits, switching or enrolment of customers, demand for payment, enforcement of the contract, billing matters, or disconnection of customers	2	At least one (1) signatory is Class “B” or higher

<p>4. Dealings with DOE, ERC, PEMC, IEMOP, NGCP or with any government or administrative agency, and local government unit, distribution utility, electric cooperative, Retail Electricity Suppliers Association of the Philippines (“RESA”), Philippine Independent Power Producers Association (“PIPPA”), and similar organizations or associations, and to act as the main contact person/s of the Corporation, with power to represent the Corporation and vote on all matters on behalf of the Corporation as well as be nominated as a director/trustee or officer.</p>	<p>2</p>	<p>At least one (1) signatory is Class “B” or higher</p>
<p>5. To file, execute, sign, revise, amend, update, submit, any document, form, certification, agreement, verification, affidavit, undertaking required by the customers, suppliers and counterparties as well as receive any document, letter, notices, statement of accounts or invoices.</p>	<p>2</p>	<p>Any two (2) signatories</p>
<p>6. To sign any letter, request, correspondence, notice or communication to any government agency, IEMOP, PEMC, NGCP, customer, supplier, or counterparty.</p>	<p>1</p>	<p>President, the Head of Commercial Operations, or the Head of Legal &amp; Regulatory, or any other signatory of any Class</p>
<p>7. To sign, execute, submit, file compliance reports, undertakings, application for licenses and its renewal, requests for information, explanations, affidavits, and any and all documents and instruments related to all commercial operations transactions, and to appear and represent the Corporation, and perform any and all acts necessary or requisite in the premises.</p>	<p>1</p>	<p>President the Head of Commercial Operations, or the Head of Legal &amp; Regulatory, or any other signatory of any Class</p>
<p>8. To file, execute, sign, revise, amend, submit, obtain on behalf of the Corporation, protests/disputes, petitions or applications, legal forms or pleadings, or instruments, or such other documents as may be necessary</p>	<p>2</p>	<p>President Head of Commercial Operations, or the Head of Legal &amp; Regulatory, or any other signatory of any Class</p>
<p>9. To appear, represent, and perform all acts necessary on behalf of the Corporation in any hearing, meeting, public consultation, assembly, or conference in relation to any claim, complaint, proceeding, petition, protest, suit, or any case for or against the Corporation before any judicial or quasi-judicial agency, office, or body of the government, organization or association from the filing of the claim until the termination of the same</p>	<p>2</p>	<p>President, the Head of Commercial Operations, or the Head of Legal &amp; Regulatory, or any other signatory of any Class</p>

10. To participate, represent the Corporation, and appear in all biddings, requests for proposals, accreditation or registration proceedings of suppliers or customers and to receive the instructions to bidders, bid bulletins, letters, communications, correspondences, notices and/or legal processes issued by the bids and awards or accreditation committee of the suppliers or customers	2	President, the Head of Commercial Operations, or the Head of Legal & Regulatory, or any other signatory of any Class
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**RESOLVED, FINALLY**, to authorize the Corporate Secretary or Assistant Corporate Secretaries to adopt the form of resolution or certification as may be required to effect the authorizations granted herein.

**Resolution No. B-2021-0810-007**

**RESOLVED**, to appoint the following as the Corporation’s Attorneys-in-Fact, and together with such other persons as may be designated by the Board of Directors from time to time, shall be authorized to enter into the transactions described below, subject to the limitations specified herein:

**Class “A”**

Jaime Augusto Zobel de Ayala	Fernando Zobel de Ayala	Solomon M. Hermosura	Jose Rene Gregory D. Almendras
John Eric T. Francia	Maria Corazon G. Dizon	Dodjie D. Lagazo	Roman Miguel G. De Jesus
Jose Maria Eduardo P. Zabaleta	J. Edmond C. Garcia	Gabino Ramon G. Mejia	Paolo F. Borromeo Jaime Alfonso Zobel de Ayala

**Class “B”**

Christian Gerard P. Castillo	Hannielynn F. Tucay
Alan T. Ascalon	Joyce Dominique J. Cotaoco
Riolita C. Inocencio	Edgar Allan M. Alcantara
Irene S. Maranan	Daniel O. Arago
Ma. Chiara Lubich H. Zotomayor	Mico B. Cornejo
Andree Lou C. Kintanar	Shiela C. Mina
John Henry Liquete	

**Class “C”**

Ronald F. Cuadro	Herman B. Timoteo
Shirlene M. Anyayahan	Christine Gale Paras
Cheyenne Francis B. Batnag	Sheryl L. Buena
Maria Joanna Paula A. Lim	Gale Q. Launio
Aaron G. Angeles	Henry T. Gomez Jr.
Michael Alexander Soriano	

**RESOLVED, FURTHER**, to authorize the Corporation’s Attorneys-in-Fact and/or officers of the Corporation specified below to enter into the following (hereinafter, the “Transactions”) on behalf of the Corporation, under such number of signatures and observing the required class of signatories corresponding to the particular Transaction described:

<b>REGULATORY AND OTHER OPERATIONAL TRANSACTIONS</b>	<b>Authorized Number of AIFs</b>	<b>Authorized Signatory Class</b>
1. To file, apply for, or procure any approval, permit, license, clearance or any authorization from government agencies, bureaus, departments, local government units, and	1	CEO President CFO



<p>government-owned and controlled corporations such as but not limited to the following:</p> <ol style="list-style-type: none"> <li>a. Department of Energy;</li> <li>b. Energy Regulatory Commission;</li> <li>c. Bureau of Internal Revenue;</li> <li>d. Board of Investments;</li> <li>e. Bureau of Customs;</li> <li>f. Bangko Sentral ng Pilipinas;</li> <li>g. Department of Finance;</li> <li>h. Department of Environment and Natural Resources;</li> <li>i. Philippine Drug Enforcement Agency;</li> <li>j. Department of Public Works and Highways;</li> <li>k. Department of Labor and Employment;</li> <li>l. Department of Interior and Local Government;</li> <li>m. Bureau of Fire Protection;</li> <li>n. Philippine National Police;</li> <li>o. Commission on Elections;</li> <li>p. Department of Agrarian Reform;</li> <li>q. National Commission on Indigenous Peoples;</li> <li>r. National Water and Resources Board;</li> <li>s. Land Registration Authority;</li> <li>t. Registry of Deeds;</li> <li>u. Laguna Lake Development Authority;</li> <li>v. Home Development Mutual Fund;</li> <li>w. Social Security System;</li> <li>x. Philippine Health Insurance Corp;</li> <li>y. Local Government Units;</li> <li>z. Any and all other government agencies or instrumentalities and their divisions and units; and</li> <li>aa. Any telephone, water, electricity, cable, internet, and other utility providers,</li> </ol> <p><i>including the power to delegate such authority in a special power of attorney;</i></p>		<p>Head, Legal Operations Any signatory of any Class</p>
<p>2. To sign any letter, request, correspondence or communication to any government agency, <i>including the power to delegate such authority in a special power of attorney;</i></p>	<p>1</p>	<p>CEO President CFO Head, Legal Operations Any signatory of any Class</p>
<p>3. To sign, execute, and/or deliver any and all documents, instruments, and correspondences, and to do and perform any and all acts necessary or requisite in the premises, <i>including the power to delegate such authority in a special power of attorney;</i></p>	<p>1</p>	<p>Any of the following:</p> <ul style="list-style-type: none"> <li>• CEO</li> <li>• President</li> <li>• CFO</li> <li>• Head, Legal Operations</li> <li>• Any signatory of any Class</li> </ul>
<p>4. To sign, execute, submit and/or deliver compliance reports, undertakings, agreements, requests for information, explanations, affidavits, and any and all documents and instruments, and to do and perform any and all acts necessary or requisite in the premises.</p>	<p>1</p>	<p>Any of the following:</p> <ul style="list-style-type: none"> <li>• CEO</li> <li>• President</li> <li>• CFO</li> <li>• Head, Legal Operations</li> <li>• Any signatory of any Class</li> </ul>
<p>5. To designate in writing any other officer or person to perform any of the Transactions enumerated hereunder;</p>	<p>1</p>	<p>Any of the following:</p> <ul style="list-style-type: none"> <li>• CEO</li> <li>• President</li> </ul>

		<ul style="list-style-type: none"> <li>• CFO</li> <li>• Head, Legal Operations</li> <li>• Any signatory of any Class</li> </ul>
6. To institute/defend/intervene/participate/enter into a compromise or settlement agreements and/or represent the Corporation in legal actions or proceedings; to sign or cause/authorize the signing by its duly designated officers or employee and/or counsel of pleadings; to submit to alternate modes of dispute resolutions and to enter into stipulations or admissions of facts and documents; to execute Special Powers of Attorney in favor of any two (2) officers or employees of the Corporation or any law office or attorney, granting the attorney-in-fact the authority to enter into stipulation of facts or sign for and in behalf of the Corporation compromise agreements or other documents on such other terms as they may deem reasonable; and to do and perform, by himself or through said attorneys-in-fact/substitute/delegate any and all other acts required or may be necessary in the prosecution, defense and/or termination of such legal actions or proceedings	2	Any 2 of the following: <ul style="list-style-type: none"> <li>• CEO</li> <li>• President</li> <li>• CFO</li> <li>• Head, Legal &amp; Regulatory</li> <li>• Head, Legal Operations</li> <li>• Any signatory of any Class</li> </ul>
7. to enter into any negotiation, contract, or agreement with any person, firm or entity, public or private, domestic or foreign, which the Company may enter into under the statutes of the Philippines; and or to sign, execute, and/or deliver contracts, agreements, undertakings, memorandum of understanding/agreement, affidavits/declarations and other documents/ instruments:		
7.1. <i>Without any monetary consideration (e.g. NDA, MOAs)</i>	2	One (1) Class A signing with another signatory of any Class
7.2. <i>Up to One Million Pesos (PhP1,000,000.00) or its foreign currency equivalent (VAT ex.)</i>	2	Any signatory of any Class
7.3. <i>Above One Million Pesos up to Five Million Pesos (Php 5,000,000.00) or its foreign currency equivalent (VAT ex.)</i>	2	One (1) Class A signing with any other signatory of any Class
7.4. <i>Above Five Million Pesos (Php5,000,000.00) or its foreign currency equivalent (VAT ex.)</i>	2	One (1) Class “A” signing with a Class “B” or another Class “A”

**RESOLVED, FINALLY**, to authorize the Corporate Secretary or the Assistant Corporate Secretary to adopt the form of resolution or certification as may be required to effect the authorizations granted herein.

**Resolution No. B-2021-0804-008**

**RESOLVED**, to delegate authority to approve Purchase Orders (“POs”) and to approve in the Corporation’s request for Payment System (“RFP”) the transactions falling under the purview of the Materials Management Department (“MMD”) within the Corporation’s procurement process, to the following officers and employees, and to such other officers and employees of the Corporation, and persons that the Board of Directors may designate from time to time:

**RESOLVED FURTHER**, to authorize the officers of the Corporation and such persons as provided below to exercise the authority delegated above based on the value of the transaction sought to be approved, as follows:

FROM	TO	
Php 1	Php 50,000	RFP System Approval Matrix
Php 50,001	Php 500,000	
Php 500,001	Php 1,000,000	
Php 1,000,001	Php 5,000,000	
Php 5,000,001	Php 10,000,000	1. Cost Center Head 2. Controller
Php 10,000,001	Above	1. Cost Center Head 2. Controller 3. Group CFO

**RESOLVED, FURTHER,** to delegate authority to approve confirmatory POs (except confirmatory POs for fuel oil) to the officers and employees designated below:

FROM	TO	
Php 1	Php 500,000	1. Controller
Php 500,001	Php 1,000,000	1. Controller
Php 1,000,001	above	1. Group CFO

**RESOLVED, FINALLY,** to authorize the Chief Finance Officer and Group Head for Legal & Regulatory to approve any amendments to this Delegation of Authority, upon the written recommendation of the Internal Audit Head and the Controller of the Corporation.

**Resolution No. B-2021-0804-009**

**RESOLVED,** to approve the use of DocuSign for treasury transactions with the Corporation's counterparty banks and banking institutions, on terms as presented;

**RESOLVED, FURTHER,** to delegate authority to the CFO, Maria Corazon G. Dizon, and Head of Legal & Regulatory, Dodjie D. Lagazo, to jointly determine and approve additional banking transactions that may be covered by the DocuSign arrangement; and

**RESOLVED, FINALLY,** to authorize any two (2) Class A Attorneys-in-Fact acting jointly, or any one (1) Class A and one (1) Class B Attorneys-in-Fact acting jointly, to sign the necessary agreements to implement the foregoing.

**Resolution No. B-2021-0804-010**

**RESOLVED**, to approve the changes to the use of the stock rights offering and follow-on offering proceeds and the re-allocation thereof, on terms as presented; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and CFO, Maria Corazon G. Dizon, to jointly determine and approve related actions and activities to implement the foregoing.

**Resolution No. B-2021-0804-011**

**RESOLVED**, to approve the additional omnibus credit lines with Citibank, Deutsche Bank, and International Commercial Bank of China on terms as presented;

**RESOLVED, FURTHER**, to authorize the Corporation to (a) share its credit facilities with such banks to its subsidiaries under a co-use arrangement, and (b) provide guarantees for the benefit of its wholly-owned subsidiaries and pro-rated guarantee based on its percentage of ownership for the benefit of its non-wholly owned subsidiaries, as may be necessary;

**RESOLVED, FURTHER**, to delegate authority to the CFO, Maria Corazon G. Dizon, and VP-Finance, Hannielynn F. Tucay, to jointly: (a) negotiate and finalize the terms and conditions of the credit facilities, and (b) allocate available credit facilities for use of the Corporation's development subsidiaries; and

**RESOLVED, FINALLY**, to authorize any two (2) Class A Attorneys-in-Fact acting jointly, or any one (1) Class A and one (1) Class B Attorneys-in-Fact acting jointly, to sign the necessary agreements to implement the foregoing.

**Resolution No. B-2021-0804-012**

**RESOLVED**, to extend up to USD10 million of secured loans to the NEFIN group, through AC Renewables International Pte. Ltd. or its designated affiliate, in parallel to the conduct of due diligence and completion of definitive documentation;

**RESOLVED, FURTHER**, to make an investment into NEFIN on terms as presented, subject to completion of detailed due diligence with satisfactory results on finance, tax, and legal, for a total of USD80 million;

**RESOLVED, FURTHER**, to delegate authority to the President, John Eric T. Francia, and Head of the International Group, Patrice R. Clausse, to jointly

- a. Determine and approve the final terms of the USD 10 million secured loans to NEFIN;
- b. Make the final investment decision into NEFIN; and
- c. Determine and approve the final terms of the partnership with NEFIN for the investment, including the corporate structure by which such investment shall be done.

**RESOLVED, FINALLY**, to authorize the Board of Directors of AC Energy International, Inc. to approve additional investments into or loans to NEFIN whether in the same or other jurisdictions.

**Resolution No. B-2021-0804-013**

**RESOLVED**, to approve the investment into and construction of the GIGASOL San Marcelino Solar Energy Power Plant Project on terms as presented and the funding into the project company, Santa Cruz Solar Energy Inc., by way of equity and/or loans/advances;

**RESOLVED, FURTHER**, to approve the use of the Corporation's credit lines and/or issuance by the Corporation of a corporate guarantee to secure letters of credit, standby letters of credit, bank guarantees, and other banking and trade facilities that may be needed for purposes of implementing the project; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, Chief Development Officer, Jose Maria Eduardo P. Zabaleta, and CFO, Maria Corazon G. Dizon, to jointly agree on the issuance of the notice to proceed for the project and the terms thereof, including the terms of any guarantee to be issued by the Corporation.

**Resolution No. B-2021-0804-014**

**RESOLVED**, to approve the Corporation's financial statements for first half of 2021 and the submission of the relevant reports to the Securities and Exchange Commission and Philippine Stock Exchange in relation thereto.

**Resolution No. B-2021-0804-015**

**RESOLVED**, to delegate authority to the Audit Committee to approve the Corporation's quarterly financial statements prior to their submission to and filing with the Securities and Exchange Commission and the Philippine Stock Exchange, respectively.

**Resolution No. B-2021-0804-016**

**RESOLVED**, to note the reports of the Audit Committee, Board Risk Management and Related Party Transactions Committee, Corporate Governance and Nomination Committee, and Personnel and Compensation Committee, and to ratify the actions by the committees as approved.

**Special Meeting of the Board of Directors  
18 October 2021**

**Resolution No. B-2021-1018-001**

**RESOLVED**, to approve the commitment for the Corporation to achieve Net Zero greenhouse gas emission by 2050; and

**RESOLVED, FINALLY**, to authorize management to perform all acts necessary to achieve enable the Corporation to achieve the Net Zero commitment, including the hiring of consultants to develop the Corporation's roadmap, plans, and strategies including interim targets.

**Resolution No. B-2021-1018-002**

**RESOLVED**, to create a Sustainability Committee, which shall be composed of three (3) members, two (2) of whom must be members of the board of directors including the chairperson and one of whom must be an independent director;

**RESOLVED, FURTHER**, to appoint the following as initial members of the Sustainability Committee, to serve as such beginning today until their successors are elected and qualified:

Cezar P. Consing (director) – *Chairperson*  
Melinda L. Ocampo (independent director)  
Jaime Z. Urquijo

**RESOLVED, FINALLY**, to empower the Sustainability Committee to recommend its charter for the approval of the board of directors, which charter shall include the following primary powers and duties:

1. Conduct periodic review (at least once a year) of the Corporation's environmental and social policy and propose amendments and updates thereto to the Board of Directors;
2. Monitor progress towards meeting the Corporation's sustainability objectives;
3. Ensure the Corporation's full alignment with the Ayala Group of Companies' commitment to sustainable development;

4. Review and assess the Corporation's sustainability performance and disclosures including the prior and postmortem review of the Corporation's sustainability report;
5. Present recommendations in determining strategic objectives and performance indicators to be monitored by the Corporation on sustainability;
6. Monitor the Corporation's performance in sustainability indices across relevant financial markets;
7. Assess the Corporation's exposure to sustainability-related issues and risks that could impact the Corporation's reputation and corporate strategy; and
8. Review partnerships and relationships with stakeholders in view of the Corporation's commitment to sustainable development.

**Resolution No. B-2021-1018-003**

**RESOLVED**, to approve the property for shares swap between the Corporation and ACE Enexor, Inc. ("ACEX") and the assignment by the Corporation of 100% of its ownership interest in each of Palawan55 Exploration and Production Corporation, Bulacan Power Generation Corporation, One Subic Power Generation Corporation, CIP II Power Corporation, and Ingrid3 Power Corp. valued at Php 3.39 billion, as supported by a fairness opinion from FTI Consulting Philippines, Inc. for the valuation of assets as of 30 June 2021, in exchange for the issuance by ACEX to the Corporation of 339 million primary shares at a price of Php 10.00 per share;

**RESOLVED, FURTHER**, to authorize the Corporation to underwrite ACEX's stock rights offering ("SRO") of ~ Php 1.053 billion at Php10.00 per share;

**RESOLVED FURTHER**, to authorize the Corporation to abstain from exercising its right in relation to the SRO as required under Section 6, Part A of Article V of the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange;

**RESOLVED, FURTHER**, to authorize the Corporation to enter into such documents as are necessary or required to implement the proposed property-for-share swap and the underwriting of ACEX's SRO; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and Chief Finance Officer, Maria Corazon G. Dizon, to determine the final terms and conditions of the proposed property-for-share swap.

**Resolution No. B-2021-1018-004**

**RESOLVED**, to authorize management to pursue the Energy Transition Mechanism to enable South Luzon Thermal Energy Corporation's closure or transition from coal to cleaner energy source, by 2040.

**Resolution No. B-2021-1018-005**

**RESOLVED**, to authorize the Corporation's acquisition, through its subsidiary AC Renewables International Pte Ltd, of the 51.6% ownership interest of its joint venture partner UPC Renewables Asia Pacific Holdings Pte Limited ("UPCAPH") and Mr. Anton Rohner (collectively, the "Sellers") in UPC-AC Renewables Australia on terms as presented;

**RESOLVED, FURTHER**, to authorize the extension of a short-term loan to the Sellers secured by the remaining shares of the Sellers in UPC-AC Renewables Australia on terms as presented;

**RESOLVED, FURTHER**, to authorize the Corporation to enter into such other documents as are necessary or required to implement the proposed transaction; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and Head of the International Group, Patrice R. Clause, to jointly determine the final terms and conditions of the proposed transaction.

**Resolution No. B-2021-1018-006**

**RESOLVED**, to authorize the issuance of up to 942 million primary ACEN shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited and Mr. Anton Rohner at a subscription price of Php 11.32 per share or lower in accordance with the agreed subscription price determination mechanism; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and Head of the International Group, Patrice R. Clause, to jointly determine the final terms and conditions of the proposed transaction.

**Resolution No. B-2021-1018-007**

**RESOLVED**, to authorize the Corporation's acquisition of UPC Philippines Wind Investment Co. BV and Stella Marie L. Sutton's (collectively, the "**Sellers**") ownership and interests in North Luzon Renewable Energy Corp., Bayog Wind Power Corp., development special purpose vehicles Buduan Wind Energy Co., Inc, Pangasinan UPC Asia Corporation, Caraballo Mountains UPC Asia Corporation, Sapat Highlands Wind Corporation, and pipeline SPVs Itbayat Island UPC Asia Corporation, Laguna West Renewables, Inc., and Suyo UPC Asia Corporation on terms as presented;

**RESOLVED, FURTHER**, to authorize the extension of a short-term loan to the Sellers secured by the ACEN shares to be subscribed by the Sellers on terms as presented;

**RESOLVED, FURTHER**, to authorize the Corporation to enter into such other documents as are necessary or required to implement the proposed transaction; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and Chief Development Officer, Jose Maria Eduardo P. Zabaleta, to jointly determine the final terms and conditions of the proposed transaction.

**Resolution No. B-2021-1018-008**

**RESOLVED**, to authorize the issuance of up to 390 million primary ACEN shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV at a subscription price of Php 11.32 per share or lower in accordance with the agreed subscription price determination mechanism; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and Chief Development Officer, Jose Maria Eduardo P. Zabaleta, to jointly determine the final terms and conditions of the proposed transaction.

**Resolution No. B-2021-1018-009**

**RESOLVED**, to approve the upgrade of the Ilocos Norte transmission line and the funding thereof on terms as presented; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, Chief Development Officer, Jose Maria Eduardo P. Zabaleta, and Chief Finance Officer, Maria Corazon G. Dizon, to unanimously agree on the other terms of the upgrade and funding.

**Resolution No. B-2021-1018-010**

**RESOLVED**, to authorize the Corporation to acquire the NorthWind Development Corporation's ("NorthWind") minority shareholders' 32.2% ownership interest in NorthWind on terms as presented;

**RESOLVED, FURTHER**, to authorize the Corporation to extend a short-term loan at 6% interest rate to the NorthWind minority shareholders to be secured by a pledge of their ACEN shares on terms as presented;

**RESOLVED, FURTHER**, to authorize the Corporation to enter into such other documents as are necessary or required to implement the proposed transaction; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and Chief Finance Officer, Maria Corazon G. Dizon, to jointly determine the final terms and conditions of the proposed transaction.

**Resolution No. B-2021-1018-011**

**RESOLVED**, to authorize the Corporation to issue up to 90 million ACEN shares to the affiliates and/or partners of the minority shareholders of NorthWind Power Development Corporation at Php 11.32 per share or lower in accordance with the agreed subscription price determination mechanism; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and Chief Finance Officer, Maria Corazon G. Dizon, to jointly determine the final terms and conditions of the proposed transaction.

**Resolution No. B-2021-1018-012**

**RESOLVED**, to approve the joint venture with CleanTech Global Renewables and investment into the NARDECO Lal-lo Solar Energy Power Plant Project on terms as presented; and

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, Chief Development Officer, Jose Maria Eduardo P. Zabaleta, and Chief Finance Officer, Maria Corazon G. Dizon, to unanimously agree on the issuance of the notice to proceed (NTP) for the project and the terms thereof.

**Resolution No. B-2021-1018-013**

**RESOLVED**, to approve and authorize the conduct of a special stockholders' meeting of the Corporation as follows:

**DATE:** 15 December 2021

**TIME:** 9:00 A.M.

By remote communication *via* TBA



## **AGENDA**

- I. Call to Order
- II. Certification of Notice and Quorum
- III. Issuance of up to 942 million common shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited and Mr. Anton Rohner and the listing of the shares to be issued
- IV. Issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued
- V. Issuance of up to 90 million common shares to the owners, affiliate, and/or partners of the NorthWind Development Corporation founders and the listing of the shares to be issued
- VI. Adjournment

### **Resolution No. B-2021-1018-014**

**RESOLVED**, to approve and authorize the holding by the Corporation of a fully virtual or a combined virtual and in-person special stockholders' meeting on 15 December 2021 including all the necessary and related arrangements, subject to applicable rules and regulations of the Securities and Exchange Commission and such other relevant rules and procedures as may be determined by the Chairman of the Board.

### **Resolution No. B-2021-1018-015**

**RESOLVED**, to appoint Mr. John Philip S. Orbeta as the Corporation's Chief Risk Officer to serve as such beginning today until his successor is elected and qualified.

## **Regular Meeting of the Board of Directors 11 November 2021**

### **Resolution No. B-2021-1111-001**

**RESOLVED**, to approve the minutes of the special meeting of the Board of Directors held on 18 October 2021.

### **Resolution No. B-2021-1111-002**

**RESOLVED**, to ratify Executive Committee Resolution No. EXC-2021-0820-001 for the amendments of the Power Administration and Management Agreements with CIP II Power Corporation, Bulacan Power Generation Corporation, and One Subic Power Generation Corporation on terms as presented.

### **Resolution No. B-2021-1111-003**

**RESOLVED**, to ratify the approval of the Executive Committee Resolution No. EXC-2021-0929-001 to not proceed with the proposed amendments to the Power Administration and Management Agreements with CIP II Power Corporation, Bulacan Power Generation Corporation, and One Subic Power Generation Corporation as approved by the Executive Committee under Resolution No. EXC-2021-0820-001 dated 20 August 2021.

### **Resolution No. B-2021-1111-004**

**RESOLVED**, to ratify the approval of the Executive Committee Resolution No. EXC-2021-1029-001 to increase the (1) plant capacity of the proposed San Marcelino Solar Plant Project from the expected maximum of 250MW to 283MW, and (2) total project cost from Php 12.2 billion to Php 13.2 billion.

### **Resolution No. B-2021-1111-005**

**RESOLVED**, to note the reports of the Audit Committee, Board Risk Management and Related Party

Transactions Committee, Corporate Governance and Nomination Committee, and Personnel and Compensation Committee, and to ratify the actions taken by the committees.

**Resolution No. B-2021-1111-006**

**RESOLVED**, to approve the proposed 2022 budget of the Corporation, as presented.

**Resolution No. B-2021-1111-007**

**RESOLVED**, to approve the Corporation's change of name from AC Energy Corporation to ACEN Corporation such that the amended portions of the Articles of Incorporation shall read as follows:

**AMENDED ARTICLES OF INCORPORATION  
OF  
ACEN CORPORATION  
(formerly AC Energy Corporation)**

xxx

FIRST: That the name of said corporation shall be **ACEN Corporation**, hereinafter called the Corporation.

**Resolution No. B-2021-1111-008**

**RESOLVED**, to approve the amendment of the Second Article of the Articles of Incorporation to remove oil exploration, mining and related businesses from the Primary Purpose and Secondary Purposes and to specify retail electricity supply and provision of guarantees in the Primary Purpose such that the amended portions of the Articles of Incorporation shall read as follows:

**SECOND:** That the purposes for which said Corporation is formed are:

**PRIMARY PURPOSE**

To engage generally in the business of, and/or investing in, electric power development, generation and distribution, to engage in retail electricity supply, and to provide guarantees or similar security arrangements.

**SECONDARY PURPOSE**

And in furtherance of and as may be incident to the foregoing purposes, the Corporation shall have the power:

(a) To purchase or otherwise acquire, assemble, install, construct, equip, repair, remodel, maintain, operate, hold, own lease, rent, mortgage, charge, sell, convey or otherwise dispose of, any and all kinds of works, factories, installations, plants, shops laboratories, electrical works, power plants, warehouses, terminals, office buildings and other buildings and structures, roads, railroad, cars, railroad equipment, garages, motor and road equipment, transmission lines, wireless facilities, and any and all kinds of machinery, apparatus, instruments, fixtures and appliances;

(b) To acquire by purchase lease, contract concession or otherwise any and all real estate, lands, land patents, options, grants, concessions, franchises, water, timber and other rights, privileges, easements, estates, interest and properties of every kind and description whatsoever which the Corporation may deem necessary or appropriate in connection with the conduct of any business enumerated in these Articles of Incorporation, or of any other business in which the Corporation may lawfully engage, and to won, hold, operate, improve, develop, reorganize, manage, grant, lease, sell, exchange or otherwise dispose of all the whole or any part thereof;

(c) To manufacture, purchase, or otherwise, and to hold, own, invest, trade and deal in, mortgage, pledge, charge, assign, sell exchange, transfer or otherwise dispose of goods, wares, merchandise and personal property of every class and description and to transport the same in manner;

(d) To purchase, create, generate or otherwise acquire, use, sell, supply or otherwise dispose of, electric current and to sell, supply or otherwise dispose of, power of every kind and description;

x x x

(remaining portions of the Secondary Purposes are retained and renumbered accordingly.)

**Resolution No. B-2021-1111-009**

**RESOLVED**, to approve the amendment of the Third Article of the Articles of Incorporation to change the principal office of the Corporation from 4<sup>th</sup> Floor 6750 Office Tower, Ayala Avenue, Makati City 1226, Philippines to 35<sup>th</sup> Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas Cor. Makati Avenue, Makati City 1226, Philippines such that the Third Article shall read as follows:

THIRD: That the place where the principal office of the corporation is to be established or located is at 35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines. The Corporation may establish and maintain branch offices or agencies elsewhere in the Philippines or in foreign countries whenever warranted by exigencies of its business.

**Resolution No. B-2021-1111-010**

**RESOLVED**, to approve the amendments to the By-laws of the Corporation on terms as presented, as summarized in Annex “B” of the Minutes of the Regular Meeting of the Board of Directors of the Corporation on 11 November 2021.

**Resolution No. B-2021-1111-011**

**RESOLVED**, to approve the proposed amendments to the Corporate Governance Manual on terms as presented, as summarized in Annex “C” of the Minutes of the Regular Meeting of the Board of Directors of the Corporation on 11 November 2021.

**Resolution No. B-2021-1111-012**

**RESOLVED**, to approve the amended agenda for the Special Stockholders’ Meeting scheduled on 15 December 2021 as follows:

Amended Agenda

1. Call to Order
2. Certification of Notice and Quorum
3. Amendment to the Articles of Incorporation (“Articles”) to change the corporate name to “ACEN Corporation”
4. Amendment to the Articles to remove oil exploration, mining and related business from the Primary Purpose and Secondary Purposes and to specify retail electricity supply and provision of guarantees as part of the Primary Purpose
5. Amendment to the Articles to change the principal office of the Corporation
6. Issuance of up to 942 million Common Shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited and Mr. Anton Rohner and the listing of the shares to be issued
7. Issuance of up to 390 million Common Shares to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV and the listing of the shares to be issued

8. Issuance of up to 90 million Common Shares to the affiliates and/or partners of the minority stockholders of Northwind Power Development Corporation and the listing of the shares to be issued
9. Consideration of such other business as may properly come before the meeting
10. Adjournment

**Regular Meeting of the Board of Directors  
13 December 2022**

**Resolution No. B-2021-1213-001**

**RESOLVED**, to approve the minutes of its regular meeting held on 11 November 2021.

**Resolution No. B-2021-1213-002**

**RESOLVED**, to note the report of the Board Risk Management and Related Party Transactions Committee and to ratify the actions taken by the Committee.

**Resolution No. B-2021-1213-003**

**RESOLVED**, to approve and authorize the Corporation to extend a loan in favor of ACE Enexor, Inc. in an amount of up to One Hundred Fifty Million Pesos (Php 150,000,000.00) and on terms as presented.

**Resolution No. B-2021-1213-004**

**RESOLVED**, to approve the issuance of non-balance sheet support letters and other similar documents in favor of the following lenders of AC Renewables International Pte. Ltd. and for the following amounts:

<u>Lender</u> <u>Amount</u>	<u>Existing Total Facility Amount</u>	<u>Target</u>	<u>Facility</u>
DBS Bank Limited	\$ 182 million		\$ 200 million
The Hongkong and Shanghai Banking Corporation	\$ 138 million		\$ 200 million
Sumitomo Mitsui Banking Corporation	\$ 80 million		\$ 200 million
Deutsche Bank	\$ 50 million	\$ 200 million	
Standard Chartered Bank	\$ 50 million	\$ 100 million	
Citibank	\$ 15 million		\$ 50 million

**RESOLVED, FINALLY**, to delegate authority to the Chief Finance Officer, Maria Corazon G. Dizon, and Head of Legal & Regulatory, Dodjie D. Lagazo, to jointly determine the final terms of the support letter.

**Resolution No. B-2021-1213-005**

**RESOLVED**, to approve the proposed amendments to the Related Party Transaction Policy on terms as presented, as summarized in Annex “B” of the Minutes of the Special Board Meeting of the Board of Directors of the Corporation on 13 December 2021.

**Resolution No. B-2021-1213-006**

**RESOLVED**, to approve the amendment of the loan agreement with Grencore Power Solutions 3, Inc. for the Arayat Solar Project Phase 1 to: (1) extend the maturity date of the existing loan to 30 June 2023, and (2) increase the loan interest rate from 6.5% per annum to 7% per annum; and

**RESOLVED, FINALLY**, to delegate authority to the Chief Development Officer, Jose Maria Eduardo P. Zabaleta, the Chief Finance Officer, Maria Corazon G. Dizon, and Head of Legal & Regulatory, Dodjie D. Lagazo to unanimously approve the final terms and conditions of the amended loan.

**Resolution No. B-2021-1213-007**

**RESOLVED**, to approve the Corporation's investment into and the construction of the Arayat Solar Project Phase 2 on terms as presented, and the funding into the project company by way of equity and/or loans/advances in the aggregate amount of up to Php 5.33 billion for both Arayat Solar Project Phase 1 and Arayat Solar Project Phase 2;

**RESOLVED, FURTHER**, to approve the use of the Corporation's credit lines and/or issuance by the Corporation of a corporate guarantee to secure letters of credit, standby letters of credit, bank guarantees and other banking and trade facilities that may be needed for purposes of implementing the Arayat Solar Project; and

**RESOLVED, FINALLY**, to delegate authority to the Chief Development Officer, Jose Maria Eduardo P. Zabaleta, and the Chief Finance Officer, Maria Corazon G. Dizon, to unanimously agree on the issuance of the Notice to Proceed for the project and the terms thereof, including the terms of any guarantee to be issued by the Corporation.

**Special Meeting of the Board of Directors  
21 January 2022**

**Resolution No. B-2022-0121-001**

**RESOLVED**, to authorize the Corporation to transact with following banks and banking institutions, and such other banks and banking institutions that the Board of Directors may authorize from time to time (the "Banks"):

**Philippine Banks**

Bank of the Philippine Islands and any of its subsidiaries  
BDO Unibank, Inc. and BDO Private Bank  
China Banking Corporation  
Development Bank of the Philippines  
Land Bank of the Philippines  
Metropolitan Bank & Trust Company and First Metro Investment Corp.  
Security Bank Corporation  
Rizal Commercial Banking Corporation  
Philippine National Bank  
Union Bank of the Philippines  
EastWest Banking Corporation  
Asia United Bank

**Foreign Banks**

Australia & New Zealand Banking Group Ltd.  
MUFG Bank, Ltd. Group (formerly The Bank of Tokyo-Mitsubishi, Ltd.)  
Bank of China, Ltd.  
Chinatrust Commercial Banking Corp.  
Citibank N.A.  
Deutsche Bank AG  
The Hongkong & Shanghai Banking Corp., Ltd.  
ING Bank N.V.

Maybank Inc. or other members of the Maybank Group  
 JP Morgan Chase Bank, N.A.  
 Mizuho Bank Ltd.  
 Standard Chartered Bank Group  
 Sumitomo Mitsui Banking Corporation  
 DBS Bank Ltd.  
 Macquarie Bank, Ltd. Group  
 Taipei Fubon Bank  
 Cathay United Bank  
 Industrial and Commercial Bank of China  
 Groupe BPCE and Natixis Group  
 Societe Generale Corporate & Investment Banking Group  
 Bangkok Bank Public Co. Ltd.

**Other Banks**

Yoma Bank Limited

**RESOLVED, FURTHER,** to authorize the following as the Corporation’s Attorneys-in-Fact for transactions with the Banks:

**Class “A”**

John Eric T. Francia  
 Maria Corazon G. Dizon  
 Jose Maria Eduardo P. Zabaleta  
 Dodjie D. Lagazo  
 Gabino Ramon G. Mejia  
John Philip S. Orbeta  
Ma. Cecilia T. Cruzaba

**Class “B”**

Hannielynn F. Tucay  
 Joyce Dominique J. Cotaoco  
 Edgar Allan M. Alcantara  
Alan T. Ascalon  
Oliver Paul L. Pobre

**RESOLVED, FURTHER,** to authorize the Corporation’s Attorneys-in-Fact to enter into the transactions and in accordance with the authorities as specified below:

<b>Banking Transactions</b>	<b>Authorized Number of AIFs</b>	<b>Authorized Signatory Class</b>
1) To invest in the following instruments, both in local and foreign currency with the Banks: (a) Unit investment Trust Funds, Trust Accounts and/or similar products; (b) Bonds, Stocks, Short-duration and/or long-duration funds; (c) Government Securities such as treasury bills, treasury notes, treasury bonds, retail treasury bonds and other securities that carry the full faith and credit of the Republic of the Philippines; (d) Promissory notes, corporate notes, bonds, commercial papers and preferred shares (e) Time deposits, certificate of deposits, special savings and other deposit products; 2) To open, operate, and close deposit accounts, both in local and foreign currency, with the Banks; 3) To enter into foreign exchange dealings as well as derivative transactions and contracts, such as buying and selling of foreign exchange, under spot, swaps, options and forwards transactions with the Banks	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B” or</li> <li>• Two (2) Class “B”</li> </ul>
4) To avail of collections and cheque outsourcing/payments services including but not limited cheque printing, cheque releasing, e-tax services, etc. with the banks;	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B”</li> </ul>

<p>5) To open, operate, and close trust accounts with the Trust Department of the Banks;</p> <p>6) To open, maintain, and close third party custodian account/s with the Banks;</p> <p>7) To register as a qualified Institutional buyer (QIB) and to appoint any of Banks and/or any of its branches as the Corporation's registrar;</p> <p>8) To open and utilize the electronic or internet banking services, Transactional Banking services and payroll services of the Banks;</p> <p>9) To avail of electronic banking services through the Banks' proprietary systems and/or deployment of a Host-to-Host solution and authorize the Corporation to co-use the electronic channel of AC Energy and Infrastructure Corporation;</p> <p>10) To connect to the Society for the Worldwide Interbank Financial Telecommunication (SWIFT) and/or avail of Fidelity National Information Services, Inc.'s (FIS) managed bank connectivity service for electronic bank communication;</p> <p>11) To enroll in the Bills Collection Service and Auto Debit Arrangement (ADA) Facility from any of the Banks to facilitate payment collection from the Corporation's customers;</p> <p>12) To avail of prepaid or credit cards facilities with the Banks, under such terms and conditions as may have been agreed upon;</p> <p>13) To implement Standard Settlement Instruction and/or fax indemnities with the Banks;</p> <p>14) To implement liquidity management solutions such as cash concentration, sweeping and interest optimization facilities;</p>		
<p>15) To confirm transactions such as bank balances, money market, foreign exchange, investment position and other forms of trade with the Banks;</p>	2	<ul style="list-style-type: none"> <li>• Two (2) Class "A" or</li> <li>• One (1) Class "A" and one (1) Class "B" or</li> <li>• Two (2) Class "B"</li> </ul>
<p>16) To issue dealing instructions to the Banks for money market, foreign exchange, trade finance and equity instruments;</p>	2	<ul style="list-style-type: none"> <li>• Two (2) Class "A" or</li> <li>• One (1) Class "A" and one (1) Class "B" or</li> <li>• Two (2) Class "B"</li> </ul>
<p>17) To issue Bank confirmation replies;</p>	1	<ul style="list-style-type: none"> <li>• Class "A" or</li> <li>• Class "B"</li> </ul>
<p>18) To sign, execute and deliver credit facilities including but not limited to term loan agreements, revolving credit lines, letter of credit, stand-by letter of credit, bank guarantees, pre-settlement risk line and hedging agreements, regardless of amount;</p>	2	<ul style="list-style-type: none"> <li>• Two (2) Class "A" or</li> <li>• One (1) Class "A" and one (1) Class "B"</li> </ul>
<p>19) To implement bank loan agreements including submission of compliance/reportorial requirements in accordance with such agreements;</p>	2	<ul style="list-style-type: none"> <li>• Two (2) Class "A" or</li> <li>• One (1) Class "A" and one (1) Class "B"</li> </ul>
<p>20) To approve and authorize availment of electronic or internet banking services, to approve and sign the necessary cash management agreements including enrollment documents designating the system administrator(s), system maker(s), system approver(s) for electronic banking and prepaid or</p>	2	<ul style="list-style-type: none"> <li>• Two (2) Class "A" or</li> <li>• One (1) Class "A" and one (1) Class "B"</li> </ul>

credit card facilities, and other such documents to implement the foregoing;		
21) To withdraw, transfer or charge at any time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, or other instruments or orders for the payment of money when needed, signed, drawn, accepted or endorsed on behalf of the Corporation, the funds of the Corporation deposited with any and all Banks for such amounts and in the manner, form, and limitations indicated below:		
a) For amounts up to Ten Million Pesos (Php10,000,000.00) or its foreign currency equivalent:	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B” or</li> <li>• Two (2) Class “B”</li> </ul>
b) For amounts above Ten Million Pesos (Php10,000,000.00) or its foreign currency equivalent.	2	<ul style="list-style-type: none"> <li>• Two (2) Class “A” or</li> <li>• One (1) Class “A” and one (1) Class “B”</li> </ul>

**RESOLVED, FINALLY**, to authorize the Corporate Secretary or the Assistant Corporate Secretary to adopt the form of resolution or certification as may be required to effect the authorizations granted herein.

**Resolution No. B-2022-0121-002**

**RESOLVED**, to appoint the following as the Corporation’s Attorneys-in-Fact, who, together with such other persons as may be designed by the Board of Directors from time to time, shall be authorized to enter into the transactions below, and subject to the limitations specified herein:

**Class “A”**

Jaime Augusto Zobel de Ayala	John Eric T. Francia
Fernando Zobel de Ayala	Maria Corazon G. Dizon
Jose Rene Gregory D. Almendras	Dodjie D. Lagazo
<u>Ma. Cecilia T. Cruzabra</u>	Gabino Ramon G. Mejia
Paolo F. Borromeo	Roman Miguel G. De Jesus
Solomon M. Hermosura	Jose Maria Eduardo P. Zabaleta
<u>John Philip S. Orbeta</u>	Jaime Alfonso Zobel de Ayala

**Class “B”**

Christian Gerard P. Castillo	Hannielynn F. Tucay
Alan T. Ascalon	Joyce Dominique J. Cotaoco
Riolita C. Inocencio	Edgar Allan M. Alcantara
Irene S. Maranan	Daniel O. Arago
Ma. Chiara Lubich H. Zotomayor	Mico B. Cornejo
Andree Lou C. Kintanar	Shiela C. Mina
John Henry Liquete	<u>Oliver Paul L. Pobre</u>

**Class “C”**

Ronald F. Cuadro	Herman B. Timoteo
Shirlene M. Anyayahan	Christine Gale Paras
Cheyenne Francis B. Batnag	Sheryl L. Buena
Maria Joanna Paula A. Lim	Gale Q. Launio
Aaron G. Angeles	<u>Arnel A. Racelis</u>
Michael Alexander Soriano	



**RESOLVED, FURTHER**, to authorize the Attorneys-in-Fact and/or officers of the Corporation specified below to enter into the following (hereinafter, the “**Transactions**”) on behalf of the Corporation, under such number of signatories and observing the required class of signatories corresponding to the particular Transaction described:

COMMERCIAL OPERATIONS TRANSACTIONS	Authorized Number of AIFs	Authorized Signatory Class
1. To sign and execute agreements and contracts involving the purchase or supply above 5MW	2	One (1) Class “A” and Head of Commercial Operations
2. To sign and execute agreements and contracts involving the purchase or supply of 5MW and below, including distribution wheeling and services agreement and ancillary services procurement agreements.	2	Any two (2) signatories
3. To sign and execute all other agreements, protocols, supplements, documents, letters, forms, and the like, incidental or required in the purchase or sale of electricity or distribution wheeling and services agreement, or required by the customer, supplier or counterparty, DOE, ERC, PEMC, IEMOP, NGCP, Distribution Utility or Electric Cooperative, such as but not limited to, the registration, accreditation, transmission connection of electricity,, withdrawal of bill deposits, switching or enrolment of customers, demand for payment, enforcement of the contract, billing matters, or disconnection of customers	2	At least one (1) signatory is Class “B” or higher
4. Dealings with DOE, ERC, PEMC, IEMOP, NGCP or with any government or administrative agency, and local government unit, distribution utility, electric cooperative, Retail Electricity Suppliers Association of the Philippines (“RESA”), Philippine Independent Power Producers Association (“PIPPA”), and similar organizations or associations, and to act as the main contact person/s of the Corporation, with power to represent the Corporation and vote on all matters on behalf of the Corporation as well as be nominated as a director/trustee or officer.	2	At least one (1) signatory is Class “B” or higher
5. To file, execute, sign, revise, amend, update, submit, any document, form, certification, agreement, verification, affidavit, undertaking required by the customers, suppliers and counterparties as well as receive any document, letter, notices, statement of accounts or invoices.	2	Any two (2) signatories
6. To sign any letter, request, correspondence, notice or communication to any government agency, IEMOP, PEMC, NGCP, customer, supplier, or counterparty.	1	President, the

		Head of Commercial Operations, or the Head of Legal & Regulatory, or any other signatory of any Class
7. To sign, execute, submit, file compliance reports, undertakings, application for licenses and its renewal, requests for information, explanations, affidavits, and any and all documents and instruments related to all commercial operations transactions, and to appear and represent the Corporation, and perform any and all acts necessary or requisite in the premises.	1	President the Head of Commercial Operations, or the Head of Legal & Regulatory, or any other signatory of any Class
8. To file, execute, sign, revise, amend, submit, obtain on behalf of the Corporation, protests/disputes, petitions or applications, legal forms or pleadings, or instruments, or such other documents as may be necessary	2	President Head of Commercial Operations, or the Head of Legal & Regulatory, or any other signatory of any Class
9. To appear, represent, and perform all acts necessary on behalf of the Corporation in any hearing, meeting, public consultation, assembly, or conference in relation to any claim, complaint, proceeding, petition, protest, suit, or any case for or against the Corporation before any judicial or quasi-judicial agency, office, or body of the government, organization or association from the filing of the claim until the termination of the same	2	President, the Head of Commercial Operations, or the Head of Legal & Regulatory, or any other signatory of any Class
10. To participate, represent the Corporation, and appear in all biddings, requests for proposals, accreditation or registration proceedings of suppliers or customers and to receive the instructions to bidders, bid bulletins, letters, communications, correspondences, notices and/or legal processes issued by the bids and awards or accreditation committee of the suppliers or customers	2	President, the Head of Commercial Operations, or the Head of Legal & Regulatory, or any other signatory of any Class

**RESOLVED, FINALLY**, to authorize the Corporate Secretary or Assistant Corporate Secretaries to adopt the form of resolution or certification as may be required to effect the authorizations granted herein.

**Resolution No. B-2022-0121-003**

**RESOLVED**, to appoint the following as the Corporation’s Attorneys-in-Fact, and together with such other persons as may be designated by the Board of Directors from time to time, shall be authorized to enter into the transactions described below, subject to the limitations specified herein:

**Class “A”**

Jaime Augusto Zobel de Ayala  
Fernando Zobel de Ayala  
Jose Rene Gregory D. Almendras

John Eric T. Francia  
Maria Corazon G. Dizon  
Dodjie D. Lagazo

Ma. Cecilia T. Cruzabra  
 Paolo F. Borromeo  
 Solomon M. Hermosura  
John Philip S. Orbeta

Gabino Ramon G. Mejia  
 Roman Miguel G. De Jesus  
 Jose Maria Eduardo P. Zabaleta  
 Jaime Alfonso Zobel de Ayala

**Class “B”**

Christian Gerard P. Castillo  
 Alan T. Ascalon  
 Riolita C. Inocencio  
 Irene S. Maranan  
 Ma. Chiara Lubich H. Zotomayor  
 Andree Lou C. Kintanar  
 John Henry Lique

Hannielynn F. Tucay  
 Joyce Dominique J. Cotaoco  
 Edgar Allan M. Alcantara  
 Daniel O. Arago  
 Mico B. Cornejo  
 Shiela C. Mina  
Oliver Paul L. Pobre

**Class “C”**

Ronald F. Cuadro  
 Shirlene M. Anyayahan  
 Cheyenne Francis B. Batnag  
 Maria Joanna Paula A. Lim  
 Aaron G. Angeles  
 Michael Alexander Soriano

Herman B. Timoteo  
 Christine Gale Paras  
 Sheryl L. Buena  
 Gale Q. Launio  
Arnel A. Racelis

**RESOLVED, FURTHER,** to authorize the Corporation’s Attorneys-in-Fact and/or officers of the Corporation specified below to enter into transactions in accordance with the authorities as specified below:

<b>REGULATORY AND OTHER OPERATIONAL TRANSACTIONS</b>	<b>Authorized Number of AIFs</b>	<b>Authorized Signatory Class</b>
1. To file, apply for, or procure any approval, permit, license, clearance or any authorization from government agencies, bureaus, departments, local government units, and government-owned and controlled corporations such as but not limited to the following: <ul style="list-style-type: none"> <li>a. Department of Energy;</li> <li>b. Energy Regulatory Commission;</li> <li>c. Bureau of Internal Revenue;</li> <li>d. Board of Investments;</li> <li>e. Bureau of Customs;</li> <li>f. Bangko Sentral ng Pilipinas;</li> <li>g. Department of Finance;</li> <li>h. Department of Environment and Natural Resources;</li> <li>i. Philippine Drug Enforcement Agency;</li> <li>j. Department of Public Works and Highways;</li> <li>k. Department of Labor and Employment;</li> <li>l. Department of Interior and Local Government;</li> <li>m. Bureau of Fire Protection;</li> <li>n. Philippine National Police;</li> <li>o. Commission on Elections;</li> <li>p. Department of Agrarian Reform;</li> <li>q. National Commission on Indigenous Peoples;</li> <li>r. National Water and Resources Board;</li> <li>s. Land Registration Authority;</li> <li>t. Registry of Deeds;</li> <li>u. Laguna Lake Development Authority;</li> <li>v. Home Development Mutual Fund;</li> </ul>	1	CEO President CFO Head, Legal Operations Any signatory of any Class

<p>w. Social Security System;  x. Philippine Health Insurance Corp;  y. Local Government Units;  z. Any and all other government agencies or instrumentalities and their divisions and units; and  aa. Any telephone, water, electricity, cable, internet, and other utility providers,  <i>including the power to delegate such authority in a special power of attorney;</i></p>		
<p>2. To sign any letter, request, correspondence or communication to any government agency, <i>including the power to delegate such authority in a special power of attorney;</i></p>	1	CEO President CFO Head, Legal Operations Any signatory of any Class
<p>3. To sign, execute, and/or deliver any and all documents, instruments, and correspondences, and to do and perform any and all acts necessary or requisite in the premises, <i>including the power to delegate such authority in a special power of attorney;</i></p>	1	Any of the following: <ul style="list-style-type: none"> <li>• CEO</li> <li>• President</li> <li>• CFO</li> <li>• Head, Legal Operations</li> <li>• Any signatory of any Class</li> </ul>
<p>4. To sign, execute, submit and/or deliver compliance reports, undertakings, agreements, requests for information, explanations, affidavits, and any and all documents and instruments, and to do and perform any and all acts necessary or requisite in the premises.</p>	1	Any of the following: <ul style="list-style-type: none"> <li>• CEO</li> <li>• President</li> <li>• CFO</li> <li>• Head, Legal Operations</li> <li>• Any signatory of any Class</li> </ul>
<p>5. To designate in writing any other officer or person to perform any of the Transactions enumerated hereunder;</p>	1	Any of the following: <ul style="list-style-type: none"> <li>• CEO</li> <li>• President</li> <li>• CFO</li> <li>• Head, Legal Operations</li> <li>• Any signatory of any Class</li> </ul>
<p>6. To institute/defend/intervene/participate/enter into a compromise or settlement agreements and/or represent the Corporation in legal actions or proceedings; to sign or cause/authorize the signing by its duly designated officers or employee and/or counsel of pleadings; to submit to alternate modes of dispute resolutions and to enter into stipulations or admissions of facts and documents; to execute Special Powers of Attorney in favor of any two (2) officers or employees of the Corporation or any law office or attorney, granting the attorney-in-fact the authority to enter into stipulation of facts or sign for and in behalf of the Corporation compromise agreements or other documents on such other terms as they may deem reasonable; and to do and perform, by himself or through said attorneys-in-fact/substitute/delegate any and all other acts required or may be necessary in the prosecution, defense and/or termination of such legal actions or proceedings</p>	2	Any 2 of the following: <ul style="list-style-type: none"> <li>• CEO</li> <li>• President</li> <li>• CFO</li> <li>• Head, Legal &amp; Regulatory</li> <li>• Head, Legal Operations</li> <li>• Any signatory of any Class</li> </ul>
<p>7. to enter into any negotiation, contract, or agreement with any person, firm or entity, public or private, domestic or foreign, which the Corporation may enter into under the statutes of the Philippines; and or to sign, execute, and/or deliver contracts, agreements, undertakings, memorandum of understanding/agreement, affidavits/declarations and other documents/ instruments:</p>		

7.5. <i>Without any monetary consideration (e.g. NDA, MOAs)</i>	2	One (1) Class A signing with another signatory of any Class
7.6. <i>Up to One Million Pesos (Php1,000,000.00) or its foreign currency equivalent (VAT ex.)</i>	2	Any signatory of any Class
7.7. <i>Above One Million Pesos up to Five Million Pesos (Php 5,000,000.00) or its foreign currency equivalent (VAT ex.)</i>	2	One (1) Class A signing with any other signatory of any Class
7.8. <i>Above Five Million Pesos (Php5,000,000.00) or its foreign currency equivalent (VAT ex.)</i>	2	One (1) Class "A" signing with a Class "B" or another Class "A"

**RESOLVED, FINALLY**, to authorize the Corporate Secretary or the Assistant Corporate Secretary to adopt the form of resolution or certification as may be required to effect the authorizations granted herein.

#### **Resolution No. B-2022-0121-04**

**RESOLVED**, to approve and authorize the conduct of the 2022 annual stockholders' meeting of the Corporation as follows:

**DATE:** 25 April 2022  
**TIME:** 9:00 A.M.

#### **AGENDA**

- I. Call to Order
- II. Certification of Notice and Quorum
- III. Approval of Minutes of Previous Meeting
- IV. Annual Report of Management including the 2021 Audited Financial Statements
- V. Ratification of the Acts of the Board of Directors and Officers
- VI. Approval of Compensation of Directors
- VII. Approval of the Management Agreement with South Luzon Thermal Energy Corporation
- VIII. Appointment of External Auditor and Fixing of its Remuneration
- IX. Consideration of Such Other Business as May Properly Come Before the Meeting
- X. Adjournment

**RESOLVED, FURTHER**, to approve the following meeting deadlines:

Nomination of Directors: 14 March 2022  
Submission of Proxies: 15 April 2022  
Validation of Proxies: 18 April 2022

**RESOLVED, FINALLY**, to delegate authority to the Chairman, Fernando Zobel de Ayala, to approve the manner of holding the annual stockholders' meeting, including logistics and other arrangements, as may be necessary, to be determined at a later date and to be communicated to the stockholders through the Notice of Meeting and Definitive Information Statement.

#### **Resolution No. B-2022-0121-005**

**RESOLVED**, to approve the amendment to the terms of the Administration and Management Agreement ("AMA") between the Corporation and South Luzon Thermal Energy Corporation ("SLTEC") on terms as presented, and to include, among others, the provision of operations and maintenance services by the Corporation;

**RESOLVED, FURTHER**, to delegate authority to the CFO, Maria Corazon G. Dizon and Head of

Commercial Operations, Roman Miguel G. de Jesus, to finalize the terms and conditions of the AMA, including the effectivity date of the amendments;

**RESOLVED, FURTHER**, to authorize the appointment of the transaction advisors including, but not limited to, the arranger and legal counsels for the preparation of various documents in relation to the Energy Transition Financing plan;

**RESOLVED, FURTHER**, to appoint the President, John Eric T. Francia, as proxy of the Corporation to vote and approve the restructuring of SLTEC during SLTEC's stockholders' scheduled on 26 January 2022 (and any adjournment or rescheduling thereof), including but not limited to the amendment to the Articles of Incorporation of SLTEC to:

- a. Reduce SLTEC's capital stock (common shares) and return capital to the Corporation in the amount of PHP3,500,000,000 (35,000,000 common shares at par value of Php100/share); and
- b. Change the features of the redeemable preferred shares to make such shares: (i) non-voting; and (ii) re-issuable.

**RESOLVED, FINALLY**, to delegate authority to the President, John Eric T. Francia, and CFO, Maria Corazon G. Dizon, to finalize the terms and conditions of the SLTEC restructuring, including the coupon rate for the redeemable preferred shares.

#### **Resolution No. B-2022-0121-006**

**RESOLVED**, to accept the resignation of Henry T. Gomez, Jr. as Chief Audit Executive and Head of Internal Audit of the Corporation effective 1 February 2022; and

**RESOLVED, FINALLY**, to approve the appointment of Arnel A. Racelis as OIC - Chief Audit Executive and OIC - Head of Internal Audit of the Corporation effective 1 February 2022.

#### **Regular Meeting of the Board of Directors 8 March 2022**

#### **Resolution No. B-2022-0308-001**

**RESOLVED**, to approve the minutes of the special meeting of the Board of Directors held on 21 January 2022.

#### **Resolution No. B-2022-0308-002**

**RESOLVED**, to note the reports of the Audit Committee, Board Risk Management and Related Party Transactions Committee, Corporate Governance and Nomination Committee, and Personnel and Compensation Committee, and to ratify the actions taken by the committees.

#### **Resolution No. B-2022-0308-003**

**RESOLVED**, to approve the additional omnibus credit lines with ING Bank, Philippine National Bank, and Sun Life, on terms as presented;

**RESOLVED, FURTHER**, to authorize the Corporation to (a) share its credit facilities with its subsidiaries under a co-use arrangement and (b) provide guarantees for its wholly-owned subsidiaries and pro-rata guarantee (based on the Corporation's ownership) for its non-wholly owned subsidiaries, as may be necessary or required;

**RESOLVED, FURTHER**, to delegate authority to the Chief Finance Officer, Maria Corazon G. Dizon, and Vice President for Finance, Hannielynn F. Tucay, to (a) negotiate and finalize the terms and conditions of the credit facilities and (b) allocate available credit facilities for use of its development subsidiaries; and

**RESOLVED, FINALLY**, to authorize any two (2) Class A attorneys-in-fact, or any one (1) Class A and one (1) Class B attorneys-in-fact, acting jointly, to sign such agreements and execute such actions as are necessary to implement the foregoing resolutions.

**Resolution No. B-2022-0308-004**

**RESOLVED**, to approve the additional term loan facilities with China Banking Corporation, Banco de Oro, PhilamLife, SunLife, and the Asian Development Bank, on terms as presented;

**RESOLVED, FURTHER**, to delegate authority to the Chief Finance Officer, Maria Corazon G. Dizon, and Vice President for Finance, Hannielynn F. Tucay, to (a) negotiate and finalize the terms and conditions of the credit facilities, and (b) allocate available credit facilities for use of its development subsidiaries; and

**RESOLVED, FINALLY**, to authorize any two (2) Class A attorneys-in-fact, or any one (1) Class A and one (1) Class B attorneys-in-fact, acting jointly, to sign such agreements and execute such actions as are necessary to implement the foregoing.

**Resolution No. B-2022-0308-005**

**RESOLVED**, to declare dividends of Php 0.06 per share out of the unrestricted retained earnings of the Corporation as of 31 December 2021 based on current outstanding shares of 37,315,838,177, or a total amount of Php1,197,602,258.64, to all stockholders of record as of 5 April 2022, payable on or before 19 April 2022; and

**RESOLVED, FINALLY**, to authorize any one (1) director to sign any and all documents as are necessary or required to implement the foregoing resolutions.

**Resolution No. B-2022-0308-006**

**RESOLVED**, to approve the proposed compensation for directors as follows:

- i. annual retainer fees of Php 1,000,000.00 for directors, Php 1,500,000.00 for the Chairperson of the Audit Committee, and Php 2,000,000.00 for the Chairperson of the Board;
- ii. per diems of Php 200,000.00 per board meeting (including organizational meeting) attended;
- iii. per diems of Php 100,000.00 per committee meeting attended; and
- iv. per diems of Php 100,000.00 per non-executive directors' meeting attended.

**Resolution No. B-2022-0308-007**

**RESOLVED**, to approve the following revisions to the list of UPC Philippines subscribers:

<b>Name</b>	<b>Number of common shares subscribed (up to)</b>
UPC Philippine Wind Partners Ltd.	20,760,747
Alan Kerr	4,668,474
Wind City Inc.	156,762,391
Estanyol Holdings Ltd.	169,081,594
Tenggay Holdings Ltd.	77,722,211
<b>Total/Cap</b>	<b>389,995,833</b>

**Resolution No. B-2022-0308-008**

**RESOLVED**, to approve the following amendment to the agenda for the 2022 annual stockholders' meeting of the Corporation:

**AGENDA**

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of Previous Meetings
4. Annual Report of Management including the 2021 Audited Financial Statements
5. Ratification of the Acts of the Board of Directors and Officers
6. Compensation of Directors
7. Issuance of up to 390 million shares to UPC Philippine Wind Partners and affiliates
8. Management agreement with South Luzon Thermal Energy Corporation
9. Election of Directors (including independent directors)
10. Appointment of External Auditor and Fixing its Remuneration
11. Consideration of Such Other Business as May Properly Come Before the Meeting
12. Adjournment

**Resolution No. B-2022-0308-009**

**RESOLVED**, to approve in principle the consolidated financial statements of the Corporation and its subsidiaries, and parent company financial statements of the Corporation, as of 31 December 2021, as audited by the Corporation's external auditor, SyCip Gorres Velayo & Co. ("AFS"); and

**RESOLVED, FURTHER**, to approve and authorize the disclosure thereof as part of the Definitive Information Statement to be submitted no later than 23 March 2022, and the submission thereof to the Securities and Exchange Commission and the Philippine Stock Exchange as part of the Annual Report 17-A no later than 18 April 2022; and

**RESOLVED, FINALLY**, to delegate authority to the Audit Committee to finalize the AFS including the notes therein.

**Resolution No. B-2022-0308-010**

**RESOLVED**, as endorsed by management and the Audit Committee, to approve the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Corporation for the year 2022 for an audit fee of One Million Eight Hundred Eight Thousand Four Hundred Twenty-Three Pesos (Php1,808,423.00), exclusive of value-added tax and out-of-pocket expenses.

**Meeting of the Executive Committee  
28 April 2021**

**Resolution No. EXC-2021-0428-001**

**RESOLVED**, to approve a follow-on offering price of Php 6.50 per share.

**Meeting of the Executive Committee  
8 June 2021**

**Resolution No. EXC-2021-0608-001**

**RESOLVED**, to authorize the conversion of the Corporation's outstanding advances to One Subic Power Generation Corporation ("OSPGC") in the aggregate amount of Php 680,000,000.00 into equity equivalent to 33,493,336 common shares in OSPGC.

**Meeting of the Executive Committee  
20 August 2021**

**Resolution No. EXC-2021-0820-001**

**RESOLVED**, to authorize the sale of Power Barge ("PB") 101 to Prime Strategic Holdings Inc. or its designated affiliate, PB 102 to SPC Power Corporation or its designated affiliate ("SPC"), and PB 103 to SPC, on terms as presented.



**Resolution No. EXC-2021-0820-002**

**RESOLVED**, to authorize the Corporation to amend the Power Administration and Management Agreements (“PAMAs”) between the Corporation and each of its wholly owned diesel subsidiaries, CIP II Power Corporation (“CIP”), Bulacan Power Generation Corporation (“BPGC”), and One Subic Power Generation Corporation (“OSPGC”) (the “Diesel SPVs”) to:

1. update the fixed capacity fees to be billed by each of the Diesel SPVs to the Corporation based on available capacity at each interval;
2. include a variable capacity fee to be billed by CIP and BPGC to ACEN based on nominated capacity at each interval;
3. include fuel recovery fee at cost plus 10% mark-up to be billed by each of the Diesel SPVs to ACEN based on nominated capacity at each interval;
4. update the terms of the PAMAs to be coincide with the end dates of the plants’ respective Ancillary Service Procurement Agreements (“ASPAs”) with the National Grid Corporation of the Philippines;
5. include an option for the Corporation to pre-terminate or re-negotiate the terms and conditions of the ASPAs of each of the Diesel SPVs;
6. make the foregoing amendments effective as of 1 July 2021; and
7. delegate authority to the Chief Finance Officer, Maria Corazon G. Dizon, and Head of Commercial Operations, Roman Miguel G. de Jesus, to finalize the other terms and conditions of the amended PAMAs.

**Meeting of the Executive Committee  
25 August 2021**

**Resolution No. EXC-2021-0825-001**

**RESOLVED**, to appoint Mr. John Philip S. Orbeta as the Corporation’s Chief Administrative Officer and Chief Human Resources Officer effective 1 September 2021.

**Resolution No. EXC-2021-0825-002**

**RESOLVED**, to approve the capital expenditures budget for the Corporation’s proposed ~288MW solar project in Buguey and Lal-lo, Cagayan, on terms as presented.

**Resolution No. EXC-2021-0825-003**

**RESOLVED**, to approve the capital expenditures budget for the Corporation’s proposed 275MW expansion of its Gigasol Palauig solar project in Zambales, on terms as presented.

**Resolution No. EXC-2021-0825-004**

**RESOLVED**, to approve the proposed joint venture with iv Vogt Singapore Pte Ltd for the development of solar projects in the Philippines with an initial target of 300MWdc of generating capacity.

**Meeting of the Executive Committee  
27 August 2021**

**Resolution No. EXC-2021-0827-001**

**RESOLVED**, to authorize its wholly-owned subsidiary, ACEN Finance Limited, to issue senior guaranteed undated notes (“Notes”) to be listed on the Singapore Exchange, the size and terms of which to be determined at a later date; and

**RESOLVED, FINALLY**, to authorize the Corporation to guarantee the issuance of the Notes.

**Meeting of the Executive Committee  
29 September 2021**

**Resolution No. EXC-2021-0921-001**

**RESOLVED**, to authorize the Corporation to no longer proceed with the amendments to the Power Administration and Management Agreements between the Corporation and its wholly-owned diesel subsidiaries, CIP II Power Corporation, Bulacan Power Generation Corporation, and One Subic Power Generation Corporation, which amendments were approved by the Executive Committee during its meeting on 20 August 2021.

**ANNEX D**  
**Management's Discussion and Analysis (MD&A) or Plan of Operations**

**BUSINESS AND GENERAL INFORMATION**

AC Energy Corporation (“ACEN” or the “Company”, formerly AC Energy Philippines, Inc.) is a corporation duly organized and existing under Philippine law with Securities and Exchange Commission (“SEC”) Registration No. 069-39274 and listed with the Philippine Stock Exchange (“PSE”) with ticker symbol “ACEN” (formerly “ACEPH”).

As of 28 March 2022, AC Energy and Infrastructure Corporation (“AC Energy”, formerly AC Energy, Inc.) owns 64.65% of the outstanding capital stock of the Company. AC Energy is a Philippine corporation wholly owned by Ayala Corporation. AC Energy, its subsidiaries, and affiliates (the “AC Energy Group”) manages a diversified portfolio of renewable and conventional power generation projects and engages primarily in power project development operations and in other businesses located in the Philippines, Indonesia, Vietnam, and Australia.

The Company manages diversified portfolio power plants with renewable and conventional sources. As of 31 December 2021, the Company had a pro forma attributable capacity of 3,028 MW in operation and under construction across the region, which includes strategic investments in renewable and conventional power generation projects. This includes 154 MW from the recently announced acquisition of UPC-AC Australia and UPC Philippines, approved by the Board on 18 October 2021 and by shareholders on 15 December 2021, subject to regulatory approvals.

The Company is not subject of any bankruptcy, receivership, or similar proceedings.

**History and Corporate Milestones**

The Company was incorporated on 8 September 1969 and was originally known as “Trans-Asia Oil and Mineral Development Corporation,” reflecting its original purpose of engaging in petroleum and mineral exploration and production. In order to diversify its product and revenue portfolio, the Company invested in power generation and supply, which eventually became its main business and revenue source. On 11 April 1996, the Company’s name was changed to “Trans-Asia Oil and Energy Development Corporation.” On 22 August 2016, the Company changed its name to “PHINMA Energy Corporation,” and extended its corporate life by another fifty (50) years.

AC Energy was designated in 2011 as Ayala Corporation’s vehicle for investments in the power sector to pursue greenfield, as well as currently operating, power related projects for both renewable and conventional technologies in various parts of the Philippines. From 2011 to 2019, AC Energy has grown from a Philippine energy company to a regional player with investment, development, and operation capabilities in the Asia Pacific Region. In addition to capacity held under ACEN, AC Energy has over ~1,400MW in attributable capacity in operation and under construction located in Indonesia, Vietnam, and India, as well as 710MW of legacy coal assets.

In February 2019, PHINMA, Inc. (“PHI”) disclosed the signing of an agreement on the sale of approximately 51.48% of outstanding shares in the Company held collectively by PHINMA Corporation (“PHN”) and PHI to AC Energy of the Ayala Group. AC Energy is a corporation engaged in the business of managing a diversified portfolio of renewable and conventional power generation projects and in power project development and operations. AC Energy is ACEN’s partner in the South Luzon Thermal Energy Corporation (“SLTEC”) coal plant venture. AC Energy, which is fully committed to the energy sector, was in the best position to grow the Company and viewed ACEN as a strategic fit into its own business.

On 24 June 2019, AC Energy acquired the 51.48% combined stake of PHI and PHN in the Company for a total purchase price of PhP 3,669,125,213.19. In addition, AC Energy acquired an additional 156,476 Company shares under the mandatory tender offer which ended on 19 June 2019, and subscribed to 2.632 billion Company shares thereafter.

At the annual stockholders' meeting held on 17 September 2019, as the Company marked its 50th year in the business and following AC Energy's acquisition of a controlling stake in the Company, the Company's management was formally transferred from the PHINMA Group to the Ayala Group, in particular to AC Energy. At the same meeting, the stockholders of the Company voted to rename the Company to "AC Energy Philippines, Inc." to recognize its affiliation with its largest stockholder, AC Energy. The SEC approved the change of name of the Company on 11 October 2019. On 20 April 2020, the stockholders of the Company voted to rename the Company to "AC Energy Corporation" to emphasize that the business and operations of the Company are no longer limited to the Philippines but are also in other countries in the Asia Pacific region. The SEC approved the change of name of the Company on 5 January 2021.

As the parent company of ACEN, AC Energy has general management authority with corresponding responsibility over all operations and personnel of ACEN. The management of the Company includes planning, directing, and supervising all the operations, sales, marketing, distribution, finance, and other business activities of the Company as provided in the management contract effective until 1 September 2023.

AC Energy and ACEN executed an Amended and Restated Deed of Assignment effective as of 9 October 2019 under which, in exchange for the issuance of 6,185,182,288 shares of ACEN, AC Energy will transfer certain of its onshore operating and development companies to ACEN (the "AC Energy-ACEN Exchange"). On 30 October 2020, the BIR issued a ruling confirming that the AC Energy-ACEN Exchange qualifies as a tax-free exchange under the National Internal Revenue Code. Subsequently, the SEC approved the issuance of the shares on 21 December 2020. On 28 January 2021, the shares issued pursuant to the AC Energy-ACEN Exchange were listed on the Exchange.

As of 28 March 2022, AC Energy owns 64.65% of the outstanding voting shares of the Company.

The following table sets forth the Company's corporate milestones post AC Energy's acquisition of a controlling stake therein:

<b>Year</b>	<b>Milestones</b>
2019	<p>(A) ACEN enters into two power supply agreements ("PSAs") with Meralco for (1) a baseload supply of 200MW from 26 December 2019 until 25 December 2029, and (2) a mid-merit supply of 110MW from 26 December 2019 until 25 December 2024, after being declared a winning bidder in separate competitive selection process bidding by Meralco. The PSAs are subject to the approval of the ERC.</p> <p>(B) AC Energy assigns its right to purchase the 20% ownership stake of Axia Power Holdings Philippines Corporation ("Axia Power"), a subsidiary of Marubeni Corporation, in SLTEC in favor of ACEN, subject to satisfaction of conditions precedent.</p> <p>(C) AC Energy, through ACEN, enters into a share purchase agreement with Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Langoer Investments Holding B.V., and the Government Service Insurance System (collectively, the Philippine Investment Alliance for Infrastructure or "PINAI") for the acquisition of PINAI's 31% effective preferred equity ownership and 15% effective common equity ownership in North Luzon Renewables Energy Corp. ("North Luzon Renewables"), subject to the satisfaction of conditions precedent.</p>
2020	<p>(D) ACEN completes its acquisition of PINAI's ownership in North Luzon Renewables).</p> <p>(E) ACEN completes its acquisition of PINAI's entire ownership in San Carlos Solar Energy, Inc. ("SACASOL") and Negros Island Solar Power, Inc. ("ISLASOL"), respectively</p> <p>(F) ACEN and its subsidiary, ACE Endeavor, Inc. ("ACE Endeavor") enter into a shareholders' agreement with Axia Power for the development, construction, and operation of Ingrid Power Holdings, Inc.'s ("Ingrid Power") 150 MW diesel power plant</p>

Year	Milestones
	project in Pililla, Rizal, which is expected to be operational in the first quarter of 2021.
	(G) The Board of Directors of ACEN approves the consolidation of AC Energy's international business and assets into ACEN <i>via</i> a tax-free exchange, whereby AC Energy will transfer 100% of its shares of stock in AC Energy International (AC Energy's 100%-owned subsidiary holding AC Energy's international business and investments), consisting of 1,650,166,347 common shares and 15,035,347,600 redeemable shares, to ACEN in exchange for the issuance to AC Energy of additional common shares (the "AC Energy International Transaction"). The additional common shares shall be issued out of the increase of ACEN's authorized capital stock ("ACS") to Php 48,400,000,000.00 consisting of 48,400,000,000 with a par value of Php 1.00 per share. The AC Energy International Transaction and increase in ACS are subject to further Board and regulatory approvals.
	(H) ACEN, AC Energy, and Arran Investment Pte Ltd ("Arran"), an affiliate of GIC Private Limited, sign an investment agreement for Arran's acquisition of an effective 17.5% ownership stake in ACEN (the "Arran Investment"). The 17.5% ownership stake is on a fully-diluted basis assuming that the Follow-On Offering, as hereinafter defined, and the AC Energy International Transaction have been completed.
2021	(I) ACEN enters into (1) a Deed of Absolute Sale of Shares with Solar Philippines Power Project Holdings, Inc. ("SP") for the Company's acquisition of SP's 244,000 common shares in Solar Philippines Central Luzon Corporation ("SPCLC"), and (2) a Subscription Agreement with SPCLC for ACEN's subscription to 375,000 common shares to be issued out of the unissued ACS of SPCLC. The acquisition and subscription will allow ACEN to have a significant ownership in SPCLC and is meant to implement the joint venture between ACEN and SP for the development and operation of solar power projects in the Philippines.
	(J) ACEN completes a rights offer of 2,267,580,434 common shares (the "SRO"), raising around Php 5.4 billion to partially fund at least six renewable energy projects.
	(K) The Executive Committee of ACEN, pursuant to authority delegated by the Board, approves a follow-on offering price range of Php 6.00 to Php 8.20 per share (the "Follow-On Offering" or the "FOO"). On 8 February 2021, the Company submitted a registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC. On 18 March 2021, the Board approved the primary share issuance size of 1,580,000,000 common shares.
	(L) Arran Investment Pte. Ltd. ("Arran"), an affiliate of GIC Private Limited, agreed to acquire a 17.5% interest in ACEN, subject to satisfaction of certain conditions. On 18 March 2021, pursuant to the Investment Agreement that ACEN signed with Arran, Arran subscribed to 4 billion common shares of ACEN at a price of Php 2.97 per common share through a private placement (the "Private Placement"), for an aggregate value or consideration of Php 11.88 billion. The subscription price was offered by Arran pursuant to its binding offer on 10 November 2020, and which offer was approved by the BOD of ACEN during its meeting on 11 November 2020.
	(M) ACEN signs a shareholders' agreement with Citicore Solar Energy Corporation ("CSCE") and Grencore Power Solutions 3, Inc. ("Grencore 3") for the development, construction, and operation of a PV solar power plant in Arayat and Mexico, Pampanga with an installed nominal capacity of 50 MWac.
	(N) In April 2021, ACEN signs a Deed of Assignment with AC Energy and Infrastructure Corporation ("ACEIC") for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in AC Energy International, Inc., which

Year	Milestones
	holds ACEIC's international renewable assets. This is in line with the intention to designate ACEN as the energy platform of the Ayala Group, holding all of the group's energy assets worldwide.
	(O) The SEC approves ACEN's increase in authorized capital stock from 24.4 billion shares to 48.4 billion shares in June 2021, thus enabling the implementation of the assets-for-share swap between ACEN and ACEIC for the latter's international assets.
	(P) In May 2021, ACEN completes its follow-on offering (FOO) with an offer of 2.01 billion common shares priced at ₱6.50 per share, consisting of 1.58 billion shares sold pursuant to the primary offer, 330.24 million shares sold by ACEIC and Bulacan Power Generation Corporation ("BPGC") pursuant to a secondary offer, and an over-subscription of 100 million secondary shares sold by ACEIC.
	(Q) In September 2021, ACEN, through its wholly-owned subsidiary, ACEN Finance Limited, successfully issues its U.S. dollar-denominated senior guaranteed undated fixed-for-life (non-deferrable) Green Bonds (the Bonds) at an aggregate principal amount of US\$400.0 million, with a fixed coupon of 4.0% for life, with no step-up and no reset, priced at par.
	The Bonds are issued under its US\$1.5-billion medium-term note program, are guaranteed by ACEN, and are listed on Singapore Exchange Securities Trading (SGX-ST).
	Pricing for the bonds was at 4.0%, which was 45 basis points tighter than the initial price guidance. The final order book volume exceeded US\$2.0 billion (more than 5 times oversubscribed), attracting a wide range of high-quality investors.
	(R) At the Special Stockholders' Meeting ("SSM") held on 15 December 2021, stockholders approved the issuance of ACEN primary shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Ltd ("UPCAPH"), UPC Philippines Wind Investment Co. BV ("UPC Philippines") and the minority investors in NorthWind Power Development Corporation ("NorthWind Minorities"). In separate transactions, ACEN (directly or indirectly through its subsidiaries) entered into agreements to acquire the ownership interests of UPCAPH, UPC Philippines and the NorthWind Minorities in various operating and development companies (in Australia for UPCAPH, and in the Philippines for UPC Philippines and the NorthWind Minorities). These transactions have already been completed (first stage for the transaction with UPCAPH) and increased ACEN's attributable capacity by ~154 MW and pipeline by ~4,200 MW in net dependable capacity.
	(S) Also during the aforementioned SSM, in line with the Company's commitment to spin-off all its thermal assets by 2025, the stockholders approved and authorized the Company (a) to enter into a property-for-share swap with ACE Enexor, Inc. ("ACEX") whereby the Company will assign 100% of its equity in Palawan 55 Exploration and Production Corporation, BPGC, One Subic Power Generation Corporation ("One Subic Power"), CIP II Power Corporation ("CIPP"), and Ingrid3 Power Corp., valued at Php3.39 billion, in exchange for 339 million primary shares to be issued by ACEX to the Company at a price of Php10.00 per share (the "Share Swap"), as supported by a fairness opinion from FTI Consulting Philippines, Inc. and subject to compliance with applicable regulatory requirements, and (b) to underwrite ACEX's Stock Rights Offer of Php1.053 billion in relation to the Share Swap.

## DESCRIPTION OF PRINCIPAL BUSINESSES

### POWER BUSINESS

The principal product of power generation and supply is the electricity produced and delivered to the end-consumers. It involves the conversion of fuel or other forms of energy to electricity, or the purchase of electricity from power generation companies and the Philippine Wholesale Electricity Spot Market (“WESM”).

ACEN conducts its power generation and supply activities directly or through its subsidiaries, associates, and joint ventures. In 2021, the attributable output reached 4,633 gigawatt hours (GWh) from 3,818 GWh in 2020. This includes generation from international plants of 1,960 GWh in 2021, up from 1,587 GWh the previous year.

The following tables set forth selected data on the Company’s power generation portfolio in operation and under construction as of 31 December 2021, totaling 3,028 MW. Capacities are on a pro forma basis, which includes 154 MW from the recently announced acquisition of UPC-AC Australia and UPC Philippines, approved by the Board on 18 October 2021, subject to regulatory approvals.

<u>Plant/ Project Name</u>	<u>Location</u>	<u>Project type</u>	<u>Net dependable capacity (MW)</u>	<u>Effective Economic Interest (%)<sup>(1)</sup></u>	<u>Net Attributable capacity (%)<sup>(2)</sup></u>	<u>COD</u>
<b><i>OPERATING ASSETS</i></b>						
<b><i>Renewable Energy</i></b>						
<i>Philippines</i>						
Guimaras Wind	Guimaras, Philippines	Wind	54	100%	54	2014
North Luzon Renewables <sup>(8)</sup>	Ilocos Norte, Philippines	Wind	81	78%	63	2014
IslaSol	Negros Occidental, Philippines	Solar	80	60%	48	2016
SacaSol	Negros Occidental, Philippines	Solar	45	100%	45	Phase AB: 2014; Phase CD: 2015
NorthWind Power	Ilocos Norte, Philippines	Wind	52	100%	52	Phase 1: 2005 Phase 2: 2008 Phase 3: 2014
MonteSol	Negros Occidental, Philippines	Solar	18	100%	18	2016
Maibarara Geothermal Plant	Batangas, Philippines	Geothermal	32	25%	8	Unit 1 (20MW): 2014 Unit 2 (12MW): 2018
Alaminos Solar	Alaminos, Laguna	Solar	120	100%	120	2021
Palauig Solar	Palauig, Zambales	Solar	63	100%	63	2021
<i>Vietnam</i>						
Ninh Thuan Solar	Ninh Thuan, Vietnam	Solar	405	50%	203	2019
Dak Lak and Khanh Hoa Solar Plants	Dak Lak, Vietnam and Khanh Hoa,	Solar	80	80%	64	2019

Plant/ Project Name	Location	Project type	Net dependable capacity (MW)	Effective Economic Interest (%) <sup>(1)</sup>	Net Attributable capacity (%) <sup>(2)</sup>	COD
Mui Ne Wind Farm	Vietnam Binh Thuan Province	Wind	40	80%	64	2020
Quang Binh Wind	Quang Binh Province	Wind	252	80%	202	2021
Ninh Thuan Wind Farm	Ninh Thuan, Vietnam	Wind	88	65%	57	2021
<i>Indonesia</i>						
Salak-Darajat Geothermal Projects <sup>(4)</sup>	West Java, Indonesia	Geothermal	663	20%	133	2017
Sidrap Wind Project	South Sulawesi, Indonesia	Wind	75	75%	56	2018
<i>India</i>						
Sitara Solar	Rajasthan, India	Solar	140	80%	112	2021
Paryapt Solar	Gujarat, India	Solar	70	80%	56	2021
<b>Thermal Energy</b>						
SLTEC	Batangas, Philippines	Coal	244	100%	244	Unit 1: 2015 Unit 2: 2016
One Subic	Olongapo City, Philippines	Diesel	108	100%	108	1994 (NPC-SPC)
BPGC	Bulacan, Philippines	Diesel	48	100%	48	1998
Power Barge 101 <sup>(5)</sup>	Iloilo, Philippines	Diesel (power barge)	24	100%	24	1981 (NPC)
CIPP	La Union, Philippines	Diesel	20	100%	20	2013
Ingrid Quick Response Thermal Plant	Pililia, Rizal	Diesel	150	50%	75	2021 <sup>(3)</sup>
<b>UNDER CONSTRUCTION</b>						
<b>Renewable Energy Philippines<sup>(6)</sup></b>						
Alaminos Battery Energy Storage System <sup>(7)</sup>	Alaminos, Laguna	Battery	40	100%	40	2022 <sup>(7)</sup>
Bataan RE Lab	Mariveles, Bataan	Solar	4	100%	4	2022 target
Arayat-Mexico Solar Farm	Pampanga	Solar	72	50%	36	2023 target
Pagudpud Wind <sup>(8)</sup>	Ilocos Norte	Wind	160	100%	160	2023 target
San Marcelino Solar	Zambales	Solar	283	100%	283	2023 target
<i>Vietnam</i>						
Lac Hoa Wind & Hoa Dong Wind Farm	Lac Hoa & Hoa Dong, Soc Trang Province	Wind	60	80%	48	2022 target
<i>Australia</i>						
New England Solar Farm Phase 1	New South Wales, Australia	Solar	521	100%	521	2023 target



Notes:

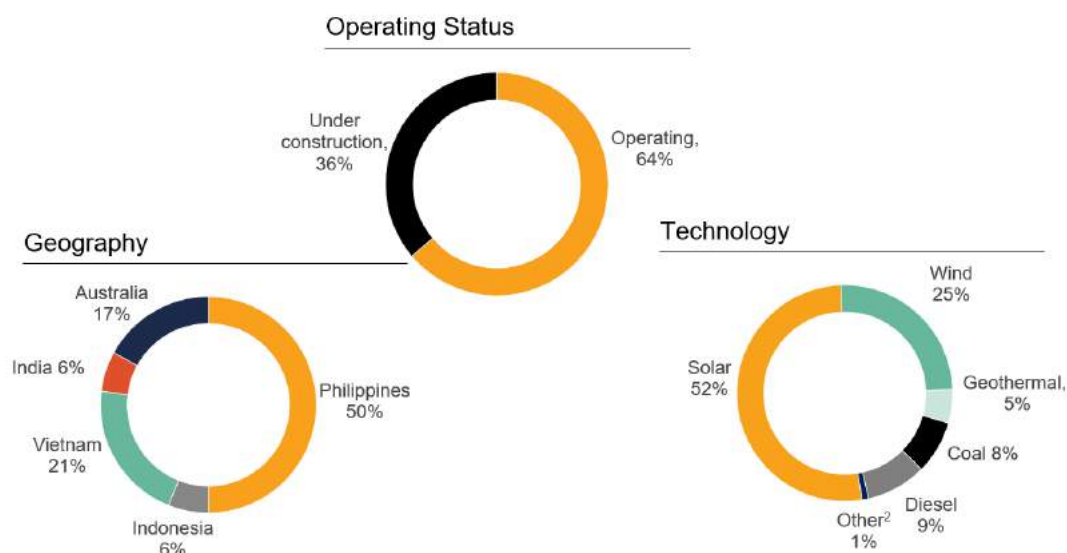
- (1) “Effective economic interest” refers to the Company’s economic interest directly and/or indirectly held in the project.
- (2) “Net Attributable Capacity” refers to the product of the Company’s effective economic interest in the relevant power project multiplied by net capacity of the relevant power project.
- (3) Provides ancillary services to National Grid Corporation of the Philippines (“NGCP”).
- (4) Includes Binary plant expansion, construction of which commenced in 2021.
- (5) Power barges disposed of in the first quarter of 2022.
- (6) Negros Biopower plants sold to ThomasLloyd Group affiliate in 2021.
- (7) Began operations in 2022.
- (8) Pro-forma stakes after the announced acquisitions of the ownership interests of the owners, affiliates, and/or partners of UPCAPH and UPC Philippines.

### Renewable Energy Portfolio

As of 31 December 2021, the Company’s portfolio of projects under its renewable energy (“RE”) platform had a total net attributable capacity of approximately 2,589MW renewable energy in operation and under construction, on a pro forma basis, which includes 154 MW from the recently announced acquisitions of UPC-AC Australia and UPC Philippines, as approved by the Board on 18 October 2021, subject to regulatory approvals. ACEN’s RE platform is divided into 1,572 MW of solar energy, 756 MW of wind power, and 141 MW of geothermal resources.

The charts below show the breakdown of the Company’s pro forma power project portfolio per country, technology, and status (in terms of Net Attributable Capacity as of 31 December 2021):

## ACEN Generation Portfolio Overview Pro Forma end-2021



### Renewable Energy Projects in Operation in the Philippines

#### Guimaras Wind

Background. Guimaras Wind Corporation (“GWC”) was incorporated and registered with the SEC on 2 September 1994 to engage in developing and utilizing renewable energy and pursuing clean and energy-

efficient projects. GWC was awarded by the Department of Energy (“DOE”) Wind Energy Service Contract (“WESC”) No. 2009-10-009, pursuant to which it developed the 54 MW San Lorenzo Wind Farm in Guimaras, Iloilo.

On 20 May 2013, the DOE confirmed the Declaration of Commerciality of the Guimaras Wind 54MW San Lorenzo Wind Project (“SLWP”) in San Lorenzo, Guimaras under WESC No. 2009-10-009. The DOE confirmation affirms the conversion of said WESC from Pre-Development to Commercial Stage. On 7 October 2014, Guimaras Wind started delivering power to the grid from the commissioning operations of the first three units of wind turbine generators. On 16 February 2015, Guimaras Wind received from the DOE the confirmation of Commercial Operation starting 27 December 2014 for its 54 MW SLWP.

Power Offtaker / Energy Sales. Pursuant to Section 7 of Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008 (the “**RE Law**”) and Section 5 of the RE Law Implementing Rules and Regulations (“IRR”), the ERC adopted and promulgated the FIT Rules. Eligible plants are entitled to the appropriate FIT administered and paid by the National Transmission Corporation (“TransCo”). On 10 June 2015, the wind farm was issued a Certificate of Endorsement for FIT Eligibility by the DOE. On 1 December 2015, GWC received its Certificate of Compliance (“COC”)-FIT from the ERC which entitles the company to recognize its FIT at an approved rate of ₱7.40, with a retroactive period beginning 27 December 2014, for a guaranteed period of 20 years until 26 December 2034. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project’s FIT Rate in 2020 was ₱8.59/kWh and remains unchanged in 2021.

Operations. Guimaras Wind started delivering power to the grid on 7 October 2014 during the commissioning operations of the first three units of wind turbine generators. The 54MW wind energy plant started Commercial Operations on 27 December 2014.

#### *Maibarara Geothermal*

Background. On 19 May 2010, the Company, PetroGreen Energy Corporation (“**PetroGreen**”), and PNOC Renewables Corporation (“**PNOC RC**”) signed a joint venture agreement, a wholly-owned subsidiary of publicly-listed PetroEnergy, to form Maibarara Geothermal Inc. (“MGI”). MGI, with the following shareholding interests: PetroGreen - 65%; the Company - 25%; and PNOC RC - 10%, would develop and operate the Maibarara Geothermal Power Project (“**Maibarara Thermal Project**”) pursuant to the geothermal renewable energy service contract awarded by the DOE to PetroEnergy, PetroGreen’s parent company, and subsequently assigned by PetroEnergy to MGI. On 27 August 2019, the Company and MGI executed an Amendment to the Unit 1 Electricity Supply Agreement (“**ESA**”) and Unit 2 ESA where the electricity fee rate structure was amended and the electricity supply period was amended until 25 June 2039.

Operations. Unit 1 and Unit 2 of Maibarara Project commenced commercial operation on 8 February 2014 and on 9 March 2018, respectively.

#### *MonteSol*

Background. In 2015, ACEIC entered into a subscription and shareholders’ agreement with Visayas Renewables Corp. (“**VRC**”) for the development, construction, and operation of the MonteSol Project, a solar power farm located in Bais City, Negros Oriental. This project is owned and operated by Monte Solar Energy Inc. (“**MonteSol**”). The first phase of the project was for an 18 MWdc solar power plant with a total project cost of ₱1.3 billion, which was completed in February 2016 and is currently dispatching its full capacity to partially meet the energy requirements of Dumaguete City and Cebu City. The Company believes that there is further potential for the expansion of the initial 18 MWdc solar power plant to up to 40 MWdc.

Power Offtaker / Energy Sales. On 26 May 2015 and 15 October 2015, the MonteSol Project secured the certificates of registration with the DOE and Board of Investments (“**BOI**”), respectively, as a renewable energy developer of solar energy resources. On 3 June 2016, the DOE certified the MonteSol Project as an eligible project under the feed-in tariff (“**FIT**”) system. On 14 July 2016, the ERC issued a provisional authority to operate in favour of MonteSol and on 8 December 2016 qualified this to a provisional authority to operate as a renewable energy generation company, thereby entitling it to a FIT Rate of ₱8.69/kWh for a

period of 20 years from 13 March 2016. On 6 February 2017, the company received final authority by way of its COC-FIT from the ERC and recognized revenues from energy sales using the FIT Rate.

Pursuant to Section 7 of the RE Law and Section 5 of the RE Law IRR, the ERC adopted and promulgated FIT rules. Eligible plants are entitled to the appropriate FIT Rate for its energy sales, which is administered and paid by the TransCo. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rate in 2020 was ₱10.12/kWh and remains unchanged in 2021.

Operations. The MonteSol Project started commercial operations in February 2016 initially at WESM prices until the receipt of the COC allowing the company to retroactively recognize revenue from generation starting from March 2016 at FIT Rate.

#### *Northwind Power*

Background. The wind farm currently has total of 26 wind turbines and is the first commercial wind farm ever established in Southeast Asia. Commercial operations started in June 2005 with 15 wind turbines (Phase 1) followed by an additional five turbines in August 2008 (Phase 2) and another six turbines in September 2014 (Phase 3), increasing the project's generation capacity to 51.9 MW.

Power Offtaker / Energy Sales. Northwind Power delivers all its generation to the national grid via its own 57 kilometre 69kV transmission line from its plant site in Bangui, Ilocos Norte to the substation of the NGCP in Laoag City, Ilocos Norte.

The tariff on the generation of Phases 1 and 2 is a FIT Rate of ₱5.76/kWh specific to the company, approved by the ERC in its decision dated 30 June 2014. The FIT Rate is valid for 20 years less the actual years of operation as provided for under the FIT Rules.

The tariff on the Phase 3 turbines is the national FIT Rate of ₱8.53/kWh and is valid for a period of 20 years. Annual adjustment to the FIT Rate is provided for under the FIT Rules. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rates in 2020 were ₱6.92/kWh and ₱9.90/kWh for Phases 1 and 2, respectively, and remain unchanged in 2021.

Operations. Phases 1 and 2 use Vestas turbines and have a total 33 MW of capacity and while Phase 3 uses Siemens turbines and have a total 18.9 MW of capacity.

#### *North Luzon Renewables*

Background. The North Luzon Renewables wind farm started commercial operations on 11 November 2014. The wind farm is comprised of 27 wind turbines with individual capacity of 3MW each. The power generated by the wind farm is supplied to the NGCP via its 62-kilometer, 115 kV transmission line from the project site to the NGCP substation in Laoag City, Ilocos Norte.

Power Offtaker / Energy Sales. On 11 December 2014, the DOE through the issuance of a certificate of endorsement certified the project as an eligible project under the feed-in-tariff ("FIT") system. In April 2015, NLR received the FIT COC from the ERC entitling the wind farm to a FIT Rate of ₱8.53/kWh for a period of 20 years. The FIT Rate covers the period from 11 November 2014 to 10 November 2034. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rate in 2020 is now ₱9.90/kWh.

#### *IslaSol*

Background. IslaSol owns a 32 MWdc solar farm in La Carlota City, Negros Occidental ("IslaSol II") and a 48 MWdc solar farm in Manapla, Negros Occidental ("IslaSol III"). IslaSol II and IslaSol III began their

commercial operations on 29 March 2016 and 8 March 2016, respectively, and are currently dispatching their full capacity to the grid. IslaSol II uses a mix of JA Solar and Astronergy 260W solar panels, while IslaSol III uses JA Solar panels ranging from 265W to 275W.

Power Offtaker / Energy Sales. IslaSol II is connected to the Bacolod-San Enrique 69 kV line, while IslaSol III is directly connected to NGCP's Cadiz substation. On 13 January 2017, the ERC granted IslaSol II provisional authority to operate and issued its COC on 5 June 2017. For IslaSol III, the ERC granted a provisional authority to operate on 29 July 2016, which was extended on 23 January 2017. IslaSol III's COC was eventually issued on 10 July 2017. The power plant supplies the ACEN wholesale and retail electricity supply ("RES") business.

#### *SacaSol*

Background. Located in San Carlos City, Negros Occidental, SacaSol AB (a 22 MWdc solar farm) and SacaSol CD (a 23 MWdc solar farm) began operating commercially on 15 May 2014 and 6 September 2015, respectively, with both solar farms currently dispatching full capacity to the grid. The SacaSol solar farms use a combination of Astronergy 270W PV solar modules and JA Solar 245W PV Modules.

Power Offtaker / Energy Sales. SacaSol AB and SacaSol CD are connected to the San Carlos-Cadiz 69 kV line. SacaSol AB has been awarded a guaranteed FIT Rate of ₱9.68/per kWh, subject to adjustment as may be approved by the ERC, for 20 years. For SacaSol CD, the awarded guaranteed FIT Rate is ₱8.69/per kWh, also subject to adjustment as may be approved by the ERC, for 20 years. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rates in 2020 were ₱11.28/kWh and ₱10.12/kWh for SacaSol AB and SacaSol CD, respectively, and remain unchanged in 2021.

#### *Palauig Solar*

Palauig Solar is a standalone solar farm that is capable of supplying daytime power to the Luzon grid throughout the year. It has a designed capacity of 63 MWdc that can power approximately 30,000 houses in the region and can reduce annual carbon emission by at least 50,000MT of CO<sub>2</sub> of greenhouse gases.

Background. In July 2020, the Company commenced construction of its 63 MWdc solar farm located in the Municipality of Palauig, Zambales, through its wholly-owned subsidiary Gigasol3, Inc. ("Gigasol3"). In April 2021, the Company energized its Palauig Solar project and successfully ended commissioning stage in May 2021. In July 2021 the Independent Electricity Market Operator of the Philippines ("IEMOP") approved Gigasol Palauig Solar project commercial operations date.

Power Offtaker / Energy Sales. Palauig Solar is connected to the 69kV NGCP Botolan Substation via tap in connection to the 69jV NGCP Botolan-Candelaria Transmission Line. On June 2021, the ERC granted Palauig Solar provisional authority to operate. The power plant supplies the ACEN wholesale and RES business.

#### *Alaminos Solar*

Alaminos Solar is a greenfield solar farm that is capable of supplying daytime power to the local grid throughout the year. It is the second largest solar power plant in the Philippines and can generate enough power to supply clean energy to approximately 80,000 homes while avoiding 111,034.37 MT CO<sub>2</sub> of greenhouse gases. The Alaminos solar farm is notable for its pioneering Sustainability Hub where ACEN has started to integrate the circular approach.

Background. In January 2020, the Company commenced construction of its 120 MWdc solar power farm located in the Municipality of Alaminos, Laguna, through its wholly-owned subsidiary SolarAce1 Energy Corp. ("SolarAce1"). On June 2021, the Company energized GigaSol Alaminos and achieved full commercial operations on July 2021.

Power Offtaker / Energy Sales. GigaSol Alaminos is connected to NGCP’s 69kV Bay Substation through a 2.5km 69kV Transmission Line. Although the ERC granted Alaminos Solar provisional authority to operate, the plant is still awaiting COC. The power plant supplies the ACEN wholesale and RES business.

## **Renewable Energy Projects in Operation in Vietnam**

### *Khanh Hoa Solar Plant and Dak Lak Solar Plant*

Background. The Khanh Hoa Solar Plant has a capacity of 50MWp and is located in the Khanh Hoa province. The Dak Lak Solar Plant has a capacity of 30MWp and is located in the Dak Lak province. The projects reached commercial operations in the second quarter of 2019.

Power Offtaker / Energy Sales. The Khanh Hoa Solar Plant delivers its power through a 5.5km 110kV transmission line to a Vietnam Electricity (“EVN”) substation. EVN is a state-owned corporation which ensures electricity supply for Vietnam. The Dak Lak Solar Plant delivers its power through a 110kV transmission line adjacent to an EVN substation.

The projects have a 20-year power purchase agreement (“PPA”) with EVN with a FIT rate of U.S.\$0.0935/kWh.

### *Ninh Thuan Solar Plants*

Background. In October 2017, the Company, through its subsidiary, entered into a partnership with the BIM Group for the development of an up to 330MWp of solar plants—the Ninh Thuan Solar Plants. Total capacity was divided among three sites—30MWp in site 1, 50MWp in site 2, and up to 250MWp in site 3. The project is the first project under the partnership with the BIM Group and is one of the largest solar farms in Vietnam. The Ninh Thuan Solar Plants commenced operations in the second quarter of 2019. In the second quarter of 2020, the Company commenced construction of a 75MWp expansion within the site area of the existing 330MWp Ninh Thuan Solar Plants, which reached commercial operations in the fourth quarter of 2020. The expansion was completed in 2021.

Power Offtaker / Energy Sales. All three sites have a 20-year PPA with EVN with a FIT rate of U.S.\$0.0935/kWh. The solar expansion has been awarded the second phase ground mounted solar projects FIT rate of U.S.\$0.0709/kWh 20-year PPA with EVN. The contracts are paid in Vietnamese Dong but amount received is indexed against the U.S. Dollar on a monthly basis, preserving the U.S. Dollar FIT rate under the PPA.

### *Mui Ne Wind Farm (Phase 1)*

Background. Construction of the first phase of the Mui Ne Wind Farm (40MW) located in the Binh Thuan Province commenced in 2019. The project uses 10 4.2MW V150 wind turbines from Vestas.

Power Offtaker / Energy Sales. The project delivers its power through a combination of 6.5km transmission lines to the 110kV Mui Ne substation. The project is qualified for a 20-year PPA with EVN and FIT rate of U.S.\$0.085/kWh.

### *Mui Ne Wind Farm (Phase 2)*

**Background.** In the second quarter of 2021, the Company awarded General Electric the turbine supply of the 40MW second phase of the Mui Ne Wind Farm located in Binh Thuan Province under its partnership with The Blue Circle. It began commercial operations in 2021.

**Power Offtaker / Energy Sales.** The project was completed in 2021 and qualified for the wind FIT rate of U.S.\$0.085/kWh PPA with EVN.

### *Ninh Thuan Wind Farm*

**Background.** The Company commenced construction of an 88 MW wind farm located in Ninh Thuan Province, Vietnam under its partnership with the BIM Group (the “Ninh Thuan Wind Farm”) in 2020. It is expected to produce 327 GWh per year once fully operational, enough to power around 50,000 homes per year with renewable energy that can help avoid 298,551 tons of CO<sub>2</sub> annually.

**Power Offtaker / Energy Sales.** The project was completed in 2021 to qualify for the wind FIT rate of U.S.\$0.085/kWh PPA with EVN.

### *Quang Binh Wind Farm*

**Background.** As part of the joint venture with AMI Renewables signed in December 2017, the joint venture, through its subsidiary, B&T WindFarm Joint Stock Company, owns the Quang Binh Wind Farm in Quang Binh Province. In July 2020, construction commenced on one of the largest onshore wind farms in Vietnam with an aggregate capacity of 210 MW. The Quang Binh Wind Farm has two phases consisting of 109.2 MW and 100.8 MW, with firm orders already having been issued to the wind turbine supplier for both phases. In the first quarter of 2021, the joint venture issued a notice to proceed for a 42 MW expansion of the Quang Binh Wind project. The project’s capacity is expanded to 252 MW. Quang Binh Wind was completed in 2021.

**Power Offtaker / Energy Sales.** The Quang Binh Wind Farm qualified for the wind FIT rate of U.S.\$0.085/kWh PPA with EVN.

## **Renewable Energy Projects in Operation in Indonesia**

### *Sidrap Wind Project*

**Background.** In January 2017, the Company, through its subsidiary, invested in the development of a 75MW wind farm in Sidrap, South Sulawesi, Indonesia. The project uses 30 x 2.5MW Gamesa turbines for total effective capacity of 75MW. Sidrap commenced commercial operations in April 2018. The project is the first utility-scale wind farm project in Indonesia and is also the first greenfield offshore investment of the Company, through its subsidiary, and was undertaken with UPC Renewables.

**Power Offtaker / Energy Sales.** The Sidrap Wind Project delivers its power through a 7.5km 150kV transmissionline to a *Perusahaan Listrik Negera* (“PLN”) substation. PLN is the sole electricity business authority in Indonesia. The ownership and maintenance of the transmission asset is with PLN but the project is compensated through a tariff supplement.

The Sidrap Wind Project has a 30-year PPA with the PLN.

### *Salak-Darajat Geothermal Projects*

**Background.** The assets include the Salak and Darajat geothermal fields in West Java, Indonesia with a combined capacity of 637MW of steam and power. The project has a combination of long term steam and power supply agreements with PLN.

**Power Offtaker / Energy Sales.** The project has multiple agreements with PLN to purchase steam and energy with various tariff ranging from U.S.\$0.06-0.07 /kWh with various tenors until 2047.

## ***Renewable Energy Projects in Operation in India***

### *Sitara Solar*

**Background.** In July 2020, the Company, through its joint venture UPC-AC Energy Solar, issued notice-to-proceed for the 140 MWdc Sitara Solar farm in Rajasthan, a desert state with the highest irradiation in India. The project utilizes Risen Energy monocrystalline panels and is expected to start power generation in the first half of 2021. In May 2021, despite the worsening pandemic situation in India, the 140 MWdc Sitara Solar project in Rajasthan started commercial operations.

**Power Offtaker / Energy Sales.** The project will supply energy to the Solar Energy Corporation of India. UPC-AC Energy Solar won the power supply agreement for Sitara Solar via a competitive bid at INR 2.48 per kWh, fixed over a 25-year period.

### *Paryapt Solar*

**Background.** In October 2020, the Company, through its joint venture UPC-AC Energy Solar, issued notice-to-proceed for a 70 MWdc solar plant in Gujarat, one of the first states to develop solar generation capacity in India and with its own target to set up 8,000MW of solar power by 2022. The Paryapt Solar Farm uses Jinko monocrystalline solar panels. The project is expected to supply energy to Gujarat Urja Vikas Nigam Ltd. UPC-AC Energy Solar won the power supply agreement for the project via a competitive bid at INR 2.55 per kWh, fixed over a 25-year period.

**Power Offtaker / Energy Sales.** In April 2021, UPC-AC Energy Solar achieved a significant milestone with the start of commercial operations of its 70 MWdc Paryapt Solar project located in the State of Gujarat, India.

## ***Renewable Energy Projects Under Construction in the Philippines***

### *Alaminos Battery Energy Storage System Project*

In October 2020, the Company commenced construction of the 2x20 MW Alaminos Battery Energy Storage System Project located in the Municipality of Alaminos, Laguna. The project was completed in the first quarter of 2022.

### *Bataan Solar (Bataan RE Laboratory)*

Bataan Solar Energy Inc. (“BSEI”) was incorporated and registered with the SEC on 27 July 2016 with the primary purpose to carry on the business of operating, managing, maintaining, and rehabilitating solar energy systems, including bulk procurement, marketing and setting up of arrangement and brokerage of the same solar energy systems as necessary for the generation, transmission, distribution and sale and delivery of electricity to domestic, commercial, industrial users or distribution companies, and the acquisition and/or lease of franchises from private and/or government entities. It is a wholly-owned subsidiary of Gigasol2, Inc.

It is the holder of Solar Energy Service Contract No. 2017-06-410, pursuant to which it has the exclusive right to explore, develop, and utilize solar energy resources within a certain area in the Municipality of Mariveles in the Province of Bataan. The Company began the construction of the Bataan Solar lab in September 2020. The renewable energy laboratory shall be used to study state-of-the-art PV modules and other emerging technologies that may be incorporated by the Company in its upcoming projects.

### *Arayat-Mexico Solar Farm*

On 26 April 2021, ACEN issued a notice to proceed for its 72 MWdc Arayat Solar project located in Arayat and Mexico, Pampanga. The project is under Greencore, a joint venture between ACEN and CSCE, and is targeted to be completed by 2022. CSCE (through its affiliates) is expected to provide the engineering, procurement and construction services for the Arayat-Mexico Solar project as well as project development and plant operations and maintenance.

### *Pagudpud Wind*

Pagudpud Wind Power Corp. (“PWPC”) was incorporated and registered with the SEC on 9 December 2009 as a holding company for renewable energy and other corporations. PWPC is the parent company of Bayog Wind Power Corp. (“BWPC”), which is the project company for the Pagudpud Wind Project in Ilocos Norte.

On 18 May 2021, the Company commenced construction of the 160 MW GigaWind Pagudpud wind farm in Pagudpud, Ilocos Norte province, which is set to be the biggest wind farm in the Philippines to date. The ₱11.4 billion facility will be the Company’s third wind development in Ilocos Norte. The Company is developing the Ilocos Norte Wind Project in partnership with UPC Renewables. The Ilocos Norte Wind Project is targeted to commence commercial operations in 2023.

### *San Marcelino Solar*

San Marcelino Solar, a 283 MWdc solar farm located in San Marcelino, Zambales, is one of the largest solar projects in the country as of 31 December 2021, capable of producing over 421 GWh of renewable energy per year and eliminating 287,796 tonnes of CO<sub>2</sub> emissions annually. The project is expected to be completed by the first half of 2023.

The solar farm sits on approximately 300 hectares of unutilized land covered by lahar, effectively converting the area to a sustainable energy source, and has an expansion potential of up to 700 MW. The project is expected to bring significant value to the local community, with up to 500 direct jobs during construction.

### ***Renewable Energy Projects Under Construction in Vietnam***

#### *Lac Hoa Wind & Hoa Dong Wind Farm*

The Company and UPC is under a joint venture in the construction of two wind projects, the Lac Hoa and Hoa Dong Wind Farms, in the Soc Trang province of southern Vietnam, with an aggregate capacity of 60 MW. The projects will utilize wind turbines from Vestas delivered in different power ratings with site-specific towers for both projects. To maximize energy yields on both sites, the turbines will feature a record hub height of 162m. The project commenced construction in June 2020 and is targeted for completion in 2021 to qualify for the wind FIT rate of U.S.\$0.085/kWh under a PPA with EVN.

Project construction was impacted by the recent Vietnam COVID-19 lockdowns wherein stricter restrictions of travel and movement of both people and equipment were imposed. To date, the project is still under construction.

### ***Renewable Energy Projects under Construction in Australia***

UPC-AC Energy Renewables Australia issued a notice to proceed on the Group’s first project in Australia – the first phase of the New England Solar Farm (“NESF”) located near Uralla in New South Wales. The first phase of NESF, which will have a capacity of 521MWdc, as well as an adjacent 50 MW battery energy storage system, achieved financial close in February 2021 and is expected to be completed in 2023.

### **Conventional Energy Portfolio**

As of 31 December 2021, the Company’s thermal energy portfolio had a total Net Attributable Capacity of 519 MW (equivalent to 17.1% of the Company’s total portfolio as of 31 December 2021), all of which are operational.

#### ***Thermal Plants in Operation***

##### *CIPP*

Background. CIPP was incorporated and registered with the SEC on 2 June 1998 primarily to construct, erect, assemble, commission, operate, maintain, and rehabilitate gas turbine and other power generating plants for



the conversion of coal and other fuel into electricity, and transmit and distribute thereof to Carmelray Industrial Park II in Calamba, Laguna. The 21 MW diesel bunker C-fired power plant used to supply power to locators in the industrial park but in April 2009, CIPP sold its distribution assets resulting in the cessation of the company's operations and the separation of substantially all of its employees effective 31 January 2010. On 22 February 2010, the ACEN Board approved the acquisition of CIPP, and on December 2010, the transfer of the plant from Carmelray Industrial Park II to Brgy. Quirino, Bacnotan, La Union. The transfer was completed in December 2012 and resumed operations in January 2013.

Power Offtaker / Energy Sales. On 26 June 2013, CIPP entered into a Power Administration and Management Agreement ("PAMA") with ACEN valid for 10 years for ACEN to administer and manage the entire capacity and net output of One Subic Power in consideration of energy fees to be paid by ACEN to CIPP. Fixed capacity fees paid to CIPP are recorded as revenue from sale of electricity on the basis of the applicable terms of the PAMA. CIPP has an existing approved non-firm Ancillary Services Procurement Agreement ("ASPA") with NGCP and revenues from sale of electricity through said ancillary services is recognized monthly based on the capacity scheduled and/or dispatched.

Operations. In January 2013, CIPP resumed commercial operations in La Union. Under the terms of the PAMA, ACEN will administer and manage the entire generation output of CIPP Power Plant by selling or trading the entire capacity.

#### *One Subic Power*

Background. One Subic was incorporated and registered with the SEC on 4 August 2010 to engage in the business of owning, constructing, operating, developing, and maintaining all types of power generation plants. On 18 November 2010, ACEN and One Subic Power entered into a PAMA wherein ACEN administers and manages the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. The PAMA became effective on 17 February 2011 and shall be valid throughout the term of the lease agreement with SBMA. On 12 May 2014, the Company purchased from Udenna Energy Corporation the entire outstanding shares of stock of One Subic Power. On 19 June 2017, the SEC approved the amendment of One Subic Power's Articles of Incorporation for the change in the primary purpose to include exploration, discovery, development, processing, and disposal of any and all kind of petroleum products.

Power Offtaker / Energy Sales. One Subic Power has an existing PAMA with ACEN under which ACEN is given the right to administer and manage the net output of One Subic Power's Power Plant in consideration of energy fees to be paid by ACEN to One Subic Power. Capacity and energy recovery fees paid to One Subic Power are recorded as revenue from sale of electricity based on the PAMA. One Subic Power Plant has an existing approved non-firm ASPA with NGCP. The One Subic Diesel Power Plant provides dispatchable reserve services to NGCP, as they are fast start generators that are readily available for dispatch when called by NGCP to replenish the contingency reserve services whenever a generating unit trips or a single transmission interconnection loss occurs.

Operations. One Subic started commercial operations on 17 February 2011. Under the terms of the PAMA, ACEN will administer and manage the entire generation output of One Subic Power Plant by selling or trading the entire capacity.

#### *Bulacan Power*

Background. BPGC (formerly PHINMA Power Generation Corporation) was incorporated and registered with the SEC on 18 March 1996 and is primarily engaged in power generation. In October 2006, Philippine Electricity Market Corporation ("PEMC") approved BPGC's application for registration as trading participant for both generation and customer categories in the WESM. Both ACEN and BPGC obtained membership in the WESM allowing both to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. On 26 December 2013, BPGC entered into a PAMA with ACEN valid for 10 years for the administration and management by ACEN of the entire capacity and net output of BPGC starting 2014 in consideration of energy fees to be paid by ACEN to BPGC.

Offtaker / Energy Sales. On 10 December 2012, the NGCP and BPGC executed an ASPA for the latter to provide dispatchable reserves ensuring reliability in the operation of the transmission system and the electricity

supply in the Luzon Grid for five years upon the effectivity of the provisional approval or final approval issued by the ERC. By the ERC Order dated 25 February 2013, the ERC provisionally approved the application filed by NGCP and BPGC allowing BPGC to provide ancillary services to NGCP in January 2015.

Under the PAMA with ACEN dated 26 December 2013, ACEN has the sole and exclusive right to dispatch all of the capacity and the output of the BPGC's Power Plant, where any fees paid in connection with the capacity of BPGC's Power Plant, including ancillary services to NGCP, belong to ACEN as the sole administrator and manager. However, effective 26 March 2018, the amended PAMA allows BPGC to retain the ancillary fees and no longer paid to ACEN.

Operations. Under the terms of the PAMA, ACEN administers and manages the entire generation output of BPGC by selling or trading the entire capacity of its diesel power plant.

### *SLTEC*

Background. This is a 244 MW clean coal power plant in Calaca, Batangas wholly owned by the Company.

Offtaker / Energy Sales. SLTEC and ACEN entered into an Administration and Management Agreement on 4 October 2019 whereby ACEN has the exclusive right to administer, control, and manage the net dependable capacity and net available output of the 2x135MW power plant. ACEN entered into a PSA with MERALCO on a fixed price peso contract up to 2029 using SLTEC as one of its sources of supply. The PSA has been approved by the ERC on 13 May 2020 for the baseload and on 1 June 2020 for the mid-merit.

Operations. The project officially commenced in December 2011, with the first unit of the plant starting its commercial operations in April 2015, and the second unit in February 2016.

### *Power Barge 101*

Background. Power Barge ("PB") 101 was commissioned in 1981 and was directly owned by the Company until January 2022. On 20 August 2021, the Executive Committee of the Company approved the sale of PB 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary. On 21 December 2021, the Company and MORE Power Barge, Inc. ("MPBI") signed the Asset Purchase Agreement relating to the sale of PB 101. Subsequently, on 21 January 2022, the Company and MPBI executed the Deed of Absolute Sale and Assignment implementing the sale.

PB 101 is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a net dependable capacity of 24 MW as 30 June 2021. It was acquired by ACEN from the Power Sector Assets and Liabilities Management Corporation ("PSALM") through an Asset Purchase Agreement in July 2015. PB 101 started providing dispatchable reserve services to the Visayas grid in 2018.

### *Ingrid Quick Response Thermal Plant*

Background. On December 2019, the Company commenced construction of the 150-MW Ingrid Quick Response Thermal Plant, a diesel power plant in Brgy. Malaya, Pililla, Rizal.

The Ingrid Quick Response Thermal Plant is targeted to be ancillary service provider to the NGCP, through ACEN's subsidiary, Ingrid Power. Ingrid Power was incorporated and registered with the SEC on 7 June 2018, with the primary purpose to own, operate, maintain, and rehabilitate energy systems and projects.

## **Other Businesses**

### *Retail Electricity Supply Business*

The Company began its active participation in the WESM when it obtained membership as a Wholesale Aggregator on 20 September 2007. The WESM serves as a platform where electricity generated by power producers are centrally coordinated and traded like any other commodity in a market of goods. On 19 November 2012, the Company secured its RES license from the ERC under RES License No. SL-2012-11-009 to supply electricity to the Contes1 Market. On 20 November 2019, the ERC issued to the Company RES

License No. 11-2019-0057RS valid until 19 November 2022. As of the year ended 31 December 2020 and the six months ended 30 June 2021, the revenue sales from power supply contracts reached ₱13.6 billion and ₱8.1 billion, respectively, and contributed the bulk of total energy sold for each period.

As of 31 December 2021, the Company holds around 313 MW of retail/contestable customer contracts and 310 MW of wholesale customer contracts. In addition, the Company also has wholesale contracts with MERALCO for 200MW baseload and 110MW mid-merit capacity.

### ***Bulk Water Supply Business***

ACE Endeavor owns 100% ownership interests in bulk water supply companies SCC Bulk Water, HDP Bulk Water, LCC Bulk Water, and MCV Bulk Water. The companies entered into water supply contracts for the provision of water to the power generation plants of SCBP, San Carlos Bioenergy, Inc., SNBP, and NNBP, respectively, in Negros Occidental.

### ***Land Lease and Development***

The Company, through its subsidiaries, owns 100% ownership interests in Solienda and SJLD and approximately 66% of MSPDC. These companies enter into various contracts with the Company's projects to assist in the management and maintenance, among others, of select renewable projects.

#### *Solienda*

Solienda was incorporated and registered with the SEC on 29 November 2016 to deal and engage in land lease and real estate business. On 5 December 2016, San Julio Realty, Inc. assigned to Solienda the absolute and irrevocable title, rights and interest in the contract of lease, and the subsequent amendment agreements, with San Carlos Sun Power, Inc., SacaSol and SCBP.

#### *San Julio Land*

SJLD was incorporated on 20 June 2014 with a primary purpose to deal and engage in land and real estate business, to hold, own, develop, manage, administer, purchase, lease, encumber, construct, alter in whole or in part, or otherwise deal in and dispose of, for itself or for others, for profit, all kinds of real estate projects, including, but not limited to, residential, commercial, industrial, as well as utilities, with or for persons and entities an under such terms and conditions as may be permitted by law; to enter into joint ventures and other similar arrangements in the furtherance of such land and real estate business. SJLD has ownership interest in MSPDC.

#### *Manapla Sun Power*

MSPDC was incorporated and registered with the SEC on 16 December 2014 with a primary purpose to engage in the business or renewable energy such as, but not limited to biomass, mini-hydro or solar power and ancillary business, and to own, lease, operate, manage or develop public or private lands. In March 2017, ACEIC, acquired 66.2% of MSPDC. MSPDC is the landowner of and the lessor for IslaSol's solar farm in Manapla, Negros Occidental.

## **SOURCES AND AVAILABILITY OF RAW MATERIALS**

For its power business, 83% of the Company's attributable capacity is fueled by renewable energy sources while 17% are sourced from thermal energy which is fueled by coal and bunker fuel as of 31 December 2021.

For thermal energy power plants, composed of SLTEC and other diesel power plants, the Company has different term contracts for its annual fuel requirements. Bunker fuel requirements are mainly sourced from Shell, Phoenix, and Petron. For its coal requirements, the Company's main supplier is Semirara Mining Corporation. As there are several suppliers of coal and bunker fuel, the Company believes that it is not dependent on a single supplier for such raw materials.

## **TRANSACTIONS WITH RELATED PARTIES**

In the ordinary course of business, the Company transacts with its related parties, such as its subsidiaries, and certain of its associates, joint ventures, and affiliates enter into transactions with each other. These transactions principally consist of advances, loans, reimbursement of expenses, management, marketing, and administrative service agreements. (See Note 29 to the Company's audited consolidated financial statements as of and for the year ended 31 December 2021.)

## **INTELLECTUAL PROPERTY**

The Company applies with the Intellectual Property Office (“IPO”) of the Philippines for the registration of various trademarks as part of its continuing efforts to protect and strengthen its brand. As of 28 March 2022, the following trademarks are registered in the name of the Company under the following terms:

<b>Trademark</b>	<b>Date of Registration</b>	<b>Term</b>
Gigawind (with logo)	10 March 2022	10 years (until 10 March 2032)
CampMak (tradename only)	10 March 2022	10 years (until 10 March 2032)

The Company maintains a record of all its trademark applications and ensures the timely execution and filing of the relevant Declaration of Actual Use within three (3) years from the date of filing of the application to avoid removal of its trademarks from the IPO's registry. The Company also files the 5<sup>th</sup> year DAU within one (1) year from the 5<sup>th</sup> anniversary of the date of registration. Finally, the Company files for renewal no later than six (6) months before expiration of the registration to safeguard its rights over the trademark/s.

The Company regularly monitors applications with the IPO to ensure that it can timely oppose trademarks that are confusingly or deceptively similar to its registered marks.

## **FUTURE PROJECTS**

ACEN continues to scale up its RE platforms and existing partnerships with a strong 18,000-MW pipeline of RE projects in the region, in various stages of development.

The development of these projects is intended to help the Company attain its objective of reaching 5,000 MW in attributable RE capacity by the year 2025. Several of these pipeline projects are being developed with strategic partners.

## **DISTRIBUTION OF PRODUCT**

For the power business, electricity sales have been sold at the ERC approved rates for electric cooperatives and distribution utilities (“DUs”) and at negotiated, market-determined prices for bilateral contracts. The WESM is another default market where electricity purchases are settled based on market or spot rates. Delivery of the product is coursed through transmission lines currently owned by NGCP and to a certain extent, the electric cooperatives and DUs in exchange for payment of distribution wheeling charges. However, any “delivery” to a customer is in reality electricity generated and delivered to the grid by the Company which is indistinguishable from the electricity generated by other generators.

Existing off-take agreements assure a certain level of demand from the Company's customers. In 2019, the Company was declared one of the best bids for MERALCO's 1,200MW baseload demand and 500MW mid-merit supply. The Company was awarded supply agreements for 200MW baseload and 110MW mid-merit MERALCO's demand for ten (10) and five (5) years, respectively. AC Energy Corporation also has other large customers aside from MERALCO, and is thus not dependent on any single customer for the viability of the power business.

As of 31 December 2021, the Company holds around 313 MW of retail/contestable customer contracts and 310 MW of wholesale customer contracts. Furthermore, the Company also has wholesale contracts with MERALCO for 200MW baseload and 110MW mid-merit capacity. In addition, the recent Supreme Court ruling, upholding the requirement of Power Supply Agreements submitted by MERALCO and other DUs with the ERC after 30 June 2015 to undergo a competitive selection process, provided an opportunity for the

Company to enter into wholesale supply contracts with the distribution utility. The Company won the bid to supply MERALCO with a 200MW baseload demand from 26 December 2019 to 26 December 2029. Subsequently, the Company won the bid to supply 110MW mid-merit supply to MERALCO from 26 December 2019 to 26 December 2024. The Company received a copy of the provisional ERC approvals for the contracts on 31 January 2020 and the final approvals on 13 May 2020 for the baseload and on 1 June 2020 for the mid-merit. The Company's larger supply portfolio will help supply this demand, coupled with the new projects in the pipeline.

Internationally, the Company's operating portfolio provides power to three markets as of 31 December 2021: Indonesia, India, and Vietnam. In Indonesia, the Company provides power to PLN, under a PPA. As for India, the Company provides power through PPAs to various DUs, which are linked to respective state governments. As of 31 December 2021, these are the Solar Energy Corporation of India ("SECI") and Gujarat Urja Vikas Nigam Ltd. ("GUVNL"). In Vietnam, ACEN's platform provides power under FIT contracts to state-owned power company EVN, which has total control of the national power transmission and distribution market.

Revenues from foreign sources are not consolidated into the Company's total revenues because the international assets are not accounted for as subsidiaries; thus, the percentage of sales or revenues and net income contributed by foreign sales for each of the last three (3) financial years is not material.

## **COMPETITION**

The Company believes that it will face competition in both the development of new power generation facilities, the acquisition of existing power plants, competition for financing for these activities, as well as in the electricity supply business. The performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of various electric power generation projects within the Philippines. Accordingly, competition for and from new power projects, and in retail electricity supply may increase in line with the long-term economic growth in the Philippines.

In Vietnam, EVN controls the generation, transmission, and distribution of energy but it also encourages independent power producers ("IPP") to supplement its own generation capacity. In the renewable energy space, local and international developers are actively competing to secure allocation for the FIT. The government's support and initiatives on renewable energy to grow its supply portfolio mix will continue to bring in more market players. See "*Risk Factors—Risks Relating to the Company and its Businesses—Risks and delays relating to the development of greenfield power projects could have a material adverse effect on the Company's operations and financial performance*".

Australia has a fully open energy market that is dominated by a few big generator-retailers ("**gentailers**"). Several international and smaller domestic players are also very active in the market.

In Indonesia, similar to Vietnam, the generation, transmission, and distribution is controlled by PLN, but the Indonesian government also encourages IPP. Indonesia is a highly competitive market with major domestic and international developers. Given the continuing growth of the Indonesian economy, the Company sees competition to continue to intensify moving forward.

In India, coal continues to fuel India's economy, accounting for more than 50% of the country's installed generation capacity. However, India has added to the current target of 175GW of renewable energy capacity by 2022 with a 450GW of renewable energy capacity target by 2030. This higher RE target and the decreasing cost of RE power prices discovered through competitive tenders will likely result to the displacement of coal-based power production in India.

## **RESEARCH AND DEVELOPMENT**

The company intends to utilize the 4-MWdc Bataan RE Laboratory under BSEI as its main hub for the research and development of innovative renewables solutions to energy-related challenges. ACEN believes that the adoption of emerging technologies will play a prominent role in the expansion of its business. At the Bataan RE Tech Lab, different energy and energy storage technologies will be tested for possible large-scale use in the Philippines.

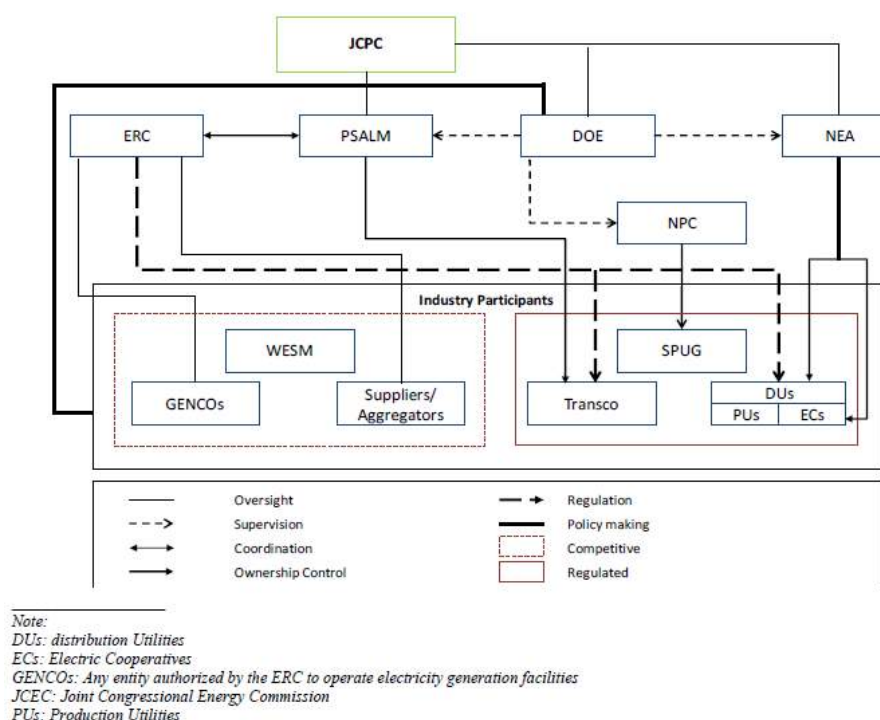
## REGULATORY FRAMEWORK

The Company’s power business is subject to the following laws, rules, and regulations:

### Regulation of the Philippine Power Industry

Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (“**EPIRA**”) established a framework for the organization and operation of the electric power industry in connection with its restructuring, with the industry divided into four sectors: generation, transmission, distribution, and supply. The structural reforms resulted among others in the creation of two government-owned and controlled corporations (“**GOCCs**”), the PSALM and the TransCo.

The following diagram shows the current structure of the electric power industry under the EPIRA:



Since the enactment of the EPIRA in 2001, the Philippine power industry has undergone and continues to undergo significant restructuring. Through the EPIRA, the Philippine government began to institute major reforms with the goal of fully privatizing all aspects of the power industry. The major aspects of the reforms include the (1) restructuring of the entire power industry to introduce competition in the generation sector, (2) change from government to private ownership, and (3) introduction of a stable regulatory framework for the electricity sector.

With a view to implementing the EPIRA’s objectives, the DOE, in consultation with the relevant government agencies, electric power industry participants, non-government organizations and electricity consumers, promulgated the Implementing Rules and Regulations of the EPIRA (the “**EPIRA IRR**”) on 27 February 2002.

The EPIRA IRR governs the relations among, and respective responsibilities of, the different electric power industry participants as well as the particular governmental authorities involved in implementing the structural reforms in the industry, namely the DOE, National Power Corporation (“NPC”), National Electrification Administration (“NEA”), ERC and PSALM.

## **Primary Regulatory Agencies**

### ***Energy Regulatory Commission***

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA that replaced the Energy Regulatory Board. The ERC plays a significant role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice, and penalizing abuse of market power by industry participants.

The ERC is an independent quasi-judicial regulatory body mandated to carry out (but not limited to) the following:

- promote competition and encourage market development;
- determine the pricing in the energy market;
- review and approve any plan for expansion or improvement of transmission facilities submitted by TransCo; and
- perform other regulatory functions as appropriate and necessary to ensure successful restructuring and modernization of the electric power industry.

### **Department of Energy**

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

- preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;
- ensuring the reliability, quality and security of the supply of electric power;
- exercise of supervision and control over all government activities pertaining to energy projects;
- encouragement of private investment in the power industry sector and promotion of the development of indigenous and renewable energy sources for power generation;
- facilitation of reforms in the structure and operation of DUs for greater efficiency and lower costs;
- promotion of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;
- education of the public (in coordination with NPC, ERC, NEA and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets;
- establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations; and
- formulation of policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provision of a mechanism for the integration, rationalization and coordination of the various energy programs of the government.

The DOE supervises the operation of the WESM of the PEMC. The Philippines fosters a liberal competitive environment for market players under each segment within the power structure.

### ***Joint Congressional Energy Commission***

The Joint Congressional Power Commission (“**JCPC**”) created pursuant to the EPIRA consists of 14 members with the Chairmen of the Committee on Energy of the Philippine Senate and House of Representatives and six additional members from each House to be designated by the Senate President and the Speaker of the House of Representatives, respectively. The JCPC has the authority to conduct hearings and receive testimony, reports, and technical advice; invite or summon any public official or private citizen to testify before it; and require any person to produce records or documents that JCPC may require. The JCPC will also now be assisted by a secretariat who may be seconded from the Senate and the House of Representatives and may retain consultants. The secretariat shall be headed by an executive director who has sufficient background and competence on the policies and issues relating to electricity industry reforms as provided in the EPIRA. On 12 April 2019, Republic Act No. 11285 or the Energy Efficiency and Conservation Act (“**EEC**”) was signed into law. Under this law, the Joint Congressional Power Commission was renamed to the Joint Congressional Energy Commission (“**JCEC**”). On 7 July 2021, Republic Act No. 11571 or the JCEC Enhancement Act was signed into making the JCEC as the permanent oversight body tasked of ensuring the full implementation of landmark energy laws.

### **Reorganisation of the Electric Power Industry**

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four sectors: (1) the generation sector; (2) the transmission sector; (3) the distribution sector; and (4) the supply sector. The goal is for the generation and supply sectors to be fully competitive and open, while the transmission and distribution sectors will remain regulated. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

#### ***The Generation Sector***

The generation sector converts fuel and other forms of energy into electricity. This sector, by utility, consists of the following: (i) NPC-owned and -operated generation facilities; (ii) NPC-owned plants, which consist of plants operated by IPPs, as well as IPP-owned and -operated plants; and (iii) IPP-owned and -operated plants that supply electricity to customers other than NPC. Successes in the privatization process of NPC continue to build up momentum for the power industry reforms.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP agreements of NPC, which exclude the assets devoted to missionary electrification through the NPC Small Power Utilities Group. NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

The goal of the EPIRA is for the generation sector to be open and competitive, while the private sector is expected to take the lead in introducing additional generation capacity. Generation companies will compete either for contracts with various suppliers and private DUs, or through spot sale transactions in the WESM. Competition will be based largely on pricing, subject to availability of transmission lines to wheel electricity to the grid and/or buyers. Recovery by DUs of their purchased power cost is subject to review and regulation by the ERC to determine reasonableness of the cost that are passed on to consumers. With the implementation of RCOA, generation rates, except those intended for the “Captive Market” (*i.e.*, a market of electricity end-users who may not choose their supplier of electricity), ceased to be regulated to a certain extent.

Under the EPIRA, generation companies are allowed to sell electricity to DUs or to retail electricity suppliers through either bilateral contracts or the WESM as described below. With the implementation of RCOA on 26 December 2013, as supplemented by DOE Department Circular No. DC2015-06-0010, generation companies may likewise sell electricity to eligible end-users with an average monthly peak demand of 750KW and certified by the ERC to be such (“**Contestable Market**”). No generation company is allowed to own more than 30.0% of the installed generating capacity of the Luzon, Visayas or Mindanao grids and/or 25.0% of the national installed generating capacity. Also, no generation company associated with a distribution utility may



supply more than 50.0% of the distribution utility's total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the enactment of the EPIRA.

The EPIRA provides that power generation is not a public utility operation and thus, not required to secure national franchises and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, in order to operate, generation companies must obtain a COC from the ERC, as well as health, safety and environmental clearances from appropriate government agencies under existing laws. Upon implementation of RCOA, the prices charged by a generation company for the supply of electricity shall not be subject to regulation by the ERC except as otherwise provided under the EPIRA.

In 2016, the ERC issued the implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users (collectively, the “**ERC RES Rules**”). However, in February 2017, the Philippine Supreme Court, acting on the petition filed by certain entities, issued a temporary restraining order enjoining the DOE and the ERC from implementing the rules and regulations implementing the RCOA, including the ERC RES Rules. In response thereto, the DOE issued DOE Circular No. 2017-12-0013 allowing the voluntary participation in the retail market of Contestable Customers with average peak demand of 750 kW. Further, on 3 December 2020, the ERC issued Resolution No. 12, Series of 2020 prescribing the timeline for the implementation of the RCOA. In the said Resolution, the threshold level of 500kW-749kW qualified Contestable Customers with existing electronic meters capable of recording and reading interval of time, with a built-in communication port for remote and manual data retrieval, shall be allowed to switch to Competitive Retail Electricity Market or the Contestable Market starting 26 February 2021.

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

The ERC may impose fines and penalties for violations by generation companies of the EPIRA and the EPIRA IRR policies as well as the ERC's rule and regulations on market power abuse, cross-ownership, and anti-competitive behaviour.

### **Requirement of Public Offering for Generation Companies**

Under Section 43(t) of the EPIRA, the ERC was mandated to issue rules and guidelines under which, among others, generation companies which are not publicly listed shall offer and sell to the public a portion of not less than 15% of their common shares of stock.

ERC Resolution No. 9, Series of 2011, adopted the rules to implement Section 43(t) of the EPIRA. Under the resolution, generation companies, among others, which are not publicly listed are required to sell to the public a portion of not less than 15% of their common shares of stock. If the authorized capital stock of a generation company is fully subscribed, such company must increase its authorized capital stock by 15% or sell or cause the sale of 15% of its existing subscribed capital stock in order to comply with the public offering requirement under the EPIRA.

According to Resolution No. 9, which took effect on 29 June 2011, any offer of common shares of stock for sale to the public through any of the following modes may be deemed as a public offering for purposes of compliance with the public offering requirement under the EPIRA: (1) listing on the PSE; and (2) listing of the shares of stock in any accredited stock exchange or direct offer of the required portion of a company's capital stock to the public. For generation companies registered with the BOI under the Omnibus Investments Code, the public offering requirement may be complied with by a direct offer of the required portion of the registered enterprise's shares of stock to the public or through its employees through an employee stock option plan (or any plan analogous thereto), provided such offer is deemed feasible and desirable by the BOI.

However, the offer of common shares through an employee stock option plan is not considered a public offering since the offer is limited only to the employees of the generation companies or the DUs and not to the general public. The offer to employees may be considered public offering only when the generation company or distribution utility is a registered enterprise under the Omnibus Investment Code. Further, the public offering requirement does not apply to: (i) self-generation facilities, (ii) generation companies and DUs

already listed on the PSE, (iii) generation companies and DUs whose holding companies are already listed on the PSE, (iv) generation companies and DUs which are organized as partnerships, and (v) electric cooperatives which have no common shares of stock.

On 4 June 2019, the ERC issued Resolution No. 4 amending Resolution No. 9, Series of 2011. The new resolution maintained the previous rule that companies already listed with the PSE are already deemed in compliance of the 15% public offering requirement. Under Resolution No. 4, Series of 2019, the following modes shall be deemed to be public offerings:

- Listing on the PSE;
- In accordance with the 2015 IRR of the Securities Regulation Code (“SRC”):
  - Publication in any printed material distributed in the Philippines;
  - Public presentations;
  - Advertisements or announcements on radio, television, electronic communications, information communication technology, or any other forms of communications; and
  - Distribution of flyers, brochures, or any offering material in a public or commercial place, or through prospective purchasers through the portal system, information communication technology and other means of information distribution.
- Listing of any shares of stock in any accredited stock exchange or direct offer to the public or the employees of an entity registered with the BOI, when deemed feasible and desirable by the latter.

ERC Resolution No. 4, Series of 2019 also provides that generation companies under a Build-Operate-Transfer Scheme must comply with the 15% public offering requirement. Further, it requires that the sale of securities to the public must comply with the SRC and its IRR.

The public offering by existing companies shall be made within five years from the effectivity of ERC Resolution No. 9, Series of 2011, or until 29 June 2016. The five-year period was extended up to 29 June 2017 pursuant to ERC Resolution No. 18, Series of 2016. For new companies, however, the five-year period is counted from the issuance by the ERC of their respective COCs. The period for compliance has further been extended pursuant to ERC Resolution No. 10, Series of 2017 for another year, or until the resolution of the petition filed by the Private Electric Power Operators Association regarding the clarification on whether the registration of common shares at the SEC may be considered as a mode of public offering is resolved, whichever comes earlier. On 21 June 2018, the ERC issued Resolution No. 14, Series of 2018 which further extended the period for compliance until 29 December 2018.

### ***The Transmission Sector***

Pursuant to the EPIRA, NPC has transferred its transmission and sub-transmission assets to TransCo, which was created pursuant to the EPIRA to assume, among other functions, the operation of the electrical transmission systems throughout the Philippines. The principal function of TransCo is to ensure and maintain the reliability, adequacy, security, stability, and integrity of the nationwide electrical grid in accordance with the Philippine Grid Code (the “**Grid Code**”). TransCo is also mandated to provide Open Access to all industry participants. The EPIRA granted TransCo a monopoly over the high-voltage network and subjected it to performance-based regulations.

The transmission of electricity through the transmission grid is subject to transmission wheeling charges. Since the transmission of electric power is a regulated common carrier business, the transmission wheeling charges of TransCo are subject to regulation and approval by the ERC.

The EPIRA also requires the privatization of TransCo through an outright sale of, or the grant of a concession over, the transmission assets while the subtransmission assets of TransCo are to be offered for sale to qualified

DUs. In December 2007, NGCP, comprising a consortium of Monte Oro Grid Resources, Calaca High Power Corporation and State Grid Corporation of China, won the concession contract to operate, maintain and expand the TransCo assets with a bid of U.S.\$3.95 billion. NGCP was officially granted the authority to manage and operate the country's sole transmission system on 15 January 2009, pursuant to a legislative franchise granted by the Philippine Congress under Republic Act No. 9511. Ownership of all transmission assets, however, remained with TransCo.

The Grid Code establishes the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the Philippine grid, or the high-voltage backbone transmission system and its related facilities. The Grid Code identifies and provides for the responsibilities and obligations of three key independent functional groups, namely: (a) the grid owner, or TransCo; (b) the system operator, or NGCP as the current concessionaire of TransCo; and (c) the market operator, or PEMC. These functional groups, as well as all users of the grid, including generation companies and DUs, must comply with the provisions of the Grid Code as promulgated and enforced by the ERC.

In order to ensure the safe, reliable and efficient operation of the Philippine Grid, the Grid Code provides for, among others, the following regulations:

- performance standards for the transmission of electricity through the grid, as well as the operation and maintenance thereof, which standards shall apply to TransCo, NGCP, DUs and suppliers of electricity;
- technical and financial standards and criteria applicable to users of the grid, including generation companies and DUs connected or seeking to connect thereto; and
- other matters relating to the planning, management, operation, and maintenance of the grid.

### ***The Distribution Sector***

The distribution of electric power to end-users may be undertaken by private DUs, cooperatives, local government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC. The distribution business is a regulated public utility business requiring a franchise from Congress, although franchises relating to electric cooperatives remained under the jurisdiction of the NEA until the end of 2006. All DUs are also required to obtain a Certificate of Public Convenience and Necessity from the ERC to operate as public utilities.

All DUs are also required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code ("**Distribution Code**"), the Distribution Services and Open Access Rules and the performance standards set out in the EPIRA IRR.

The distribution sector is and will continue to be regulated by the ERC, with distribution and wheeling charges, as well as connection fees from its consumers, subject to ERC approval. Likewise, the retail rate imposed by DUs for the supply of electricity to its captive consumers is subject to ERC approval. In addition, as a result of the Philippine government's policy of promoting free competition and open access, DUs are required to provide universal and non-discriminatory access to their systems within their respective franchise areas following commencement of RCOA.

The Distribution Code establishes the basic rules and procedures that govern the operation, maintenance, development, connection, and use of the electric distribution systems in the Philippines.

The Distribution Code defines the technical aspects of the working relationship between the distributors and all the users of the distribution system, including DUs, embedded generators, and large customers. All such electric power industry participants in distribution system operations are required to comply with the provisions of the Distribution Code as promulgated and enforced by the ERC.

## ***The Supply Sector***

The supply of electricity refers to the sale of electricity directly to end-users. The supply function used to be undertaken solely by franchised DUs. However, with the implementation of RCOA, the supply function has become competitive. The business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to the “Contestable Market” (*i.e.*, a market of electricity end-users who have a choice on their supplier of electricity) is considered a business with a public interest dimension. As such, the EPIRA requires all suppliers of electricity to the Contestable Market to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behaviour.

With the implementation of the RCOA, a RES is allowed to enter into retail electricity supply agreements with Contestable Customers. This set-up encourages competition at the retail level. It has been planned that the threshold for retail competition will gradually decrease over time; provided, that retail electricity suppliers are sufficiently creditworthy to be suitable offtakers for generation companies.

## ***Competitive Market Devices***

### ***Wholesale Electricity Spot Market***

The EPIRA mandates the establishment of the WESM, which is a pre-condition for the implementation of RCOA, within one year from its effectivity. The WESM provides a venue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. The establishment of the WESM facilitates a transparent and competitive electricity market for the country.

All generation companies, DUs, suppliers, bulk consumers/end-users, and other similar entities authorized by the ERC are eligible to become WESM members subject to compliance with membership requirements.

On 28 June 2002, the DOE, in cooperation with electric power industry participants, promulgated detailed rules for the WESM. These rules set the guidelines and standards for participation in the market, reflecting accepted economic principles and providing a level playing field for all electric power industry participants, and procedures for establishing the merit order dispatch for each time (hourly trading period). These rules also provide for a mechanism for setting electricity prices that are not covered by bilateral contracts between electricity buyers and sellers.

On 18 November 2003, upon the initiative of the DOE, the PEMC was incorporated as a non-stock, non-profit corporation with membership comprising an equitable representation of electricity industry participants and chaired by the DOE. The PEMC acts as the autonomous market group operator and the governing arm of the WESM. The PEMC was tasked to undertake the preparatory work for the establishment of the WESM, pursuant to Section 30 of the EPIRA and in accordance with the WESM Rules. Its primary purpose is to establish, maintain, operate, and govern an efficient, competitive, transparent, and reliable market for the wholesale purchase of electricity and ancillary services in the Philippines in accordance with relevant laws, rules and regulations.

The PEMC and the IEMOP, have executed the Operating Agreement to formalize the transfer of all functions, assets and liabilities associated with market operations from PEMC to the IEMOP effective on 26 September 2018. Republic Act No. 9136 requires PEMC to divest itself of this function in favour of a separate entity that is independent of the market participants. On 6 February 2018, the market participants and the DOE Secretary approved the transition plan calling for the formation of an independent market operator and the transfer of the market operation functions to it. IEMOP, a non-stock, non-profit corporation, led by a Board of Directors, all of whom are not affiliated and do not have any interest or connection to the WESM participants, was incorporated and organized to implement the transition plan. Starting on 26 September 2018, the IEMOP runs the electricity market and manages the registration of market participants, receive generation offers, come out with market prices and dispatches schedules of the generation plants, and handle billing, settlement, and collections, among other things. Under the policy and regulatory oversight of the DOE and the ERC, PEMC remains the governing body for WESM to monitor compliance of the market participants with the market rules.

Through the DOE Department Circular 2021-06-0015, the DOE declared the commercial operation of the Enhanced WESM Spot Market effective 26 June 2021 which shortened the dispatch, settlement, and trading interval at the WESM from the current one-hour interval to five-minute interval. As part of the pre-emptive mitigating measures to address price volatilities in the WESM, the ERC, through ERC Resolution 7, Series of 2021, adopted a shorter rolling average period of 72 hours from 120 hours, in relation to the application of the secondary price cap of ₱6,245/MWh, to be applied upon breaching of a ₱9,000/MWh rolling average price over a 72-hour period.

### ***Retail Competition and Open Access***

The EPIRA likewise provides for a system of RCOA on transmission and distribution wires, whereby TRANSCO/NGCP and DUs may not refuse the use of their wires by qualified persons, subject to the payment of distribution and wheeling charges. Conditions for the commencement of the open access system are as follows:

- Establishment of the WESM;
- approval of unbundled transmission and distribution wheeling charges;
- initial implementation of the cross-subsidy removal scheme;
- privatization of at least 70.0% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- transfer of the management and control of at least 70.0% of the total energy output of power plants under contract with NPC to the IPPAs.

Prior to the implementation of the RCOA, the distribution utility exclusively procures energy on behalf of its customers, and delivers the energy through its distribution wires. With RCOA, competing RES will do the buying and selling of electricity, and have the distribution utility deliver the energy for them through the distribution utility's existing distribution wires. The Contestable Customers will have more choices in pricing and power supply contracting, thereby getting the best deal in terms of price and value for money.

On 6 June 2011, pursuant to Resolution No. 10, Series of 2011, the ERC declared 26 December 2011 as the "Open Access Date" to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas.

The implementation of retail competition and open access is mandated by the EPIRA, subject to the fulfilment of certain conditions including, but not limited to, the establishment of the WESM, the unbundling of transmission and distribution wheeling charges, and privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas. 26 December 2011 was the commencement of the full operations of the competitive retail electricity in Luzon and Visayas. Initially, all electricity end-users with an average monthly peak demand of one MW for 12 months preceding 26 December 2011, as certified by the ERC to be contestable customers, shall have the right to choose their own electricity suppliers and are, thus, enjoined to exercise such right to their full benefit.

On 17 December 2012, the ERC promulgated the transitory rules for the implementation of RCOA.

With the purpose of ensuring quality, reliable and affordable electricity under a regime of free and fair competition, the DOE and the ERC issued the following circulars and resolutions to promote customer choice and foster competition in the electricity supply sector:

- **DOE Circular No. DC2015-06-0010** – Providing Policies to Facilitate the Full Implementation of Retail Competition and Open Access (RCOA) in the Philippine Electric Power Industry;

- **ERC Resolution No. 05, Series of 2016** – A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor;
- **ERC Resolution No. 10, Series of 2016** – A Resolution Adopting the Revised Rules for Contestability;
- **ERC Resolution No. 11, Series of 2016** – A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market;
- **ERC Resolution No. 28, Series of 2016** – Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016 entitled Revised Rules for Contestability; and
- **ERC Resolution No. 1122, Series of 2020** – A Resolution Prescribing the Timeline for the Implementation of the Retail Competition and Open Access (RCOA).

The above resolutions/circulars required electricity end-users with an average monthly peak demand of at least 1MW to secure retail supply contracts with licensed retail electricity suppliers on or before 26 February 2017.

On 21 February 2017, the Supreme Court issued a temporary restraining order (“**TRO**”) against the enforcement of several orders and regulations promulgated by the ERC and the DOE in relation to RCOA, particularly those compelling Contestable Customers to enter into a retail supply contracts with any of the RES accredited by the DOE and the ERC by 26 February 2017. In response thereto, the DOE issued DOE Circular No. 2017-12-0013 allowing the voluntary participation in the retail market of Contestable Customers with average peak demand of 750 kW. Further, on 3 December 2020, the ERC issued Resolution No. 12, Series of 2020 Prescribing the Timeline for the Implementation of the RCOA. In the said Resolution, the threshold level of 500kW-749kW qualified Contestable Customers with existing electronic meters capable of recording and reading interval of time, with a built-in communication port for remote and manual data retrieval, shall be allowed to switch to Competitive Retail Electricity Market or the Contestable Market starting 26 February 2021.

As such, notwithstanding the TRO issued by the Supreme Court, electricity end-users with average peak demands of at least 500 kW may choose their retail electricity supplier on a voluntary basis.

### ***Unbundling of Rates and Removal of Cross Subsidies***

The EPIRA mandates that transmission and distribution wheeling charges be unbundled from retail rates and that rates reflect the respective costs of providing each service. The EPIRA also states that cross-subsidies shall be phased out within a period not exceeding three years from the establishment by the ERC of a universal charge, which shall be collected from all electricity end-users. However, the ERC may extend the period for the removal of the cross-subsidies for a maximum of one year if it determines that there will be a material adverse effect upon the public interest or an immediate, irreparable, and adverse financial effect on a distribution utility. The initial implementation of the cross-subsidy removal scheme was accomplished in 2001.

These arrangements are now in place, in satisfaction of the conditions for RCOA.

The EPIRA likewise provides for a socialized pricing mechanism such as the lifeline rate subsidy to be set by the ERC for marginalized or low-income captive electricity consumers who cannot afford to pay the full cost of electricity. These end-users are exempt from the cross-subsidy removal for a period of 10 years. In June 2011, R.A. No. 10150 extended for another 10 years the application of the lifeline rate subsidy. In May 2021, R.A. No. 11552 extended the implementation of the current level of consumption, subsidy, and rate to all marginalized end-users until such time that a new level shall be determined and approved by the ERC.

### ***Implementation of the PBR***

On 12 July 2016, the ERC issued the Rules for Setting Distribution Wheeling Rates that apply to privately owned DUs entering Performance Based Regulation (“**PBR**”) for the fourth entry points, which set out the manner in which the new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR is intended to replace the return-on-rate-base regulation that has historically determined the distribution charges paid by the distribution companies’ customers. Under the PBR, the distribution-related charges that DUs can collect from customers over a four-year regulatory period will be set by reference to projected revenues which are reviewed and approved by the ERC and used by the ERC to determine a distribution utility’s efficiency factor. For each year during the regulatory period, a distribution utility’s distribution charge is adjusted upwards or downwards taking into consideration the utility’s efficiency factor set against changes in overall consumer prices in the Philippines. The ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time to provide connections to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

### ***Reduction of Taxes and Royalties on Indigenous Energy Resources***

To equalize prices between imported and indigenous fuels, the EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the EPIRA IRR, President Arroyo enacted Executive Order No. 100 on 3 May 2002, to equalize the taxes among fuels used for power generation. This mechanism, however, is yet to be implemented.

### **Government Approval Process**

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a COC from the ERC to operate facilities used in the generation of electricity. A COC is valid for a period of five years from the date of issuance.

In addition to the COC requirement, a generation company must comply with technical, financial, and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued “Revised Guidelines for the Financial Standards of Generation Companies,” which sets the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.25x throughout the period covered by its COC. For COC applications and renewals, the guidelines require the submission to the ERC of, among other things, comparative audited financial statements for the two most recent 12-months periods, if available, a schedule of liabilities, and a five-year financial plan. For the duration of the COC, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be a ground for the imposition of fines and penalties.

The ERC also approves PSAs between DUs and power suppliers. Aside from the regulatory certificates from the SEC, BOI, DOE, and the like, the ERC also requires additional documentary support for PSA approval, such as but not limited to financial data such as debt-to-equity ratios, project costs, annual interests, weighted average cost of capital, bank loans, cash flow on the initial costs, operating & maintenance expenses, minimum energy offtake, fuel costs, technical and economic characteristics of the generating plant such as the kWh generation (basis of maintenance allowance), installed capacity, mode of operation, and dependable capacity, among others.

Upon the introduction of RCOA, the rates charged by a generation company will no longer be regulated by the ERC, except rates for Captive Markets (which are determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and local government authorities, relating to, among others, site acquisition, construction and operation, including environmental licenses and permits.

Retail rates charged by RES to Contestable Customers will not require ERC approval. Only the retail rates charged by DUs to their Captive Customers will be subject to the approval of the ERC.

### **The Energy Efficiency and Conservation Act**

The EEC was enacted to establish a framework for introducing and institutionalizing policies on energy efficiency and conservation.

Under the EEC, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to incentives under Executive Order No. 226 or the “Omnibus Investments Code of 1987,” and other applicable laws for ten years from the effectivity of the EEC. After the lapse of ten years, the inclusion of energy sufficient projects in the annual investment priorities plan shall be reviewed and may be extended by the BOI. Energy efficient projects are exempt from the nationality requirements under Article 32(1) of the Omnibus Investments Code of 1987, unless the project involved exploration, development and utilization of natural resources which is reserved to Filipino citizens, or corporations or association at least 60% of whose capital is owned by Filipino citizens as per Section 2, Article XII of the 1987 Constitution. Further, establishments that will implement or are implementing energy efficient projects are entitled to provision of awards and recognitions, and technical assistance from government agencies in the development and promotion of energy efficient technologies.

The following acts are prohibited under the EEC:

- Failing to comply with energy labelling;
- Removing, defacing, or altering any energy label on the energy-consuming product before the product is sold to the first purchaser, or leased to the first lessee;
- Failing to provide accurate information or provision of false or misleading energy information as required to be submitted under the EECA;
- Selling, leasing, or importing energy-consuming products that do not comply with the minimum energy performance;
- Failing or wilfully refusing to appoint or designate a Certified Energy Conservation Officer or Certified Energy Manager;
- Wilfully refusing to submit to an on-site inspection by the DOE;
- Failing or wilfully refusing to submit any of the reports required;
- Failing to comply with issued orders of the DOE in the discharge of its enforcement powers; and
- Violating any provisions of the IRR, codes, and guidelines issued in accordance with the EECA.

The DOE is empowered to impose fines and penalties for the violation of the provisions of the EEC, DOE Department Circular No. DC2019-11-0014 (the “**EEC IRR**”), and other related issuances. The fines and penalties shall range from ₱10,000.00 to ₱1,000,000.00, without prejudice to criminal penalties and penalties under existing regulations. The responsible officers and employees of establishments who commit any of the



prohibited acts listed above shall, upon conviction, suffer the penalty of imprisonment of one year to five years, or a fine ranging from a minimum of ₱100,000.00 to ₱100,000,000.00 or twice the amount of costs avoided for noncompliance, whichever is higher, or both, upon the discretion of the court. Any person who aids or abets the commission of the prohibited acts or causes such commission by another, shall be liable as a principal. In case of associations, partnerships, or corporations, the penalty shall be imposed on the partner, president, chief operating officer, chief executive officer, director, or officer responsible for the violation.

### **The Renewable Energy Act of 2008**

The RE Law provides for the acceleration and development of renewable resources. It was signed into law on 16 December 2008 and became effective in January 2009.

Renewable energy developers of renewable energy facilities, including hybrid systems, in proportion to and to the extent of the renewable energy component, for both power and non-power applications as certified by the DOE are entitled to the following general incentives:

- Income tax holiday (“**ITH**”) for the first seven years of its commercial operations. Additional investments in the project are entitled to additional income tax exemption on the income attributable to the investment. For this purpose, the discovery and development of new renewable energy resource is treated as a new investment and is therefore entitled to a fresh package of incentives. The entitlement period for additional investments shall not be more than three times the period of the initial availment of the income tax holiday.
- Duty-free importation of renewable energy machinery, equipment and materials which are directly and actually needed and used exclusively in the RE facilities for transformation into energy and delivery of energy to the point of use and covered by shipping documents in the name of the duly registered operator to whom the shipment will be directly delivered by customs authorities, within the first 10 years upon the issuance of a certification of an RE developer. DOE endorsement must be obtained before the importation and before any sale, transfer or disposition of the imported capital equipment, machinery or spare parts is made. There are additional conditions for sale, transfer, disposition made within the 10-year period from date of importation.
- Special realty tax rates on equipment and machinery.
- The net operating loss carry-over of the RE developer during the first three years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as a deduction for the next seven consecutive taxable years following the year of such loss.
- RE developers shall enjoy a 10% corporate income tax rate after the expiration of its ITH.
- Accelerated depreciation if the RE project fails to receive an ITH before full operation.
- Zero-percent value added tax rate for sale of fuel or power generated from renewable sources.
  - Further, all RE developers are entitled to zero-rated value added tax on its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities.
- Cash incentive for RE developers for missionary electrification.
- Tax exemption of carbon credits.
- Tax credit on domestic capital equipment and services.

The RE Law likewise provides incentives for manufacturers, fabricators and suppliers of locally-produced RE equipment and components duly recognized and accredited by the DOE and upon registration with the BOI.

Further, the RE Law provides a policy on FIT. The FIT scheme mandates electric power industry participants to source RE-derived electricity at a guaranteed fixed price (the “**FIT Rate**”). This scheme was primarily viewed as a way to entice the private sector players to hasten investment into the renewable power generation sector due to the urgent need of the Philippines to deploy additional capacity.

RE projects are governed by an RE Contract, a service agreement between the Philippine Government and an RE developer over an appropriate period of time as determined by the DOE in which the RE developer will have the exclusive right to explore, develop or utilize a particular RE area.

### **Feed-In Tariff**

The ERC issued Resolution No. 16, Series of 2010 (“**ERC Resolution No. 16-2010**” or the “**FIT Rules**”), otherwise known as “Resolution Adopting the Feed-In Tariff Rules,” which establishes the FIT system and regulates the method of establishing and approving the FITs and the FIT Allowance (“**FIT-AII**”).

The FIT Rules are specific for each emerging renewable energy technology and to be applied only to generation facilities which enter into commercial operation after effectivity of the FIT Rules or to such parts of such existing facilities which have been substantially modified or expanded as provided under the FIT Rules.

Under the FIT Rules, the FITs are specific for each eligible renewable energy plants (“**Eligible RE Plants**”), which are those power facilities with COCs issued to them that utilize emerging renewable energy resources or to such parts of such existing facilities that have been substantially modified or expanded, which enter into commercial operation after effectivity of the FIT Rules. These include facilities intended for their owners’ use, which are connected to the transmission or distribution networks and are able to deliver to such networks their generation or parts thereof but FIT shall only be paid for such amount of electricity actually exported to the distribution or transmission network and not utilized for their own use.

The renewable energy plants which have started commercial operations after the effectivity of the RE Law and are not bound under any contract to supply the energy they generate to any distribution utility or consumer, may avail of the FITs from time to time they are certified by the ERC as eligible through an amendment of the COC issued to them and for a period of 20 years less the number of years they have been in operation. RE Plants, which have been in operation prior to the effectivity of the RE Law may be granted lower FITs specific to them upon application and hearing, and after a showing that:

- Such FITs are indispensable for their continued operations;
- There is no legal impediment for them to be allowed such FITs, such as the existence of a power supply agreement/power purchase agreement with any DU or End-User; and,
- They have fulfilled such other requirements of the ERC.

FITs shall be established for each generation plant using: (i) wind energy resources; (ii) solar energy resources; (iii) ocean energy resources; (iv) run-of-river hydroelectric power resources; (v) biomass energy resources; and (vi) renewable energy components of technologies listed above of hybrid systems under the RE Law.

The FIT System applicable to renewable energy plants in on-grid areas are: (i) Technology-specific FITs; (ii) Fixed FITs but subject to adjustment to allow pass-through of local inflation and foreign exchange rate variations. FITs for peak and off-peak hours may be established for renewable energy technologies that can follow the dynamics of demand such biomass energy systems and hydropower, as may be recommended by NREB.

Eligible RE Plants shall be entitled to the applicable FITs to them for a period of 20 years. After this period, should these plants continue to operate, their tariffs will be based on prevailing market prices or whatever prices they should agree with an off-taker.

Electricity consumers who are supplied with electricity through the distribution of transmission network shall share in the cost of the FITs in part through a uniform charge (in ₱/kWh) referred to as the FIT-All and applied to all billed kWh. Under ERC Resolution No. 15, Series of 2012, as the FIT-All Fund Administrator, TransCo ensures that the FIT-All fund is sufficient to pay all renewable energy producers regularly.

### **Renewable Portfolio Standards**

The RE Law also provides for the establishment of the Renewable Energy Market (“**REM**”), a venue where the Renewable Energy Certificates may be traded; and a facility to determine the compliance of Mandated Participants with their Renewable Portfolio Standards (“**RPS**”) obligations.

To mandate electric participants to source an agreed portion of their energy supply from eligible RE resources, DOE issued Department Circular Nos. DC2017-12-0015 and DC2018-08-0024 prescribing the rules and guidelines governing the establishment of the Renewable Portfolio Standards for On-Grid on 22 December 2017, and for Off-Grid Areas on 24 August 2018 (“**RPS Rules**”), respectively.

The RPS is a market-based policy that mandates power DUs, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy facilities. The RPS Rules established a minimum annual RPS requirement. This pertains to the RE share of electricity coming from RE resources in the energy mix based on an aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE. The RPS Rules also established the minimum annual incremental RE percentage. This is initially set at 1% to be applied to the net electricity sales of the mandated participant for the previous year, and thereafter adjusted by the DOE as may be necessary.

Also, the DOE issued Department Circular No. DC2019-12-0016 or the REM Rules which established the guidelines, requirements and procedures for the operation and governance of the REM. The REM operations is supervised and monitored by the REM Governance Committee (“**RGC**”) under the oversight of PEMC Board. Currently, RGC is composed of one independent member to be elected from the independent members of the PEM Board, who shall be the Chairperson, one representative each from the RE Registrar, REM Generators/Retail Electricity Suppliers, Electric Cooperatives, and Private DUs to be appointed by the PEM Board.

### **Green Energy Auction Program**

DOE Circular No. DC2020-07-0017, or the Green Energy Auction Program (“**GEAP**”) Guidelines, sets out the framework for the mechanism established by the DOE which provides mandated participants an additional avenue to meet their RPS requirements under DOE Department Circular No. 2017-12-0015, and to promote investment in RE resources to meet the nationally set RE targets.

The Green Energy Auction facilitates contracting of supply between qualified suppliers and qualified customers by consolidating the RPS requirements of the qualified customers and auctioning them off to the qualified suppliers under a competitive process. In August 2021, the DOE released a draft circular revising the original guidelines where the GEAP will adopt the framework for the Feed-in-Tariff system. Under this framework, the energy will be sold to the WESM, the bid price of the winning bidders will be their guaranteed payment, and any difference between the bid price and the spot price will be settled through the Feed-in-Tariff system.

The DOE originally planned to auction 2,000 MW of RE capacity in June 2021 but deferred the schedule to October 2021 due to the impact of the COVID-19 pandemic to the demand-supply scenario and in light of the proposed revisions to the GEAP Guidelines.

### **Green Energy Option Program**

DOE Department Circular No. DC2018-07-0019, or the Green Energy Option Program (“**GEOP**”) Guidelines, provides for the mechanism where eligible end-users with average peak demand of 100 kW and above are given the option to choose RE resources as their source of energy. With GEOP, consumers can choose RE as its supply of energy at competitive costs; contribute to the growth of the RE industry in the

country; contribute to a cleaner and sustainable environment; and support national and global decarbonization goals.

All entities engaged in the business of generating and/or supplying electricity from RE resources may become an RE supplier under GEOP after obtaining an operating permit from the DOE. This includes any RE facility, whether eligible for RPS compliance, as long as there is still available capacity or energy for supply under GEOP. Existing retail electricity suppliers may be automatically issued an operating permit as RE supplier under the GEOP, subject to the submission of certain documents. As of 31 May 2021, there are only 12 registered RE Suppliers under the GEOP.

The ERC has recently issued ERC Resolution No. 08, Series of 2021 or A Resolution Adopting the Rules for the Green Energy Option Program. ERC Resolution No. 08, Series of 2021 provides for, among others, the regulatory framework of the GEOP; guidelines for eligible end-users; procedures for customer switching; billing procedures and disconnection process; procedures to facilitate arrangements between the PEMC, IEMOP, RE Suppliers, DUs. It also provides for the technical and interconnection standards, and templated agreements for the seamless implementation of the GEOP.

### **Competitive Selection Process**

DUs are now required to conduct a competitive selection process (“CSP”) in the procurement of their electricity requirements. Prior to 2018, DUs were allowed to procure their electricity requirements through direct negotiation with power suppliers or generation companies. On 1 February 2018, the DOE issued Department Circular No. DC2018-02-003 Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreements for the Captive Market (the “CSP Circular”). The CSP Circular provides for a simplified and streamlined procurement process and was promulgated to, among others, ensure transparency in the procurement of the electricity requirements of the DUs, ensure wide dissemination of bid opportunities and participation of all power suppliers or generation companies, and guarantee the electricity demand of DUs are met at the least cost of electricity to consumers, among others.

### **Energy Virtual One Stop Shop Law**

Republic Act No. 11234 or the Energy Virtual One Stop Shop (“EVOSS”) Law which became effective on 30 March 2019 established an online process of completing the requirements of energy related projects to ensure the timely completion of power generation, transmission and distribution projects by eliminating duplication in documentary submissions and processes through an online platform for government agencies to coordinate and share information. It provides for the paperless and electronic application and processing system which proponents can access all information necessary in the application of new projects, submit all requirements and monitor the approval.

The EVOSS Law provided specific timeframe within which the government agencies involved to issue the required permits and licenses upon receipt of the complete documents. The failure of a particular agency to act upon the application or release the permits and licences within the prescribed period shall deem the application approved and warrants corresponding penalty. It also created the EVOSS Steering Committee which had a limited life of two (2) years from the effectivity of the law or until 29 March 2021. Thus, to maintain the momentum and continuity of the initiatives of the law, Executive Order No. 143 was signed on 2 July 2021, which created the EVOSS Task Group, which has the same composition and has the same powers and functions as the EVOSS Steering Committee.

### **The Philippine Energy Research and Policy Institute Act**

Republic Act No. 11572 created the Philippine Energy Research and Policy Institute tasked to enhance and promote the acquisition of knowledge in recent developments and scientific breakthroughs in the field of energy. It is an independent agency attached to the University of the Philippines.

The Institute will be headed by an executive director to be appointed by the UP President upon recommendation of the Executive Board. The Executive Board shall be composed of seven members comprised of the UP President as the ex-officio chairperson, and at least one representative from the fields of

engineering, law, science, statistics, economics, social science, and public health, either from the academe or the private sector. Four members shall come from the academe, two members shall come from the private sector, while each representative shall come from different fields.

The Institute shall support the education and training for its officers and employees to include advanced degree studies, short-term programs, online courses, and participation in conferences. Research papers, data, and other resources shall be made available to the public through its website. However, proprietary or confidential data and other resources cannot be posted or disclosed unless prior consent of the source or owner of such data and resources has been obtained by the requesting party.

## **Petroleum**

The Company's petroleum business is subject to the following laws, rules, and regulations:

### ***Section 2, Article XII of the 1987 Constitution***

This constitutional provision reserves ownership to the State and declares non-alienable all lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna, and other natural resources.

The State has full control of exploration, development, and utilization of natural resources but may enter into co-production, joint venture, or production-sharing agreements with Filipinos, or corporations or associations which are at least 60% owned by Filipinos, and only for a period of 25 years, renewable for another 25 years.

The President may enter into agreements with foreign-owned corporations involving either technical or financial assistance for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils according to the general terms and conditions provided by law. The President shall notify the Congress of every contract entered into in accordance with this provision, within thirty days from its execution.

### ***Presidential Decree (P.D.) No. 87, as amended, or The Oil Exploration and Development Act of 1972***

P.D. 87, as amended, or "The Oil Exploration and Development Act of 1972" declares that the State should accelerate the discovery and production of indigenous petroleum through utilization of government and/or private resources, local and foreign, under arrangements calculated to yield maximum benefit to the Filipino people and revenues to the Philippine government, and to assure just returns to participating private enterprises, particularly those that will provide services, financing, and technology, and fully assume all exploration risks. The government may undertake petroleum exploration and production by itself or may indirectly undertake the same through Service Contracts. Under a service contract, service and technology are furnished by a contractor for which it would be entitled to a service fee of up to 40% of net production proceeds. Where the Government is unable to finance petroleum exploration or in order to induce the contractor to exert maximum efforts to discover and produce petroleum, the service contract would stipulate that, if the contractor furnishes service, technology and financing, the proceeds of the sale of the petroleum produced under the service contract would be the source of payment of the service fee and the operating expenses due the contractor. Operating expenses are deductible up to 70% of gross production proceeds. If, in any year, the operating expenses exceed 70% of gross proceeds from production, the unrecovered expenses may be recovered from the operations of succeeding years. Intangible exploration costs may be reimbursed in full, while tangible exploration costs (such as capital expenditures and other recoverable capital assets) are to be depreciated for a period of five or 10 years. Any interest or other consideration paid for any financing approved by the Government for petroleum development and production would be reimbursed to the extent of two-thirds of the amount, except interest on loans or indebtedness incurred to finance petroleum exploration.

Aside from reimbursement of its operating expenses, a contractor with at least 15% Filipino participation is allowed to recover a Filipino participation incentive allowance equivalent to a maximum of 7.5% of the gross proceeds from the crude oil produced in the contract area. Incentives to service contractors include (i) exemption from all taxes except income tax which is paid out of Government's share, (ii) exemption from all taxes and duties on importation of machinery, equipment, spare parts, and materials for petroleum operations, (iii) repatriation of investments and profits, and (iv) free market determination of crude oil prices. Finally, a

subcontractor is subject to special income tax rate of 8% of gross Philippine income while foreign employees of the service contractor and the subcontractor are subject to a special tax rate of 15% on their Philippine income.

A service contract has a maximum exploration period of 10 years and a maximum development and production period of 40 years. Signature bonus, discovery bonus, production bonus, development allowance and training allowance are payable to the Government. Other pertinent laws and issuances include P.D. 1857, a law amending certain sections of P.D. 87, as amended, offering improved fiscal and contractual terms to service contractors with special reference to deep water oil exploration; *DOE Circular No. 2009040004*, a circular that establishes the procedures for the Philippine Contracting Rounds; *DOE Circular No. 200305006*, a circular that provides the guidelines to the financial and technical capabilities of a viable petroleum exploration and production company; *Executive Order (EO) No. 66* issued in 2002 which designated the DOE as the lead government agency in developing the natural gas industry; and *DOE Circular 200208005*, a circular setting the interim rules and regulations governing the transmission, distribution and supply of natural gas.

### ***Republic Act No. 8371 or The Indigenous Peoples' Rights Act of 1997***

Republic Act No. 8371 or The Indigenous Peoples' Rights Act of 1997 (“IPRA”) requires the free and prior informed consent (“FPIC”) of indigenous peoples (“IP”) who will be affected by resource exploration and extraction activities. Under the IPRA, IPs are granted certain preferential rights to their ancestral domains and all resources found therein. Ancestral domains are defined as areas generally belonging to IPs, subject to property rights within ancestral domains already existing or vested upon the effectivity of the IPRA, comprising lands, inland waters, coastal areas, and natural resources, held under a claim of ownership, occupied or possessed by IPs themselves or through their ancestors, communally or individually, since time immemorial, continuously to the present, except when interrupted by war, force majeure or displacement by force, deceit, stealth, or as a consequence of government projects or any voluntary dealings entered into by the Government and private persons, and which are necessary to ensure their economic, social and cultural welfare.

Under the IPRA, no concession, license, lease, or agreement shall be issued by any government agency without the certification precondition (“CP”) from the National Commission on Indigenous People (“NCIP”). The CP states that the FPIC has been obtained from the concerned IPs. For areas not occupied by IPs, a certificate of non-overlap is issued instead by the NCIP. For areas occupied by IPs, the applicant and representatives from the NCIP will conduct consultations and consensus building to obtain the consent of IPs. The FPIC is manifested through a memorandum of agreement with IPs, traditionally represented by their elders. The CP is then issued by the NCIP stating that the FPIC has been obtained from the IPs concerned.

### **Environmental Matters**

#### ***Philippine Clean Water Act***

In 2004, Republic Act No. 9275, or the “Philippine Clean Water Act of 2004,” was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country’s water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the Department of Environment and Natural Resources (“DENR”) to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time.

### ***Philippine Clean Air Act***

Republic Act 8749 or “The Philippine Clean Air Act of 1999” is a comprehensive air quality management program which aims to achieve and maintain healthy air for all Filipinos. Under this, the DENR is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market-based instruments, and setup a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking. To implement this law, the Government is promoting energy security through policies on energy independence, sustainability, and efficiency. These involve:

- increasing oil and gas exploration;
- strengthening of the PNOC to spearhead the development of indigenous energy resources and building global partnerships and collaborative undertakings;
- pursuing the development of renewable energy such as geothermal, wind, solar, hydropower, and biomass, and the vigorous utilization of the cleaner development mechanism and the emerging carbon market;
- expanding the use of natural gas; and
- adopting energy efficiency promotion strategies.

The Philippine Clean Air Act of 1999 requires enterprises that operate or utilize air pollution sources to obtain an Authority to Construct or a Permit to Operate from the DENR with respect to the construction or use of air pollutants. The issuance of said permits seek to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

### ***The Philippine Environmental Impact Statement System***

Projects relating to resource exploration and extraction are required to comply with the Philippine Environmental Impact Statement System (“**EIS System**”). The EIS System was established by virtue of P.D. 1586 entitled “Establishing An Environmental Impact Statement System, Including Other Environmental Management Related Measures And For Other Purposes,” issued in 1978. The EIS System requires all government agencies, government owned or controlled corporations and private companies to prepare an Environmental Impact Assessment (“**EIA**”) for any project or activity that affects the quality of the environment. An EIA is a process that involves evaluating and predicting the likely impacts of a project (including cumulative impacts) on the environment and includes designing appropriate preventive, mitigating and enhancement measures to protect the environment and the community’s welfare. An entity that complies with the EIS System is issued an Environmental Compliance Certificate (“**ECC**”), which is a document certifying that, based on the representations of the project proponent, the proposed project or undertaking will not cause significant negative environmental impacts and that the project proponent has complied with all the requirements of the EIS System.

To strengthen the implementation of the EIS System, the Office of the President of the Philippines issued Administrative Order (“**A.O.**”) No. 42 in 2002, providing the streamlining of the ECC application processing and approval procedures. Pursuant to A.O. 42, the DENR promulgated DENR AO No. 2003-30, also known as the IRR for the Philippine EIS System, in 2003.

Under the IRR, only projects that pose potential significant impact to the environment would be required to secure ECCs. In determining the scope of the EIS System, two factors are considered, namely: (i) the nature of the project and its potential to cause significant negative environmental impacts, and (ii) the sensitivity or vulnerability of environmental resources in the project area.

Specifically, the criteria used to determine projects covered by the EIS System are as follows:

#### Characteristics of the project or undertaking

- size of the project;
- cumulative nature of impacts compared to other projects;
- use of natural resources;
- generation of wastes and environment related nuisance; and
- environment related hazards and risk of accidents.

#### Location of the project

- vulnerability of the project area to disturbances due to its ecological importance endangered or protected status;
- conformity of the proposed project to existing land use, based on approved zoning or on national laws and regulations; and
- relative abundance, quality and regenerative capacity of natural resources in the area, including the impact absorptive capacity of the environment.

#### Nature of the potential impact

- geographic extent of the impact and size of affected population;
- magnitude and complexity of the impact; and
- likelihood, duration, frequency, and reversibility of the impact.

The ECC of a project not implemented within five years from its date of issuance is deemed expired. The proponent must reapply for a new ECC if it intends to still pursue the project. The reckoning date of project implementation is the date of ground-breaking, as stated on the proponent's work plan submitted to the Environmental Management Bureau ("EMB").

Petroleum service contractors are mandated to comply with all environmental laws and rules and regulations in all phases of exploration and production operations. ECCs or certificates of no coverage, if applicable, are obtained from the EMB of the DENR, in coordination with the DOE.

The exploration, production and sale of oil are subject to extensive national and local laws and regulations. The Company and its Associates may incur substantial expenditures to comply with these laws and regulations, which may include permitting costs, adoption and implementation of antipollution equipment, methods and procedures, and payment of taxes and royalties.

Under these laws, the Company could be subject to claims for personal injury or property damages, including damages to natural resources, which may result from the Company's operations. Failure to comply with these laws may also result in the suspension or termination of the Company's operations and subject it to administrative, civil, and criminal penalties. Moreover, these laws could be modified or reinterpreted in ways that substantially increase the Company's costs of compliance. Any such liabilities, penalties, suspensions, terminations, or regulatory changes could have a material adverse effect on the Company's financial condition and results of operations.

#### **Environmental Compliance**

The Company's operations are subject to evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address, among other things, air emissions, wastewater



discharges, generation, handling, storage, transportation, treatment and disposal of oil products, workplace conditions and employee exposure to hazardous substances.

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. As a prerequisite for the issuance of an ECC, an environmentally critical project is required to submit an EIS while project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“IEE”) to the DENR, through its regional offices or through the EMB.

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project’s environmental effects. The entire process of organization, administration, and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project’s abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property, and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules, and regulations.

In order to address air pollution from mobile and stationary sources, equipment that emit or may emit air pollutants may only be operated upon obtaining a Permit to Operate from the DENR. An application for a Permit to Operate must be filed for each source emitting regulated air pollutants, but facilities having more than one source may group the sources under a single permit application.

### **Other Regulations on Water Pollution**

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 2007-01 which mandated the use of double-hull vessels including those below 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products in certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills.

Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop shipboard oil pollution emergency plans to be approved by the Philippine Coast Guard.

Moreover, both the Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution has the primary responsibility of conducting clean-up operations at its own expense.

#### ***The Toxic Substances and Hazardous and Nuclear Waste Control Act***

Republic Act No. 6969 or “The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990,” regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

Hazardous wastes are substances brought into the country without any safe commercial, industrial, agricultural, or economic usage. On the other hand, toxic wastes are substances that are poisonous and have carcinogenic, mutagenic, or teratogenic effects on human or other life forms.

#### ***Ecological Solid Waste Management Act***

Republic Act No. 9003 or “The Ecological Solid Waste Management Act of 2000” provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centres and facilities. The same law mandates all, especially, the local government units, to adopt a systematic, comprehensive, and ecological solid waste management program which shall ensure protection of public health and environment, utilize environmentally sound methods, set targets and guidelines for solid waste avoidance and reduction, and ensure proper segregation, collection, transport, and storage of solid waste.

The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

#### ***Code on Sanitation of the Philippines***

Presidential Decree No. 856 or the “Code on Sanitation of the Philippines” provides for sanitary and structural requirements for industrial establishments, among others, in connection with the promotion and preservation of the health of the people and raise the health standards of individuals and communities throughout the Philippines. It states that no person, firm, corporation, or entity shall operate any industrial establishment without first obtaining a sanitary permit. Industrial establishments shall be allowed to operate only in places or zones assigned for the kind of industry by existing zoning laws, ordinances, or policies. The local health authority shall determine the suitability of location where no zoning law, ordinance or policy exists.

#### ***Strategic Environmental Plan for Palawan Act***

A significant number of the Company’s Petroleum Service Contracts is located in or in the surrounding areas of Palawan Province. While R.A. No. 7611 (Strategic Environmental Plan for Palawan Act) is a national law,

it applies specifically to Palawan. R.A. No. 7611 has adopted Palawan's Comprehensive Framework Plan as a guide for the local government and other government agencies concerned in provincial development.

The main strategy of the SEP is implemented out in the following manner:

- Forest conservation and protection through the imposition of a total commercial logging ban in all areas of maximum protection and in such other restricted use zones as the Palawan Council for Sustainable Development (PCSD) may provide
- Protection of watersheds
- Preservation of biological diversity
- Protection of tribal people and the preservation of their culture
- Maintenance of maximum sustainable yield
- Protection of rare and endangered species and their habitat
- Provision of areas for environmental and ecological research, education and training
- Provision of areas for tourism and recreation

The law implements the Environmentally Critical Areas Network, a graded system of protection and development control. This graded system covers tribal lands, forests, mines, agricultural areas, settlement areas, small islands, mangrove, coral reefs, seagrass beds and the surrounding sea. It divides Palawan into a terrestrial zone, coastal/marine zone, and tribal lands. The first two are classified further into: a core zone, an area of maximum protection which shall be free of human disruption, and a buffer zone which consists of a restricted use area, which serves as the protective barrier to the core zone; a controlled use area wherein limited extractive activities are allowed and the traditional use area where land use has already been stabilized. For marine zones, the multiple use zone is the development area and serves as the buffer zone to the core. Fishery, mariculture, recreation, rehabilitation of small islands and mangrove ecosystem, education and research are allowed in this area.

Central to the law is the creation of the Palawan Council for Sustainable Development, which serves as governance, implementation, and policy director of the SEP. It is composed of the Members of the House of the Representatives representing the province of Palawan, the Deputy Director General of the National Economic and Development Authority, the Undersecretary of Environment and Natural Resources, the Undersecretary for Special Concerns of the Department of Agriculture, the Governor of Palawan, the Mayor of Puerto Princesa City, the President of the Mayor's League of Palawan, the President of the Provincial Chapter of the Liga ng mga Barangay, the Executive Director of the Palawan council for Sustainable Development Staff.

## **Other Applicable Regulations**

### ***Foreign Investment Act***

The FIA liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the "**Negative List**") signed on 29 October 2018. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining, and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Likewise, under the

Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development, and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

### ***Data Privacy Act***

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 or DPA, was signed into law on 15 August 2012, to govern the processing of all types of personal information (*i.e.*, personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System or ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The DPA seeks to protect the confidentiality of “personal information,” which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors.” It also provides for penal and monetary sanctions for violations of its provisions.

### ***The Philippine Competition Act***

Republic Act No. 10667 or the Philippine Competition Act (“PCA”) authorizes the Philippine Competition Commission or the PCC to review mergers and acquisitions to ensure compliance with the PCA. The PCA, its Implementing Rules and Regulations, as amended, and the Rules on Merger Procedure (collectively, the “**Merger Rules**”) provide for mandatory notification to the PCC of any merger or acquisition within 30 days of signing any definitive agreement relating to the transaction, where the transaction value exceeds ₱2.2 billion; and where the size of the ultimate parent entity, including the entities directly or indirectly controlled by the ultimate parent entity of either party exceeds ₱5.6 billion. Parties may not consummate a notifiable transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules. A merger or acquisition that meets the thresholds under the Merger Rules but was not notified to the PCC, or notified but consummated, in whole or in part, prior to the expiration of the waiting period, is considered void and will subject the parties to a fine ranging from 1% to 5% of the value of the transaction. Anti-competitive agreements, as defined under the law, are subject to penalties that include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and wilfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities that engage in anti-competitive agreements, abuse their dominant position, and conclude prohibited mergers and acquisitions. Treble damages may be imposed where the violation involves the trade or movement of basic necessities and prime commodities.

Section 4(eee) of Republic Act No. 11494 or the Bayanihan 2 Act exempts from compulsory notification all mergers and acquisitions with transaction values below ₱50 billion if entered into within two years from the effectivity of Bayanihan 2 Act, or from 15 September 2020. A transaction is considered “entered into” upon signing by the parties of the definitive agreement.

Under the PCC Resolution No. 22-2020 adopting the rules implementing Section 4 (eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when:

- both the transaction value and the size of the ultimate parent entity of either party is at least ₱50 billion; and
- the transaction is entered into prior to the effectivity of the Bayanihan 2 Act and exceeds the thresholds applicable.

Additionally, the Bayanihan Act 2 suspends PCC's power to motu proprio review mergers and acquisitions for one year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions motu proprio. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC motu proprio after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

### ***Local Government Code***

The Local Government Code (“LGC”) establishes the system and powers of provincial, city, municipal, and *barangay* governments in the country. The LGC general welfare clause states that every local government unit (“LGU”) shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

### ***Revised Corporation Code of the Philippines***

Republic Act No. 11232, or the Revised Corporation Code, was signed into law on 20 February 2019 and became effective on 8 March 2019. Among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation;
- The Code allows the creation of a “One Person Corporation” (“OPC”), which is a corporation composed of a single stockholder, provided that, only natural person, trust, or an estate may form such. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws;
- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same;
- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-

laws or by a majority of the board of directors. However, as to corporations vested with public interest, the right to vote through such modes, may be exercised notwithstanding the absence of a provision in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and,

- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the PCA in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the PCA thresholds.

## **Overview of Regulatory Framework for Wind Farm Power Plant Projects in Indonesia**

### ***Regulation Background***

The relevant laws and regulations for a wind farm power plant project (“**WFPP**”) in Indonesia include the following:

- Law No. 30 of 2009 on Electricity, as recently amended by Law No. 11 of 2020 on Job Creation (“**Law on Electricity**”);
- Law No. 32 of 2009 on Environmental Protection and Management, as recently amended by Law No. 11 of 2020 on Job Creation (“**Law on Environment**”);
- Law No. 25 of 2007 on Investment, as recently amended by Law No. 11 of 2020 on Job Creation (“**Law on Investment**”);
- Law No. 40 of 2007 on Limited Liability Company, as recently amended by Law No. 11 of 2020 on Job Creation (“**Law on Company**”);
- Law No. 41 of 1999 on the Forestry, as amended by Law No. 19 of 2004 and partly revoked by Law No. 18 of 2013 and, as recently amended by Law No. 11 of 2020 on Job Creation (“**Law on Forestry**”);
- Law No. 2 of 2017 on Construction Services, as recently amended by Law No. 11 of 2020 on Job Creation;
- Government Regulation No. 21 of 2021 on Implementation of Spatial Layout;
- Government Regulation No. 22 of 2021 on Implementation of Environmental Protection and Management;
- Government Regulation No. 23 of 2021 on Forestry Implementation (“**Government Regulation 23**”);
- Government Regulation No. 25 of 2021 on Implementation in Energy and Mineral Resources Field;
- Minister of Energy and Mineral Resources (“**MEMR**”) Regulation No. 39 of 2018 regarding Electronically Integrated Business Licensing Services in the Field of Electricity (“**MEMR Regulation 39-2018**”);

- Government Regulation No. 14 of 2012 on Power Supply Business Activities, as amended by Government Regulation No. 23 of 2014 (“**Government Regulation 14**”);
- MEMR Regulation No. 50 of 2017 regarding the Utilization of Renewable Energy Sources for Electricity Supply, as amended lastly by MEMR Regulation No. 4 of 2020 (“**MEMR Regulation 50-2017**”);
- MEMR Regulation No. 001 of 2006 on the Procedure of Purchase of Electricity and/or Lease of Network in Procurement of Electricity for Public Interest, as amended by MEMR regulation No. 004 of 2007 and partly revoked by MEMR Regulation No. 19 of 2017 and MEMR Regulation 50-2017;
- MEMR Regulation No. 27 of 2018 on Compensation for Land, Buildings and/or Plants Located under Electrical Transmission Network Free Spaces;
- Presidential Regulation No. 1044 of 2021 on Line of Business on Investment (“**Investment List**”);
- Head of National Land Agency (*Badan Pertanahan Nasional* – “**BPN**”) Regulation No. 17 of 2019 regarding Location Permits, as amended by Head of BPN Regulation No. 13 of 2020 (“**Head of BPN Regulation 17-2019**”);
- Minister of Environment and Forestry (“**MOEF**”) Regulation No. P.38/MENLHK/SETJEN/KUM.1/7/2019 on Types of Planned Businesses and/or Activities Subject to Mandatory Environmental Impact Assessment (“**Regulation 38-2019**”);
- MOEF Regulation No. P.26/MENLHK/SETJEN/KUM.1/7/2018 regarding the Guidelines on the Preparation and Assessment as well as Evaluation of Environmental Documents in the Implementation of Electronically Integrated Business Licensing Services; and
- MOEF Regulation No. P.27/MENLHK/SETJEN/KUM.1/7/2018 regarding the Guidelines on the Borrow and Use of Forestry Area, as amended by MOEF Regulation P.7/MENLHK/SETJEN/KUM.1/2/2019 (“**MOEF Regulation 27-2018**”).

This section sets out the overall regulatory framework and the main business licenses applicable to WFPPs in Indonesia. This section is not intended to set out a comprehensive review of all of the different regulations, regulatory requirements or licenses/permits applicable to Indonesian WFPPs. Additional regulatory requirements (as well as the obligation to obtain additional technical and/or operational licenses) may apply based on the specific activities, operating procedures and utilized equipment of a project company. For example, specific construction activities, manpower arrangements, use or development of ancillary facilities (such as roads and ports) and hazardous waste arrangements are subject to separate regulatory requirements outside the scope of this section.

### ***General Corporate Documents and Licenses***

Based on the Law on Company, among the general corporate documents applicable for a newly established company involved in a WFPP is the Deed of Establishment and any amendments thereto, together with the relevant approval and notification receipts from the Minister of Law and Human Rights.

With regard to general business licenses, the relevant mandatory licenses include the company’s tax related licenses.

### ***Company Registration***

Foreign investment companies (Penanaman Modal Asing or the “**PMA company/ies**”) are generally allowed to engage in the business of electricity supply for the public interest and electricity power generation under the Law on Electricity but subject to business activities closed to foreign ownership under the Investment List.

A Business Registration Number (Nomor Induk Berusaha - “NIB”) is an identity number for Indonesian business entities issued by the Online Single Submission (“OSS”) system following the registration of such business entity in the OSS system. An NIB also serves as a company’s Company Registration Certificate (Tanda Daftar Perusahaan), Importer Identification Number (Angka Pengenal Importir) and customs access right (nomor induk kepabeanan). Business entities with an NIB are also automatically registered with the national healthcare and employment social security schemes (Badan Penyelenggara Jaminan Sosial). The requirement to obtain an NIB through the OSS system also applies to business entities which were established prior to the establishment of the OSS system in 2018. The registration of an Indonesian PMA company is generally evidenced by its NIB.

Under the Law on Investment, a PMA company engaged in a WFPP must have an NIB with a classification of “electricity generation.” The “electricity generation” business classification for WFPPs, in turn, is separated into two different categories under the Investment List, as follows:

- electricity generation of less than 1MW (which is allocated to local cooperatives and local micro, small and medium-scale business only – where such business involves simple technology, having specific process/labour intensive/cultural heritage and/or having capital of no more than Rp 10 billion); and
- electricity generation of equal to or more than 1MW (which generally allows for foreign ownership up to 100%).

### ***Operational Licenses***

Under the Law on Electricity and its implementing regulations, a company engaged in the development of a WFPP must secure a Business License in the form of an Electricity Supply Business License (Izin Usaha Penyedia Tenaga Listrik or the “IUPTL”), which is its main business license.

#### *IUPTL*

As a requirement for the supply of electricity to PT PLN (Persero) (“PLN”), a project company is required to secure an IUPTL, as its Business License, issued by MEMR (or by its delegated authority). The IUPTL is granted for up to 30 (thirty) years and can be extended.

Pursuant to MEMR Regulation 39-2018, MEMR, in the framework of electronically integrated business licensing services, has delegated to the OSS system its authority to grant several licenses, including IUPTLs. Therefore, an application to obtain an IUPTL must be submitted through the OSS system and the IUPTL will be issued by the OSS system for and on behalf of MEMR.

In order for an IUPTL issued through the OSS system to become effective, certain administrative and technical requirements are required to be complied with by the project company. These include, among others, MEMR approval of the selling price of electricity, a copy of the relevant Power Purchase Agreement entered into with PLN and evidence of the financial capabilities of the project company.

#### *Operational Feasibility Certificate*

After the commissioning test of a WFPP, MEMR Regulation 39-2018 requires the power plant to undergo inspection and testing for the purpose of obtaining an Operational Feasibility Certificate (Sertifikat Laik Operasi) issued through the OSS system, which will certify the fitness of the electricity installation and formally recognize that the power plant is ready to commence operations.

### ***Environmental and Forestry Licenses***

#### *Environmental Approval*

An environmental approval is required to be secured with respect to the construction of a WFPP. In case of a WFPP with capacity of equal to or more than 50MW, Regulation 38-2019 categorizes the construction thereof



as an activity that requires an Environmental Impact Assessment (*Analisis Mengenai Dampak Lingkungan Hidup* or the “AMDAL”). However, if the capacity of the WFPP is less than 50 MW, then it would instead be required to have an Environmental Management Effort-Environmental Monitoring Effort (*Upaya Pengelolaan Lingkungan Hidup-Upaya Pemantauan Lingkungan Hidup*) document. The AMDAL is a document which consists of an Environmental Impact Assessment Report (*Analisa Dampak Lingkungan Hidup* or the “ANDAL”), an ANDAL Terms of Reference Form (*Formulir Kerangka Acuan Analisa Dampak Lingkungan Hidup* or the “KA-ANDAL”), an Environmental Management Plan (*Rencana Pemantauan Lingkungan* or the “RPL”) and an Environmental Monitoring Plan (*Rencana Pengelolaan Lingkungan* or the “RKL”).

The approval process of the AMDAL includes the project company’s preparation and submission of a KA-ANDAL to the AMDAL Valuation Committee for approval. The AMDAL documents must then be prepared and eventually submitted to the MOEF or Head of Regional Government (Governor or Regent/Mayor), as applicable. The Environmental Approval, in the form of Environmental Feasibility Approval, will state that the business activities are feasible for the environment, the obligations of the project company and the validity of the approval, among others.

#### *Forestry Area Utilization Approval, if applicable*

Under the Law on Forestry and Government Regulation 23, a Forestry Area Utilization Approval is mandatorily required to be obtained if a project company is to carry out electricity business in an area which has been categorized as “production forest” or “protection forest” (together, the “**Forest Zones**”). The Forestry Area Utilization Approval can be issued to a company conducting activity in a Forest Zone for the period equal to the validity period of the business License (*i.e.*, in this case, the IUPTL). The conditions attaching to a Forestry Area Utilization Approval, in the form of a Borrow and Use Permit can be extensive (including the obligation to comply with financial and land compensation requirements). In accordance with MOEF Regulation 27-2018, an application to obtain a Borrow and Use Permit must be submitted by the management of the relevant project company (which has obtained an NIB) to the MOEF through the OSS system.

#### *Land Arrangements*

##### *Location Permit*

Under Head of BPN Regulation 17-2019, a Location Permit is required to be secured by the project company in order to be allowed to acquire a certain land area and apply for the relevant land title in respect of such land in accordance with Regional Spatial Layout Plan. A Location Permit will typically be based on a commitment from its holder to obtain additional approvals. If the land acquisition process cannot be completed within the initial period provided in the Location Permit (of up to 3 years), the Location Permit can be extended for a one (1) year period, provided the holder of the Location Permit has acquired at least 50% of the total land area specified in the Location Permit at the time of extension.

A PMA company can only acquire land within the area indicated in the Location Permit issued in its favour. Based on Head of BPN Regulation 17-2019, Location Permits are applied for and issued through the OSS system. For purposes of a WFPP, it is necessary that the Location Permit specifically allows for electricity business activities, among others, to be carried out on that land. The Location Permit is different from and separate to the actual underlying land title.

##### *Land rights applicable to a WFPP*

While there are different kinds of registered land titles in Indonesia, the most relevant for an IUPTL holder is a ‘right to build’ (*hak guna bangunan* or the “**HGB**”). The HGB gives the holder the right to own and use land and to erect and/or possess buildings and installations on the land. HGB certificates are issued to evidence the ownership of this type of title. Usually, an HGB is for a period of up to 30 years and extendable for maximum periods of 20 years per extension.

### ***Electricity Tariffs and Power Purchase Agreements with PLN***

Pursuant to MEMR Regulation 50-2017, for Indonesian WFPPs, the relevant electricity sale pricing shall be determined as follows:

- up to 85% of the local grid average national PLN electricity supply cost (biaya pokok penyediaan pembangkitan -“**BPP**”), if the local grid BPP is higher than the national BPP; or
- based on mutual agreement between PLN and the independent power producer, if the local grid BPP is less than or equal to the national BPP.

The electricity price based on the above pricing mechanism must obtain an electricity price approval from MEMR which must be applied by PLN to the MEMR at the latest 5 business days as of the completion of the independent power producer procurement process. This process will be managed through the co-operation of PLN during the negotiation of the terms of the power purchase agreement.

### **Overview of Regulatory Framework for Renewable Solar/Wind Power Plant Projects in Vietnam**

#### ***Relevant laws and regulations***

General (applicable to all power projects)

- Investment Law No. 61/2020/QH14 passed by the National Assembly (“**Investment Law**”)
- Decree No. 31/2021/ND-CP dated 26 March 2021 as the implementing regulations of the Investment Law
- Electricity Law No. 28/2004/QH11 dated 3 December 2004 passed by the National Assembly (as amended by Law No. 24/2012/QH13 dated 20 November 2012) (“**Electricity Law**”)
- Decree No. 137/2013/ND-CP dated 21 October 2013 implementing the Electricity Law (as amended by Decree No. 08/2018/ND-CP)
- National Power Master Plan VII (amended) for the period 2011—2020 approved by the Prime Minister under Decision 428/QĐ-TTg dated 18 March 2016 (“**Power Master Plan VII**”). Power Master Plan VII aims to increase solar power capacity from the current almost zero to 850MW by 2020 and 12,000MW by 2030
- Land Law No. 45/2013/QH13 dated 29 November 2013 passed by the National Assembly (as amended by Law No. 35/2018/QH14) (“**Land Law**”)
- Decree No. 43/2014/ND-CP dated 15 May 2014 implementing the Land Law (as amended by Decree No. 01/2017/ND-CP and Decree No. 148/2020/ND-CP)
- Construction Law No. 50/2014/QH13 dated 18 June 2014 passed by the National Assembly (as amended by Law No. 35/2018/QH14 dated 20 November 2018 and by Law on Amendment to Construction Law No. 62/2020/QH14 dated 17 June 2020 as from 1 January 2021) (“**Construction Law**”)
- Decree No. 44/2015/ND-CP dated 6 May 2015 on detailed regulations on construction planning (as amended by Decree 72/2019/ND-CP)
- Consolidated Document No. 07/VBHN-BXD dated 22 November 2019 on detailed regulations on construction planning
- Decree No. 15/2021/ND-CP dated 3 March 2021 on management of construction investment projects (“**Decree 15**”)

- Consolidated Document No. 02/VBHN-BXD dated 20 July 2018 on management of construction investment projects
- Circular No. 06/2021/TT-BXD dated 30 June 2021 on classification of constructions and guidelines for application in management of construction investment (took effect on 15 August 2021)
- Grid-connected solar power projects
- Circular No. 18/2020/TT-BCT dated 17 July 2020 issued by the Ministry of Industry and Trade (“**MOIT**”) on project development and model power purchase agreements for solar power projects (“**Circular 18**”)

#### Grid-connected wind power projects

- Decision No. 37/2011/QĐ-TTg dated 29 June 2011 issued by the Prime Minister on mechanism to support in development of wind power projects in Vietnam (as amended by Decision No. 39/2018/QĐ-TTg)
- Consolidated Document No. 05/VBHN-BCT dated 1 August 2019 issued by the MOIT on mechanism to support in development of wind power projects in Vietnam
- Circular No. 02/2019/TT-BCT dated 15 January 2019 issued by the MOIT on wind power project development and model power purchase agreements for wind power projects

#### Environment; Firefighting and Fire Prevention

- Law on Environmental Protection No. 55/2014/QH13 dated 23 June 2014 passed by the National Assembly (to be replaced by Law on Environmental Protection No. 72/2020/QH14 dated 17 November 2020 as from 1 January 2022) (“**Law on Environmental Protection**”)
- Decree No. 18/2015/ND-CP dated 14 February 2015 on environmental protection planning, strategic environmental assessment, environmental impact assessment and environmental protection plans (as amended by Decree No. 40/2019/ND-CP dated 13 May 2019)
- Law on Firefighting and Fire Prevention No. 27/2001/QH10 dated 29 June 2001 passed by the National Assembly (as amended by Law No. 40/2013/QH13 dated 22 November 2013)
- Decree No. 136/2020/NP-CP dated 24 November 2020 providing guidelines for the amended Law on Firefighting and Fire Prevention No. 40/2013/QH13 (“**Decree 136**”)

#### ***Enterprise Registration Certificate***

The enterprise registration certificate is a license issued by the provincial Planning and Investment Department certifying the incorporation of a project company. The enterprise registration certificate generally contains the following information:

- name and enterprise number of the project company
- address of the project company’s head office
- information of the legal representative of the project company
- information of the owner/members of the project company (applicable to a limited liability company only)
- charter capital of the project company

### ***Inclusion in power master plan***

A proposed solar/wind power project must be included in the provincial (general) power development master plan or the national (general) power development master plan, or the provincial solar/wind power development master plan or the national solar/wind power development master plan. To have a project included in such master plans, the project proponent must first conduct a preliminary feasibility study for the project, which should include, among others, the description of the project: proposed location, construction scale and area, construction items, relevant contents of industry master plan and local construction master plan, need for the project and its advantages and disadvantages, total investment capital, source of funds, capacity of project proponent to mobilize funds, project implementation schedule, analysis of economic, financial and social efficiency, plan for land using, land clearance and compensation, environmental impact assessment, fire fight and fire prevention plan and other requirements in respect of national defence and public security (if any) and plan for supports in construction of technical infrastructure (“**Pre-FS**”).

As a matter of procedure, the Pre-FS should then be submitted to and reviewed by the Energy General Department (for inclusion in the national solar/wind power development master plan) or submitted to relevant provincial Department of Planning and Investment and then forwarded to the Energy General Department for review (for inclusion in the provincial solar/wind power development master plan).

The Prime Minister has issued Decision 1264/QD-TTg on 1 October 2019 approving the mission of preparation of the national electricity development planning for the period 2021-2030 (“**National Master Plan VIII**”) in order to replace the National Master Plan VII. Pending the issuance of the National Master Plan VIII, currently, a proposed solar/wind power project, regardless its capacity, needs to be approved by the Prime Minister.

### ***In-principle approval for investment***

Upon inclusion in the relevant power master plan, the project proponent, in accordance with the Investment Law, must apply for in-principle approval for investment with:

- the National Assembly—in the case of (i) a project which seriously affects or may seriously affect the environment; (ii) a project involving the conversion of land use purpose for wet rice dual harvest cultivation in an area of 500 hectares or more; (iii) a project involving the relocation and resettlement of 20,000 people or more in mountainous areas or 50,000 people or more in other areas; or (iv) a project requiring the application of a special mechanism or policy which should be decided by the National Assembly;
- the Prime Minister—in case of a project involving the relocation and resettlement of 10,000 people or more in mountainous areas or 20,000 people or more in other areas; or
- the People’s Committee—in case of (i) a project to which the State allocates or leases land without auction, tendering or transfer; (ii) a project requiring the conversion of land use purpose; or (iii) a project of foreign investors and foreign-invested business entities executed on islands or in border or coastal communes, or in other areas affecting national defence and security.

The *in-principle approval for investment* is necessary for and will enable the project proponent to apply for an investment registration certificate

### ***Investment Registration Certificate***

Within five working days from the issuance date of the in-principle approval for investment, the provincial Department of Planning and Investment (“**DPI**”) will issue an investment registration certificate (“**IRC**”) to the project company in accordance with the Investment Law. The IRC is the official document recording the right of the project proponent to invest in and implement the solar/wind power project.

Under the Investment Law, generally, the term of an investment project is 50 years. The term of an investment project to be implemented in areas with specially difficult socio-economic conditions or an investment project with large investment capital but slow capital recovery may be longer but shall not exceed 70 years.

### ***Land Clearance and Compensation Process; Land Lease***

The project proponent may proceed with the land clearance and compensation process with respect to the project land upon receipt of the in-principle approval for investment.

Upon completion of the land clearance process, the project company may then proceed with the application for a land lease decision to be issued by the People's Committee and for the People's Committee to sign a land lease agreement.

### ***1/500 Master Plan***

The project proponent submits a proposed detailed (1/500) construction master plan of the solar/wind power plant for appraisal by the provincial People's Committee. The approved 1/500 construction master plan is a basis for the project company to prepare the dossier and to obtain a construction permit.

### ***Construction permit***

After a land lease decision, land lease agreement and 1/500 construction master plan are secured, the project company may then apply for a construction permit from the provincial Department of Construction in accordance with the Construction Law. Upon issuance of the construction permit, the project company must then commence construction work within 12 months thereafter. The 12-month construction deadline can be extended twice for a period of additional 12 months each in accordance with the Construction Law.

### ***Land use right certificate***

The land use right certificate ("LURC") is the prima facie evidence of title to land use rights. The LURC will be issued in favour of the project company by the provincial People's Committee or its authorized land division after the land lease agreement is executed and rent obligations to the government are fulfilled. It has the same term as the land lease agreement.

### ***Feasibility Study and Technical design approval***

In terms of construction and pursuant to the Construction Law (including Decree 59 and Circular 3), another part of the process is the submission of a feasibility study ("FS") for appraisal by: (i) the Department of Construction or the specialized construction management Department for a project with a capacity of up to 30MW; or (ii) the specialized construction management agency of the MOC or the specialized construction management Ministry for a project with a capacity of more than 30MW.

The FS should contain the basic design, among others. Upon approval of the basic design and the FS, the project company must then prepare a more detailed technical design, which will be evaluated and approved by: (i) the Department of Construction or the specialized construction management Department for a project with a capacity of up to 30MW; or (ii) the specialized construction management agency of the Ministry of Construction ("MOC") or the specialized construction management Ministry for a project with a capacity of more than 30MW.

### ***Electricity contracts and licenses***

The following agreements/licenses must be secured by the project company for a solar/wind power project with various divisions of EVN:

- the Power Purchase Agreement (PPA);
- the Grid Connection Agreement;

- the SCADA/EMS (DMS) Agreement;
- the Load Dispatch Information System Agreement; the Protective Relay System Agreement;
- the Metering Agreement; and
- the Electricity Operation License.

The agreements are typically negotiated with the EVN or its relevant divisions during the FS process.

### ***Environment impact assessment***

The solar/wind power project company which uses land with a total area of 200 hectares or more must also prepare the Environmental Impact Assessment Report (“**EIAR**”) during the preparation of the basic design for the FS. The EIAR will then be submitted to and evaluated and approved by either the Ministry of Natural Resources and Environment (“**MONRE**”) or the provincial People’s Committee depending on the scale and sector of the project pursuant to the Law on Environmental Protection. The investor is required to re-prepare an EIAR in cases (i) the investment project does not commence operation within 24 months from the date on which the EIAR is approved; or (ii) the increase of the investment project’s scale and capacity or change in technology to increase negative impacts on the environment compared to the approved EIAR.

The solar/wind power project company which (i) uses land from 50 hectares to under 200 hectares; or (ii) during its operation, generates wastewater from 20 m<sup>3</sup>/day or more, or discharges solid waste from one ton/day, or waste gas from 5,000 m<sup>3</sup>/hour or more, must register the environmental protection plan with the local environmental authorities.

### ***Fire Prevention and Firefighting design approval and implementation***

Pursuant to Decree 136 and as part of the requirements for issuance of the construction permit, the project company must also submit its Fire Prevention and Firefighting (“**FPPF**”) design to the Police Department of Fire Prevention and Firefighting (“**Fire Department**”) for appraisal and approval.

As required by Decree 136, after completion of construction works, but before operations, the project company must also have the Fire Department certify that the construction works are built in accordance with the FPPF design approval.

## **Overview of Electricity Regulatory Framework for Wind Farm Project in Tasmania & Solar Farm Project in New South Wales, Australia**

### ***Electricity generation and connection approvals***

A project company who wishes to supply electricity from a wind farm project in Tasmania or solar farm project in New South Wales (“**NSW**”) is required to register as a Market Participant with the Australian Energy Market Operator (“**AEMO**”) under the National Electricity Law (“**NEL**”). In addition, a generator must liaise with the relevant transmission or distribution network supplier to connect to the electricity transmission network under a process set out in the National Electricity Rules (“**NER**”), which is overseen by AEMO.

In Tasmania, a company must also secure a license from the Tasmanian Economic Regulator (“**TER**”).

### ***Registration as a Participant with AEMO***

Under the NEL, a person who will engage in the activity of owning, controlling, or operating a generating system connected to the interconnected transmission or distribution system in the National Electricity Market (“**NEM**”) is required to be a registered participant with AEMO, unless an exemption applies. The transmission and distribution systems in both Tasmania and NSW are part of the NEM.

To be a registered participant, such a person must register within a particular category with AEMO. In case of generation, such a person is required to register with AEMO in the “Generator” category before commencing operation of any generation facilities.

The process for registration and requirements for applicants is outlined in the NER. The applicant must, among other matters, satisfy AEMO that it is (and will continue to be) able to fulfil the financial obligations relating to market participants and has demonstrated an ability to comply with the NER.

### ***License for generation of electricity in Tasmania***

In addition, a person wishing to carry on operations in the electricity supply industry in Tasmania, including generating electricity from a wind farm project, is required to secure, a license in Tasmania as a generator under the Electricity Supply Industry Act 1995 (Tasmania). This license is in addition to registration as a Market Participant with AEMO.

The project company should file a license application with the TER, specifying the information required by TER in the applicable form. In addition, the application must, among other matters, identify the officers and major shareholders, if applicable, of the project company, contain the details of the proposed generating plant and details relating to the generator’s connection to the relevant the transmission system or distribution network, and such any other relevant information requested by TER.

### ***Connection to transmission network***

The NER provides for the procedure for connection to a transmission network or a distribution network and access to the national grid. This procedure is overseen by AEMO.

To be able to connect, the project company is required to submit an application to connect and enter into a connection agreement with a network service provider prior to being connected to the network.

On receipt of a connection inquiry, a network service provider must, in accordance with the system strength impact assessment guidelines, undertake a system strength impact assessment of each proposed new connection of a generating system. The network service provider must then proceed to prepare an offer to connect and accept with a specific period, which should also contain the relevant terms and conditions for connection.

If the network service provider determines that an application will have an adverse system strength impact as part of its assessment, it can require as a condition of connection that the applicant participate in a system strength remediation scheme. This may include installation of plant or undertaking other works to augment the capacity of the transmission network.

Once it has received an offer to connect, the project company then has the opportunity negotiate and enter into a connection agreement with the relevant network service provider. The timing of the connection process is heavily dependent on the specific nature of the connection and features of the relevant parts of the transmission or distribution network. AEMO guidelines suggest that the entire process could a number of years, but could also be much shorter (for example, 10 months) in the case of less complicated connections.

## **Overview of Electricity Regulatory Framework for Solar Projects in Gujarat and Rajasthan, India**

### ***Central Regulatory Framework***

The Electricity Act 2003, as amended from time to time (the “**Electricity Act**”), primarily governs the regulatory framework of the solar power sector in India. The Electricity Act is proposed to be amended *vide* the Electricity (Amendment) Bill, 2021, which is currently pending before the Parliament of India. The Electricity Act has created several independent regulatory agencies for the electricity sector, namely, the Central Electricity Regulatory Commission (“**CERC**”), the State Electricity Regulatory Commissions (“**SERCs**”), Appellate Tribunal for Electricity (“**APTEL**”), the Central Electricity Authority (“**CEA**”), regional and national load dispatch centres, regional power committees, central transmission utility (“**CTU**”) and the state transmission utilities (“**STUs**”). The electricity sector is also regulated through several laws and

regulations framed by the CERC, SERC and orders issued by the CERC, SERCs, the APTEL, along with other policies adopted by the Government of India (“GoI”) and the relevant State Governments.

The CERC mainly regulates and determines tariff for generation and inter-state power supply or inter-state transmission and is also responsible for issuance of transmission licenses. CERC also adjudicates disputes involving generation companies, distribution licensees or inter-state transmission licensees. SERCs determine tariffs for generation, distribution and transmission of power within a state, regulate the power procurement process of distribution licensees, issue distribution and transmission licenses and regulate intra-state electricity transmission, along with adjudication of disputes involving generation companies, distribution licensees or intra-state transmission licensees.

The CEA acts as an advisory body to the GoI with regard to technical matters concerning generation, transmission and distribution, which also includes prescribing grid standards for operation and maintenance of transmission lines. APTEL, which has the appellate power under the Electricity Act, acts in a superintending role over regulators. The CTU is a government owned company which operates majority of the inter-state/inter-regional transmission networks in India. Likewise, STUs are government owned companies appointed at the state level and both, the CTU and the STUs provide connectivity to generators and ensure development of the transmission lines. Lastly, to ensure optimum scheduling and dispatch of electricity in terms of the relevant grid code, load dispatch centres are established under the Electricity Act at the national, regional and state levels.

The Electricity Act also mandated the GoI, in consultation with the State Governments and the CEA, to prepare a national electricity policy and a tariff policy. Accordingly, the GoI issued the national electricity policy in 2005 (“NEP”) and a tariff policy in 2006 which was replaced by the tariff policy of 2016 (“Tariff Policy”). The NEP aims at laying guidelines for accelerated development of the power sector, providing electricity to all areas and protecting interests of consumers, keeping in view the availability of energy resources, the technology available to exploit these resources, economics of generation using different resources and energy security issues. The Tariff Policy provides for guidelines for the development of the power sector, to attract investments in the power sector and to ensure reasonable charges for the consumers. The Tariff Policy also provides, among others, guidance to the regulatory bodies in framing the tariff regulations and encourages competitive procurement of power.

### ***Forecasting and Scheduling***

In March 2015, the CERC published its proposed ‘Framework for Forecasting, Scheduling and Imbalance Handling for Wind & Solar Generating Stations at Inter-State Level’ according to which renewable energy forecasting was required to be done by both, the renewable energy generator and the concerned load dispatch centre. Further, under the deviation settlement mechanism (“DSM”), load serving entities are charged with penalties for deviations from requested day-ahead schedules and generators are charged for deviations from committed day-ahead schedules.

### ***Tariff Determination***

The Electricity Act provides for the procedures for two types of tariff determination. The first is when tariff is determined by the CERC or the relevant SERC through negotiated power purchase agreements (“PPAs”) with the distribution licensees, which should be approved by the CERC or the relevant SERC, as the case may be. The second way to discover tariff is through a competitive bidding conducted in accordance with the competitive bidding guidelines issued by the GoI. The standard bidding guidelines were issued by the Ministry of Power under Section 63 of the Electricity Act in 2017 for tariff-based competitive bidding processes, for procurement of power from grid-connected solar PV projects and wind power projects.

### ***Introduction of the Basic Customs Duty***

The Ministry of New and Renewable Energy, GoI (“MNRE”) issued an office memorandum dated 9 March 2021 (“MNRE OM”), whereby the acceptance by the Ministry of Finance, GoI of the MNRE's proposal to impose basic customs duty (“BCD”) on solar cells and solar modules (without grandfathering of bid out projects) was notified. The MNRE OM states that with the objective of developing India's domestic solar



manufacturing capacities and to reduce India's dependence on imports, a BCD of 40% will be leviable on imported solar modules and 25% on imported solar cells, with effect from 1 April 2022.

The MNRE OM also clarifies that imposition of the BCD will not be considered as a 'change in law' event for any bids, with bid submission dates falling subsequent to the date of the MNRE OM.

### ***SC Order for Protection of the Great Indian Bustard***

In *M.K. Ranjitsinh v. Union of India* (I.A. No. 85618 of 2020 in Writ Petition (Civil) No. 838 of 2019), the Supreme Court of India (“**SC**”) issued an order dated 19 April 2021, which contained directions to the Government of Rajasthan (“**GoR**”) and Government of Gujarat (“**GoG**”) to ensure protection of the priority and potential habitats of the Great Indian Bustard (“**GIB**”) (which is on the verge of extinction), as identified by the Wildlife Institute of India. The SC order noted the impact of overhead power transmission lines on the health and habitat of birds that die due to collision with power lines, particularly the GIB. Certain mitigation measures were issued as directions to the GoR and GoG by SC, which included the following:

- The GoR and GoG are required to take steps to install bird divertors on overhead power lines that currently exist in the priority and potential habitats of the GIB.
- Low voltage overhead power lines existing presently in the priority and potential habitats of GIB will be converted into underground power lines. All low voltage power lines to be laid in the priority and potential habitats of GIB, in all cases will be laid underground in the future.
- Laying of high voltage underground power lines would require expertise for feasibility assessment and therefore, a committee was constituted by the SC for such purpose. The committee may obtain technical reports from experts in the field of electricity supply or assistance of the GoI to arrive at a decision, if required. If the GoR and GoG face feasibility issues while laying underground power transmission lines, they should refer the matter to the committee with the relevant details.
- Where converting the overhead power lines into underground power lines is feasible, the GoR and GoG are required to complete such conversion within one year. Till such conversion is completed, the bird divertors should be hung from the existing power lines.

### ***Regulatory Framework in Gujarat***

The regulatory framework governing the solar energy sector in Gujarat comprises the Electricity Act and the rules thereunder, regulations framed by the Gujarat Electricity Regulatory Commission (“**GERC**”) under the Electricity Act, orders passed by the GERC and policies formulated by the GoG.

Pursuant to enactment of the Electricity Act, the erstwhile Gujarat State Electricity Board was unbundled and reorganized into the following separate generation, distribution and transmission companies:

- Generating company: Gujarat State Electricity Corporation Limited;
- Transmission company: Gujarat Energy Transmission Corporation Limited (“**GETCO**”); and
- Distribution companies (“**Discoms**”): (a) Dakshin Gujarat Vij Company Limited; (b) Madhya Gujarat Vij Company Limited; (c) Uttar Gujarat Vij Company Limited; and (d) Paschim Gujarat Vij Company Limited.

Further, Torrent Power Limited is a private distribution licensee in Gujarat which operates in Surat, Ahmedabad, Gandhinagar and Dahej.

GETCO is the designated STU and is responsible for developing and providing access to the transmission system within the state of Gujarat, whereas the Discoms are responsible for the distribution and retail supply of electricity to consumers in their respective distribution areas. The GoG has also established the Gujarat

Energy Development Agency (“**GEDA**”) as the nodal agency to promote the development of renewable energy generation plants, including solar power plants.

The GoG has established a holding company, GUVNL, which is given the right to trade in electricity *i.e.*, purchase power from various sources for onward sale to the four Discoms. GUVNL executes the PPAs with power producers and subsequently sells such power purchased to the Discoms.

### ***Gujarat Solar Policy***

The GoG issued the Gujarat Solar Power Policy, 2015 (“**Gujarat Policy 2015**”), under which, GEDA is the nodal agency responsible for *inter alia*, facilitation of implementation of solar power projects in Gujarat.

The Gujarat Policy 2015 is superseded by the Gujarat Solar Policy 2021 dated 29 December 2020 (“**Gujarat Policy 2021**”). The solar power systems installed and commissioned during the operative period of the Gujarat Policy 2021, i.e. from the date of its notification, 29 December 2020 to 31 December 2025, are eligible for the benefits and incentives declared under the Gujarat Policy 2021, for a period of 25 years from their date of commissioning or for the lifespan of the solar power system, whichever is earlier, if registered with GEDA as per the Gujarat Policy 2021.

### ***Deviation Settlement Mechanism***

The GERC (Forecasting, Scheduling, Deviation Settlement and Related Matters for Solar and Wind Generation Sources) Regulations, 2019 (“**Gujarat F&S Regulations**”) apply to every wind and solar power generator having a combined installed capacity of 1 MW and connected to the state grid, whether independently or through pooling substations and generating power for self-consumption or for sale within or outside the state. The GERC notified the Gujarat F&S Regulations with an objective to facilitate large scale grid integration of wind and/or solar power generating stations and grid security through forecasting, scheduling and commercial mechanism for deviation settlement of the generators.

### ***Interconnectivity***

In order to connect its solar project to the state grid, a solar power developer will be typically required to enter into a connection agreement with the STU, which sets out the terms relating to a connection and/or use of the intra-state transmission system. Any applicant seeking to establish a new connection to and/or use an existing transmission system is required to submit an application to the STU/Discom for connection to the state grid in accordance with the procedure set out in the GERC (Gujarat Electricity Grid Code) Regulations, 2013.

### ***Regulatory Framework in Rajasthan***

The regulatory framework governing the solar energy sector in Rajasthan comprises the Electricity Act, regulations framed by the Rajasthan Electricity Regulatory Commission (“**RERC**”) under the Electricity Act, orders passed by the RERC and policies formulated by the GoR.

Pursuant to enactment of the Electricity Act, the erstwhile Rajasthan State Electricity Board was reorganized and the following companies were formed:

- Generating company: Rajasthan Rajya Vidyut Utpadan Nigam Limited;
- Transmission company: Rajasthan Rajya Vidyut Prasaran Nigam Limited (“**RRVPNL**”); and
- Discoms: (a) Jaipur Vidyut Vitran Nigam Limited; (b) Jodhpur Vidyut Vitran Nigam Limited; and (c) Ajmer Vidyut Vitran Nigam Limited.

RRVPNL is the designated STU and is responsible for developing and providing access to the transmission system within the state of Rajasthan. The Discoms are responsible for the distribution and retail supply of electricity to consumers in their respective distribution areas. The GoR has also established the Rajasthan Renewable Energy Corporation Limited (“**RRECL**”) as the nodal agency to promote the development of

renewable energy generation plants, including solar power plants and facilitate energy conservation in Rajasthan.

### ***Rajasthan Solar Policy***

The GoR issued the Rajasthan Solar Energy Policy, 2019 (“**Rajasthan Solar Policy**”), which is applicable to all grid connected solar power projects in Rajasthan, including grid connected solar rooftop projects and off-grid solar projects. Under the Rajasthan Solar Policy, RRECL is designated as the nodal agency, responsible for inter alia, facilitation of the implementation of solar power projects. All the projects installed in the state are required to be registered with RRECL under the Rajasthan Solar Policy. The Rajasthan Solar Policy also provides for various incentives/benefits for solar power projects.

### ***Deviation Settlement Mechanism***

The RERC (Forecasting, Scheduling, Deviation Settlement and Related Matters for Solar and Wind Generation) Regulations, 2017 (“**Rajasthan F&S Regulations**”) apply to, inter alia, every solar power generator supplying power to Discoms in Rajasthan having individual or combined capacity of 5 MW, whether connected to the state grid independently or through pooling substations and/or solar park, or connected to the state grid through a pooling substation and/or solar park with a total capacity of 5 MW. For shortfall in generation and excess generation as against the schedule provided to the state load despatch centre, deviation charges as set out in the Rajasthan F&S Regulations are required to be paid.

### ***Interconnectivity***

In order to connect to the state grid, a solar power developer will be typically required to enter into connection agreements with the STU, which sets out the terms relating to a connection and/or use of the intra-state transmission system. Also, as per the RERC (Rajasthan Electricity Grid Code) Regulations 2008, in order to establish a new connection for the use of RRVPNL’s (i.e. the STU’s) transmission system, a generating company has to apply to RRVPNL in accordance with the procedure set out by RRVPNL.

### ***Applicable Permits and Consents***

Development of solar projects in Gujarat and Rajasthan requires permits and consents from relevant government authorities, either at the central or the state level, as set out below. Permits which are required to be obtained for carrying out the general business of a project company and which are not specific to the solar power projects; *i.e.*, tax related registrations, shops and establishment registration, employees’ state insurance, employees provident fund, corporate approvals, etc., have not been included in this section.

<b>S.no.</b>	<b>Consents and approvals</b>	<b>Particulars</b>
<b>(A) <u>Applicable permits for solar projects</u></b>		
1.	Registration of the solar power project	Solar power projects are required to be registered with the state nodal agencies, GEDA in Gujarat for availing incentives and RRECL in Rajasthan, as applicable.
	Approvals for overhead transmission lines	Prior to construction by a project company of overhead transmission lines (with voltage exceeding 11kv and outside the premises in its control), the approval from the CEA is required as per Section 68 of the Electricity Act.
	Clearance from the Power and Telecommunication Coordination Committee (“PTCC”)	A clearance from the PTCC is required to be obtained to ensure safety of the personnel and telecom equipment as per Section 160 of the Electricity Act and under Regulation 77 of the CEA (Measures relating to safety and electricity supply)

S.no.	Consents and approvals	Particulars
		Regulations, 2010 before energization of new power lines of 11 kv and above.
	Approval under Section 164 of the Electricity Act	Grant of authorization under Section 164 of the Electricity Act is required to be obtained from the CEA to exercise the powers of a telegraph authority under the Indian Telegraph Act, 1885, for setting up electrical lines for the purposes of transmission of electricity.
	No-objection certificate from the CGWA	If the project company needs to withdraw ground water for the solar project, then a no-objection certificate (“NOC”) should be obtained from the Central Ground Water Authority. The requirements for the NOC would depend on whether the project falls within a notified area or a non-notified area.
	Connection Agreement	The project company is also required to submit an application to the STU/Discom to connect to the state grid. Thereafter, a connection agreement is required to be executed between the generating project company and the relevant transmission licensee prior to the physical interconnection of the solar power project with the state grid.
	Approval of the design and specification of	The Electricity Act, among others, requires the CEIG to certify that any equipment and plant for generation, transmission, distribution or use of energy meets the required safety regulations. This approval is necessary to be obtained prior to the energization of the solar power project.
	Approval for synchronization	Prior to synchronization of the solar power project, the project company is required to secure the approval of the transmission company /the state load despatch centre and GEDA/SECI, as the case maybe, as per the requirements of the PPA.
	Commissioning Certificate	The project company is also required to obtain a commissioning certificate from GEDA or RRECL, as applicable, before it can deliver power. Generally, the commissioning certificate will allow to ascertain the specific date on which the respective units have been commissioned.
	Authorization under Hazardous & Other Wastes (Management and Trans-boundary Movement) Rules, 2016 (“Hazardous Waste Rules”).	The Ministry of Environment, Forest and Climate Change issued an office memorandum dated 7 July 2017, which provides that the disposal of PV cells attracts the provisions of the Hazardous Waste Rules. From a reading of the Hazardous Waste Rules, it seems that any entity, including a solar project engaging in disposal of the PV cells will be required to obtain an authorisation of the relevant state pollution control board prior to such disposal of PV cells.
<p>(B) <u>Additional Permits</u></p> <p>Apart from the permits mentioned in (A) above, the following permits may also need to be obtained in respect of a solar power project, depending on other variable factors affecting the projects, such as the geographical location of the project, the number of workmen deployed or such other factually relevant circumstances affecting the project related activities.</p>		

S.no.	Consents and approvals	Particulars
2.	IEC Code	In the event that any of the equipment, including spares, for the projects is imported into India or to export any equipment out of India, the project company must obtain an import export code from the Ministry of Commerce and Industry, GoI, in accordance with the provisions of Foreign Trade (Development and Regulations) Act, 1992.
	Crossing approvals	If any transmission line forming part of the projects crosses over a village road, national highway, state road (including state highways), river or nallah, then a crossing approval / NOC of the relevant sanctioning authority (such as, Gram Panchayat, National Highway Authority of India, Ministry of Railways or the relevant State Authority) is required to be obtained.
	Approval for storing explosives	If the solar power producer stores or brings fuel oil, explosives and inflammable liquids, gases and chemicals at the project site, it must obtain a license under the Explosives Act, 1884, Explosives Rules, 2008, the Petroleum Act, 1934 and the Petroleum Rules, 2002.
	Height clearance from the Airports Authority of India (“AAI”)	A clearance is required from AAI if a power project is situated within 20 kilometres or less from an Aerodrome Reference Point (“ARP”) of a Visual Flight Rules (“VFR”) airport, and 56 kilometres or less from the ARP of an Instrument Flight Rules (“IFR”) airport.
	NOC from Ministry of Defence if the project is located near an International border or an air force base	The Aircraft Act, 1934 and the Ministry of Civil Aviation (Height Restrictions for Safeguarding of Aircraft Operations) Rules, 2015 (“ <b>MoCA Rules</b> ”) provide that an NOC for height clearance is required to be obtained for constructing or erecting any structure within a radius of 20 kilometres from the ARP of the civil and defence aerodromes as listed out in the MoCA Rules. Further, the MoCA Rules provide that no structure higher than the height specified in Schedule II of the MoCA Rules is required to be constructed or erected within a radius of 20 km from the ARP.
	Approvals under Factories Act, 1948 (“ <b>Factories Act</b> ”) <sup>(1)</sup>  Registration under the Contract Labour (Regulation and Abolition) Act, 1970 (“ <b>CLRA</b> ”)  Registration under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (“ <b>BOCW Act</b> ”) and payment of cess under the Building and Other	If the project company employs 10 or more workers during the operations of the solar project, then it would qualify as a factory under the Factories Act, requiring it to secure the relevant approvals from the Chief Inspector of Factories of the relevant state, including approval of the site and building plan, license to operate factory and certificate of stability.  A certificate of registration under the CLRA and the rules framed thereunder must be obtained from the Labour Department of the relevant state by the principal employer of every establishment, if 20 or more workmen were employed on any day of the preceding 12 months at the factory (which is employing contract labour).  The registration requirement with the Labour Department of the relevant state under the BOCW Act may apply to the project company if it employs or had employed 10 or more building workers on any day of the preceding 12 months. Further, the entity to whom the BOCW Act applies is also required to remit

S.no.	Consents and approvals	Particulars
	Construction Workers Welfare Cess Act, 1996 (“ <b>Cess Act</b> ”)  Registration under the Inter-State Migrant Workmen (Regulation of Employment and Condition of Service) Act, 1979 (“ <b>Migrant Workers Act</b> ”)	‘cess’ to authorities at the rate of 1 percent of the ‘cost of construction’.  Registration under the Migrant Workers Act and the rules framed thereunder is required to be obtained by project company from the Labour Department of the relevant state if 5 or more inter-state migrant workmen are employed by it in Gujarat or Rajasthan, as the case may be, on any day of the preceding 12 months by the solar power producer or its contractor,
	Permission from the gram panchayat; <i>i.e.</i> the village council	Under Section 104 of the Gujarat Panchayats Act, 1993, no person can construct a building within the limits of the village without taking prior permission from the panchayat.  While the Rajasthan Panchayati Raj Act, 1994 does not specifically provide for any approval required from the gram panchayat to construct a building on any land within the jurisdiction of the gram panchayat, there appears to be a requirement in practice to obtain permission from the relevant gram panchayat before undertaking any construction activities on land which falls within the jurisdiction of the gram panchayat.

Note:

- (1) The Code on Social Security, 2020; Industrial Relations Code, 2020; and Occupational Safety, Health and Working Conditions Code, 2020, has been recently passed by the Indian Parliament, consolidating and amalgamating various employment laws in India. These codes are yet to come into force and when they do, certain employment law requirements associated with engaging contract workers, inter-state migrant workers, building and other construction workers would vary in India. The notes here will therefore need to be revisited as and when the new codes come into force.

### ***Real Estate Regulations***

In India, the primary modes of transfer of immovable property are sale and lease and the central laws pertaining to which are provided for under the Transfer of Property Act, 1882 (“**TPA**”). The provisions of the TPA deal with lease of immovable property (including the rights and liabilities of lessor and lessee, form of lease, transfer of lease, determination of lease and so on), as well as sale of immovable property (including types of sale and rights and liabilities of buyer and seller).

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (“**LARR Act**”) has been enacted by the GoI; and is the general unified legislation dealing primarily with: (i) the acquisition of land for public purposes by the Government or for/on behalf of private companies or public sector undertakings (for a public purpose); (ii) for providing fair compensation; and (iii) to make adequate provisions for rehabilitation and resettlement of the persons affected. The provisions of the LARR Act relating to land acquisition, compensation, rehabilitation and resettlement, may also be made applicable on sale and purchase of land acquired through private negotiations.

### ***Forest Lands***

Diversion and use of government owned land notified as forest land is regulated in terms of primarily the Forest Conservation Act, 1980 (“**Forest Conservation Act**”). Under the Forest Conservation Act, prior approval of the GoI is required before a state government can 'de-reserve' / use / assign forest land to a private person or corporation, for non-forest purposes. In addition, GoI has also promulgated the Forest (Conservation) Rules, 2003, wherein detailed guidelines have been prescribed for submission of proposals for diversion of forest land for non-forest purposes under the Forest Conservation Act.

## **Laws applicable to acquisition of land in Gujarat**

### ***Tenancy Laws***

In Gujarat, acquisition of privately-owned agricultural land is governed by various tenancy laws, (applicable in distinct areas of the state), read along with the provisions Gujarat Land Revenue Code, 1879 (“**Gujarat Land Revenue Code**”). The aforesaid tenancy laws are set out hereunder:

- Gujarat Tenancy and Agricultural Lands (Vidharba Region and Kutch Area) Act, 1958, applicable to the Vidarbha and Kutch Regions;
- Saurashtra Gharked Tenancy Settlement and Agricultural Land Ordinance, 1949, applicable to the Saurashtra Region; and
- Gujarat Tenancy and Agricultural Lands Act, 1948, applicable to the remaining regions of Gujarat.

### ***Conversion of agricultural land for non-agricultural purposes***

As per the Gujarat Land Revenue Code, if an occupant of agricultural land wishes to use his land for non-agricultural purposes, then the District Collector’s prior approval must be obtained by such occupant. In the alternative, if the occupant of agricultural land wishes to use such land for a bona fide industrial purpose, it will be lawful for such occupant to use the land for such purpose, without the permission of the District Collector, subject to fulfilment of the conditions set out in the Gujarat Land Revenue Code.

### ***Ceiling Restrictions***

The Gujarat Agricultural Land Ceilings Act, 1960 (“**Gujarat Ceiling Act**”) comprises *inter alia* restrictions (in terms of quantum) applicable to the acquisition of agricultural land. Under the Gujarat Ceiling Act, a person (including a private company) is not permitted to hold agricultural land in excess of the ceiling limits, either as an owner or as a tenant; and in this regard, the ceiling limits are set for each category of agricultural land (for example, dry crop land, seasonally irrigated land, land irrigated by private source etc.) with an upper limit of 21.85 hectares. The Gujarat Ceiling Act also sets out provisions for exemption from ceiling restriction.

### ***Government Land***

Section 60 of the Gujarat Land Revenue Code read with Rule 42 of the Gujarat Land Revenue Rules, 1972 provides that unoccupied government land required for non-agricultural purposes may be allotted by the District Collector by auction or in its discretion under private arrangement (on a leasehold basis) upon payment of a price fixed by the District Collector.

### ***Gujarat Solar Policy***

The Gujarat Policy 2015 provides that the developer is responsible for obtaining the land for setting up the solar project. Similar provisions are present under the Gujarat Policy 2021 as well.

### ***Gujarat Wasteland Allotment Policy for Renewable Parks***

The Gujarat Wasteland Allotment Policy for Renewable Parks (comprised in the resolutions passed by the GoG dated 25 January 2019 and 29 July 2019, as amended on 14 September 2020), in addition to providing the procedure to be followed for the allotment of government wastelands to renewable energy park developers, provides that government wastelands (if allotted) shall be provided on a leasehold basis, for a tenure of 40 years (comprising 5 years for the development of the project and 35 years for the operations thereof). The policy also allows sub-leasing of such lands by the developer of the project to the eventual power producers, amongst other conditions relating to the use, allotment and transfer thereof.

## **Laws applicable to acquisition of land in Rajasthan**

### ***Rajasthan Tenancy Act and Rajasthan Revenue Act***

The Rajasthan Tenancy Act, 1955 (“**Rajasthan Tenancy Act**”) was enacted with a view to regulate the tenancies of agricultural lands and to provide for certain measures of land reforms in relation to the same. Similarly, the Rajasthan Revenue Act, 1956 (“**Rajasthan Revenue Act**”) aims to consolidate and amend various laws in relation to land and the revenue payable in relation to the same.

### ***Ceiling Limits***

The Rajasthan Imposition of Ceiling on Agricultural Holding Act, 1973 (“**Rajasthan Ceiling Act**”) as amended *vide* the Rajasthan Imposition of Ceiling on Agricultural Holdings (Amendment) Act, 2020, (“**Ceiling Amendment Act**”), was enacted with a view to reduce the disparity in holding agricultural land and the concentration of such land with a few persons. In Rajasthan, the ceiling limit is prescribed basis the nature/class of agricultural land; *i.e.* fertile, semi-fertile, hilly, desert etc., and no person (including a company, whether incorporated or not) can acquire, through any mode of conveyance, agricultural land in excess of the applicable ceiling limit, except with the approval of the GoR.

### ***Conversion of Agricultural Lands***

Although prior permission from the GoR is mandatory as per the Rajasthan Revenue Act for the non-agricultural use of agricultural lands, the Rajasthan Land Revenue (Conversion of agricultural land for non-agricultural purposes in rural areas) Rules, 2007 (“**Rajasthan Conversion Rules**”) provide that for leasing agricultural land for solar power projects, conversion is not mandatory and an intimation to the relevant jurisdictional authority and the RRECL, 30 days before the commencement of non-agricultural use, will be sufficient.

### ***Rajasthan Solar Policy***

The Rajasthan Solar Policy comprises of provisions relating to allotment/procurement of government land as well as private land for establishing solar power projects/solar park.

### ***Land Tax***

It is relevant to highlight that recently, the Finance Department (Tax Division), GoR *vide* notification dated 30 March 2020 (“**GoR Notification**”) has notified the rates of land tax payable on a yearly basis on various categories of land, pursuant to the provisions of the Rajasthan Land Tax Act, 1985 and the Finance Act, 2020. The GoR Notification sets out that the rate for land tax payable for industrial lands is INR 2 per square meter for lands (in excess of 10,000 square meters). In view of this, the Finance Department (Tax Division) has issued notices to various solar power project developers operating in Rajasthan, demanding the land tax for certain periods, along with penalties and interest. From the information available in public domain, the issuance of notices and levy of land tax on renewable projects has been challenged by state and national renewable energy organisations.



### Measurable Targets (in MW) for the Renewable Energy Sector, Philippine Energy Plan, 2017-2040

TECHNOLOGY	Installed Capacity (as of 2010)	Target Capacity Addition (2011-2020)	Installed Capacity as of 31 December 2020 <sup>(1)</sup>
Geothermal	1,966	1,320	1,928
Hydro	3,400	3,502	3,779
Biomass	39	277	483
Wind	33	1,903	1,019
Solar	1	274	443
Ocean	-	36	-
<b>TOTAL</b>	<b>5,439</b>	<b>7,312</b>	<b>7,653</b>

Note:

(1) Latest available from the Philippine Department of Energy website as of 22 March 2022.

#### *The Renewable Energy Act of 2008*

On 16 December 2008, then President Gloria Macapagal-Arroyo signed into law Republic Act No. 9513, also known as the Renewable Energy Act of 2008 (the “RE Law”). The RE Law then took effect on 31 January 2009. It aims to accelerate the development and exploration of renewable energy resources in the country such as wind, hydro, and geothermal energy sources to achieve energy self-reliance and independence. It also aims to increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives.

With this Act, it is envisioned that the country will aggressively develop resources such as solar, biomass, geothermal, hydropower, wind, and ocean energy technologies. The said law is also expected to mitigate the global problem of climate change.

Specifically, the law provides prospective proponents in renewable energy with the following benefits and advantages:

#### 1. Market

- a. Renewable portfolio market – all registered suppliers of electricity will have to source a certain percentage of their supply from eligible renewable energy sources
- b. Renewable energy market – refers to the market (to be incorporated in the WESM) where the trading of renewable energy certificates to an amount generated from renewable energy resources is made;
- c. Green option – provides end-users with the option to choose renewable energy resources as their sources of energy; also allows end-users to directly contract from renewable energy facilities their energy requirements distributed through their utilities; and
- d. Net metering for renewable energy – allows a user of renewable energy technology (e.g., solar) to sell back to a utility at the latter’s retail price any excess in generation from the house electricity consumption.

#### 2. Pricing mechanism through a FIT system

- a. Allows a fixed price of electricity from renewable energy sources for twelve (12) years, to be determined by the ERC in consultation with the National Renewable Energy Board (“NREB”) within one (1) year upon the effectivity of the law and priority purchase, transmission, and payment from the national grid; and
- b. Mandated for electricity produced from wind, solar, ocean, run-of-river hydropower, and biomass.

3. Access to the grid through transmission and distribution system development
  - a. Requires the Transmission Corporation and DUs to include required connection facilities for renewable energy-based projects in the Transmission and Distribution Plans subject to the approval of the DOE; and
  - b. Connection facilities of renewable energy plants, including the extension of transmission and distribution lines, shall be subject only to ancillary services covering such connections.

The DOE is the lead government agency tasked to implement the provisions of the RE Law. The IRR of the RE Law were released in May 2009 and presented the guidelines on the implementation of the various fiscal and non-fiscal incentives provided by the law, which include the following:

#### Renewable Portfolio Standards (RPS)

On 22 December 2017, the DOE signed the landmark Department Circular No. 2017-12-0015 promulgating the “Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards RPS for On-Grid Areas” or the “RPS On-Grid Rules.”

The RPS On-Grid Rules mandates all electric power industry participants, including DUs for their captive customers, suppliers of electricity for Contestable Market, and generating companies to the extent of their actual supply to their directly connected customers, to source or produce a specified portion of their electricity requirements from eligible renewable energy resources including biomass, geothermal, solar, hydro, ocean, and wind. The RPS On-Grid Rules establishes a minimum annual RPS requirement and minimum annual incremental percentage of electricity sold by each mandated participant which shall, in no case, be less than one percent (1%) of such mandated participant’s annual energy demand over the next ten (10) years.

#### FIT System

On 27 July 2012, the ERC approved the initial FIT rates that shall apply to generation from Run-of-River Hydro, Biomass, Wind, and Solar. The said FIT rates are as follows: ₱5.90/kwh for Run-of-River Hydro, ₱6.63/kwh for Biomass, ₱8.53/kwh for Wind, and ₱9.68/kwh for Solar. The ERC, however, deferred fixing the FIT for Ocean Thermal Energy Conversion Resource for further study and data gathering. The decision came after a series of public hearings ending in March 2012, on the petition of the NREB for the setting of the FIT rates.

Under the RE Law, all qualified and registered generating plants with intermittent renewable energy resources shall enjoy the benefit of priority dispatch. Priority purchase, transmission, and payment for such electricity is also provided for by the RE Law. Furthermore, all renewable energy generators are ensured of payment for electricity generated via the FIT scheme for a period of twenty (20) years.

On 17 May 2013, Guimaras Wind received DOE’s Declaration of Commerciality (“DOC”) for the San Lorenzo Project (the “Project”). The DOC means that the Project will be eligible to avail of the FIT, but only upon successful completion and commissioning of the Project.

On 23 November 2015, the ERC issued a Decision in ERC Case No. 2015-002RM entitled “In the Matter of the Adoption of the Amendments to Resolution No. 10, Series of 2012, entitled “A Resolution Approving the Feed-in-Tariff (FIT) Rates” (FIT Rules), Particularly for WIND FIT Rates, as necessitated by the review and re-adjustment of the WIND FIT since the Installation Target for Wind Technology has already been achieved.”

In the said Decision, the ERC approved a FIT2 in the amount of PhP 7.4000/kWh for Guimaras Wind, Petrowind Energy Inc., and Alternergy Wind One Corporation.

- c. The NGCP and all DUs are mandated to include the required connection facilities for renewable energy-based electricity in their transmission and distribution development plans. They are also required to effect the connection of renewable energy-based power facilities with the grid, upon the approval of the DOE, at the start of their commercial operations. The ERC shall provide the mechanism for the recovery of the cost of these connection facilities.

d. The RE Law provides for the following fiscal incentives:

- Income tax holiday for a period of seven (7) years from the start of commercial operation;
- Exemption from duties on renewable energy machinery, equipment, and materials;
- Special realty tax rates on equipment and machinery;
- Net operating loss carry over (“NOLCO”) of the renewable energy developer during the first three (3) years from start of commercial operation shall be carried over for the next seven (7) consecutive taxable years immediately following the year of such loss;
- Corporate tax rate of ten percent (10%);
- Accelerated depreciation;
- Zero percent (0%) value-added tax on energy sale;
- Tax exemption of carbon credits; and
- Tax credit on domestic capital equipment and services related to the installation of equipment and machinery.

*National Renewable Energy Board (NREB) and the Renewable Energy Management Bureau (REMB)*

For purposes of promoting the development of renewable energy resources, two new government bodies were created under the R.A 9513 or the RE Law – the NREB and the REMB.

NREB will serve as the recommending body on renewable energy policies and action plans for implementation by the DOE. As provided under Section 27 of the RE Law, the powers and functions of the NREB are as follows:

- Evaluate and recommend to the DOE the mandated RPS and minimum RE generation capacities in off-grid areas, as it deems appropriate;
- Recommend specific actions to facilitate the implementation of the National Renewable Energy Program (“NREP”) to be executed by the DOE and other appropriate agencies of government and to ensure that there will be no overlapping and redundant functions within the national government department and agencies concerned;
- Monitor and review the implementation of the NREP, including compliance with the RPS and minimum RE generation capacities in off-grid areas;
- Oversee and monitor the utilization of the Renewable Energy Trust Fund created pursuant to Section 28 of the Renewable Energy Law and administered by the DOE; and
- Perform such other functions, as may be necessary, to attain the objectives of the RE Law.

The NREB shall be composed of a Chairman and one (1) representative each from the DOE, Department of Trade and Industry, DENR, NPC, NGCP, PNO, and PEMC shall be designated by their respective secretaries to the NREB on a permanent basis. The Board shall also have one (1) representative each from the following sectors: (1) renewable energy developers, (2) government financial institutions, (3) private DUs, (4) electric cooperatives, (5) electricity suppliers, and (6) non-government organizations (NGOs), duly endorsed by their respective industry associations and all to be appointed by the President of the Republic of the Philippines.

On the other hand, REMB was created for the purpose of implementing the provisions of the RE Law. The REMB shall replace the Energy Utilization Management Bureau under the DOE.

The powers and functions of the REMB are as follows:

- Implement policies, plans, and programs related to the accelerated development, transformation, utilization and commercialization of renewable energy resources and technologies;
- Develop and maintain a centralized, comprehensive, and unified data and information based on renewable energy resources to ensure the efficient evaluation, analysis, and dissemination of data and information on renewable energy resources, development, utilization, demand, and technology application;
- Promote the commercialization / application of renewable energy resources including new and emerging technologies for efficient and economical transformation, conversion, processing, marketing, and distribution to end users;

- Conduct technical research, socio-economic, and environment impact studies of renewable energy projects for the development of sustainable renewable energy systems;
- Supervise and monitor activities of government and private companies and entities on renewable energy resources development and utilization to ensure compliance with existing rules, regulations, guidelines, and standards;
- Provide information, consultation, and technical training and advisory services to developers, practitioners, and entities involved in renewable energy technology and develop renewable energy technology development strategies; and
- Perform other functions that may be necessary for the effective implementation of the RE Law and the accelerated development and utilization of renewable energy resources in the country.

### ***Environmental Laws***

The Company's power generation operations are subject to extensive, evolving, and increasingly stringent safety, health, and environmental laws and regulations. These laws and regulations, such as R.A. 8749 or the Clean Air Act and R.A. 9275 or the Philippine Clean Water Act, address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment, and disposal of toxic or hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. ACEN and its subsidiaries have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. The Company and its subsidiaries spend at least PhP 2.24 Million annually for emissions testing to comply with safety, health, and environmental laws and regulations.

### ***Human Capital***

As of 22 March 2022, ACEN has two hundred seven (207) employees. Of the total employees, one hundred twenty-four (124) are managers and officers, seventy-five (75) are supervisors, and eight (8) are nonsupervisory employees. The Company has the intention of hiring twenty-nine (29) additional employees for the ensuing months.

The Company has no Collective Bargaining Agreement with its employees. No employees went on strike within the past three (3) years nor are they planning to go on strike.

The relationship between management and employees has always been of coordination and collaboration. The Company believes that professionalism, open communication, and upright engagement between management and employees are the effective ways to resolve workplace concerns.

Aside from compensation, the Company's employees are given medical, hospitalization, vacation and sick leave, and personal accident insurance benefits. There are also medical benefits from the Company that extends to employee's dependents. Also, the Company has a retirement fund based on statutory benefits. It is a funded, noncontributory, defined benefit pension plan covering all full-time employees of ACEN. The benefits are based on tenure and remuneration at the time of retirement.

## **SUSTAINABILITY AT ACEN**

### **Towards a Net Zero Future**

In October 2021, ACEN declared its commitment to reach net zero greenhouse gas emissions by 2050 or earlier together with the Ayala group, aligning with the global movement for climate action as its way to help secure the country's future from the threats brought by climate change. This commitment will be supported by the following key milestones that will accelerate the Company's energy transition:

- Transitioning the Company's generation portfolio to 100% renewable energy by 2025
- ACEN management to use the Energy Transition Mechanism (ETM) for the early retirement of its remaining coal plant, SLTEC by 2040, 15 years ahead of its technical life.

## **ACEN and the Just Energy Transition**

ACEN recognizes that companies have a key role to play in contributing to this urgent global shift to address climate change and transition to a net-zero economy, and it is imperative to do so in a way that is focused on workers, communities, and consumers.

Together with the Council for Inclusive Capitalism, along with international energy-intensive companies, academic institutions, investing firms, and civil and social organizations, ACEN developed a framework for a just energy transition to provide concrete guidance that companies of all industries can use to lead a swift energy transition that benefits all involved.

## **Protecting the Environment**

ACEN currently monitors and protects over 1,125 hectares of forestlands and habitats spread over 15 sites in the Philippines. The Company conducts biodiversity assessments periodically to determine the types of species on these project sites and their vulnerability status, and invests in habitat protection and restoration.

### **The Conservation Estate in Ilocos Norte**

Since reforestation initiatives began in the 700-hectare Conservation Estate in 2014, close to 450,000 seedlings have been planted, including endemic and fruit-bearing trees. The area has become an important wildlife habitat in the Northern Luzon region, and the forests witness an increase in biodiversity as ACEN, with the help of the locals, create an ecologically diverse landscape through analogue forestry. ACEN is constantly working with local communities, creating awareness on coastal environment protection, turtle conservation and biodiversity, to help them understand how their livelihood is directly linked to the natural resources and wildlife.

### **Turtle Conservation**

ACEN, through its wind farms in Ilocos Norte, NLR and NorthWind, has taken significant strides in boosting its turtle conservation program within its host communities by partnering with the Marine Wildlife Watch of the Philippines (“MWWP”), an organization advocating for the conservation and protection of marine-wildlife and their habitats. Aside from the ongoing awareness and training programs on environmental preservation and biodiversity being conducted by ACEN for the local communities in Bangui and Pagudpud, and the continuous coordination with DENR and the local government, through the new partnership with MWWP, a Pawikan Conservation Action Plan will now serve as a framework for the Company, its partners, and stakeholders in the rollout of an enhanced turtle conservation program. Through a comprehensive review of socio-ecological baseline studies, monitoring reports and existing training programs, as well as field visits and meetings with local stakeholders, the MWWP will be able to provide guidelines on threat management and resource protection to ensure the protection of the endangered species. The consultant will also assess current capacities of the local communities to be able to design appropriate training programs and workshops for a fortified program.

### **Marine Life Support**

In November 2021, ACEN’s Guimaras Wind Corporation partnered with the Municipality of Dumangas to lead a pioneering coastal project with the goal of rehabilitating over 90 hectares of fish sanctuary and installing over 200 artificial reefs along the Dumangas Strait. To sustainably cultivate marine biodiversity along the coast of Western Visayas, man-made reef structures were installed to mimic the qualities of natural reefs to provide shelter and protection for marine creatures in the shallow waters of the strait. The artificial reefs were installed by workers tapped through the Sustainable Livelihood Program of the Municipal Social Welfare and Development.

In Batangas, to help protect the Calatagan coastline, SLTEC collaborated with the DENR in February 2021 to support and monitor the growth of a 10-hectare mangrove plantation in the province. The mangrove adoption underpins the National Greening Program of the DENR that aims to onboard responsible stewards of nature to restore, rehabilitate, and develop the wide expanses of wetlands.

### **Circular Approach**

In a pioneering move, ACEN has piloted the circularity approach in its 120 MW solar plant in Alaminos, Laguna construction site, diverting away from landfills a total of 32,540 kg of plastic collected from the solar panel packaging materials – or the equivalent of about 25 compact size cars – to be upcycled into eco-bricks and utilize in building the solar plant facilities.

ACEN aims to scale up this waste management program and implement it in the Company’s project developments in the Philippines, a significant stride towards its environmental and sustainability goals. The Company is also exploring to extend this circular approach within its project locations by developing Eco-hub recycling facilities through partnerships with the local community, through the segregation of garbage, and the set-up of collection points in sari-sari stores, groceries, markets, and shops where plastic products are usually found. These partnerships aim to provide sustainable supply chains with community involvement, a key objective of the Eco Hub recycling facility.

### **Social Investments**

As a priority focus area in its sustainable growth, ACEN believes that the socio-economic progress of its host communities must be in parallel with the Company’s business success. In supporting the communities’ self-reliance and economic security, ACEN is able to create shared value.

Since 2019, ACEN has invested over Php234.10 million towards its partner host communities. As of 2021, the Company has uplifted close to 49,977 individuals and 41,269 households through its community initiatives, engaging in a range of social development initiatives to ensure the health and livelihood of the local communities.

### **Championing Education**

With the landscape for learning seemingly transformed overnight because of COVID-19, ACEN ensured continuity in education through a nationwide rollout of the “Brigada ng Ayala” program, the Ayala group’s response to the Department of Education’s Brigada Eskwela program, with the objective to meet the urgent needs of students and teachers as they continuously adopt to distance learning. Together with the Ayala Foundation, ACEN’s power plants distributed “Educare” hygiene kits to schools to keep learners and educators alike safe and productive despite the threat of the pandemic. Each kit contains alcohol, bars of soap, face masks, and face shields, among other items. ACEN’s plants also distributed various materials for distance learning to more than 200 schools across the nation including pocket WiFi for internet connection, and ink cartridges for the printing of required modules. Handwashing stations and thermal scanners were also distributed to aid in mitigating the spread of the pandemic.

### **Katunggan Eco Park**

In Leganes, an abandoned fishpond in Barangays Gua-an and Nabitasan that now stands as the Katunggan Ecopark mangrove forest will benefit from ACEN’s latest partnership with the local government that will see the construction of a 120-meter boardwalk. The Katunggan Eco Park is a designated center of learning and a crucial part of the municipality’s tourism circuit, and the soon to be launched boardwalk will serve as the main access to its Pavillion, Bird Observation Tower and Viewing Deck, and will provide a significant push for the park’s promotion.

### **Disaster Assistance Programs**

With the increase in force and frequency of natural disasters, along with recovery costs, ACEN has always ensured the quick implementation of measures to mitigate these events and leverage on the Ayala Group's strengths.

With the devastating impact of Typhoon Odette and the trail of destruction that it left across six regions in Visayas and Mindanao, ACEN launched a series of relief assistance for the affected communities, immediately forming a dedicated crisis management team focused on real-time coordination to directly address issues on the ground. In true Bayanihan spirit, ACEN, together with the Ayala group's Brigada ng Ayala program, mobilized teams to cascade food relief, medical supplies, cash donations, and other emergency supplies to communities in Negros and Cebu immediately after the storm's landfall on 16 December 2021. With the priority to reach as many people in need at the earliest time possible, the relief goods were flown in *via* helicopters due to the unpassable roads in the typhoon's aftermath.

ACEN responded to the needs of its own host communities in Negros by setting up charging stations in its solar plants, and installing a water filtration system to provide drinking water to the locals. In Bais City, Negros Oriental, 3,000 families received grocery items, sacks of rice and clean, drinking water. Across the Panay Gulf, ACEN's Guimaras Wind distributed corrugated GI sheets to 56 families in four barangays whose houses were damaged by the typhoon.

More information on the Company's sustainability efforts can be viewed at <https://acen.com.ph/sustainability/>.

A copy of the Company's 2020 Integrated Report may be accessed *via* <https://acen.com.ph/wp-content/uploads/2021/05/ACEN-2020-Integrated-Report-for-web-2.pdf>.

A copy of the Company's Integrated Report for the year 2021 will be provided to stockholders of record *via* <https://acen.com.ph/ac-energy-ir-2021/>.

## RISK FACTORS RELATED TO THE BUSINESS

### Risks Relating to the Company and its Businesses

***Increased competition in the power industry, including competition resulting from legislative, regulatory and industry restructuring efforts could have a material adverse effect on the Company's operations and financial performance.***

The Company's success depends on its ability to identify, invest in and develop new power projects, and the Company faces competition to acquire future rights to develop power projects and to generate and sell power. No assurance can be given that the Company will be able to acquire or invest in new power projects successfully.

In recent years, the Philippine government has sought to implement measures designed to establish a competitive power market. These measures include the planned privatization of at least 70% of the NPC-owned-and-controlled power generation facilities and the grant of a concession to operate transmission facilities. The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources, and have more extensive experience than the Company, giving them the ability to respond to operational, technological, financial and other challenges more quickly than the Company. These competitors may therefore be more successful than the Company in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and to sell electricity at a lower price. The Company may therefore be unable to meet the competitive challenges it will face.

The impact of the ongoing restructuring of the Philippine power industry will change the competitive landscape of the industry and such changes are expected to affect the Company's financial position, results of operations and cash flows in various ways.

Any decision to develop and construct power projects in various jurisdictions, including, but not limited to, the Philippines, Indonesia, Vietnam, India and Australia, will be made after careful consideration of regulatory requirements, availability of fiscal incentives, market conditions (including the demand and supply conditions), land availability, and other considerations. For those jurisdictions that require participation through a competitive bidding process or through the submission of a formal proposal, in which the Company will need to compete for projects based on pricing, technical and engineering qualifications, the financial condition of the Company, availability of land, access to financings, track record and other specifications of the proposed project, the bidding or proposal submission process and selection process may be affected by a number of factors, including factors which may be beyond the Company's control, such as market conditions or government incentive programs. In such cases, the Company may not acquire the rights to develop new power projects in the event that the Company misjudges its competitiveness when submitting its bids or proposals or, where bidding includes price competition, if the Company's competitors have more competitive pricing. The ability of the Company's competitors to access resources that it does not have access to, including labour and capital, may prevent the Company from acquiring additional power projects in strategic locations or from increasing its generating capacity, and the Company may not be able to expand its business as a result.

***The Company may not successfully implement its growth and other strategic objectives and the impact of acquisitions and investments could be less favourable than anticipated.***

As part of its business strategy, the Company continues to carry out acquisitions and investments of varying sizes, some of which are significant, as well as develop additional power projects. This strategy may require entering into strategic alliances and partnerships and will involve substantial investments. In addition, the Company may from time to time divest its interests in certain of its assets in order to realise value or to structure its portfolio to align with the Company's long-term objectives. The Company's success in implementing its strategic priorities will depend on, among other things, its ability to identify and assess potential partners, investments and acquisitions, successfully finance, close and integrate such investments and acquisitions, control costs, identify value realisation initiatives and potential purchasers, and maintain sufficient operational and financial controls.



The Company's strategic initiatives could place significant demands on the Company's management and other resources. The Company's future growth may be adversely affected if it is unable to make these investments, form these partnerships or engage in value realisation and portfolio restructuring initiatives, or if the Company's investments and partnerships prove unsuccessful. Further, the Company's strategic goals, including acquisitions and investments, involve numerous risks, including, without limitation, the following: (i) the assumptions used in the underlying business plans may not prove to be accurate, in particular with respect to synergies and expected demand; (ii) the Company may not integrate acquired businesses, technologies, products, personnel, and operations effectively; (iii) the Company may fail to retain key employees, customers and suppliers of the companies acquired; (iv) the Company may be required or wish to terminate pre-existing contractual relationships, which could be costly and/or on unfavourable terms; and (v) the Company may increase its indebtedness to finance these acquisitions. As a result, it is possible that the expected benefits of completed or future acquisitions, investments, or value realisation or portfolio restructuring initiatives may not materialise within the time periods or to the extent anticipated and may affect the Company's financial condition.

The Company may not be able to identify suitable acquisition, investment, value realisation and portfolio restructuring opportunities or make acquisitions, investments, value realisations or portfolio restructuring, on beneficial terms, or obtain financing necessary to complete and support such acquisitions and investments. Regulation of merger and acquisition activity by relevant authorities or other regulators may also limit the Company's ability to engage in future acquisitions or mergers. The impact on the Company of any future acquisitions or investments cannot be fully predicted and any of the risks outlined above, should they materialise, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***The operations of the Company's power projects are subject to significant government regulation, including regulated tariffs such as FIT, and the Company's margins and results of operations could be adversely affected by changes in the law or regulatory schemes.***

The Company's inability to predict, influence or respond appropriately to changes in law or regulatory schemes, including any inability or delay in obtaining expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, or any inability or delay in obtaining or renewing permits for any facilities, could adversely impact the Company's results of operations and cash flow. Furthermore, changes in laws or regulations or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, particularly utilities where electricity tariffs are subject to regulatory review or approval, could adversely affect the Company's business, including, but not limited to:

- adverse changes in tax law;
- changes in the timing of tariff increases or in the calculation of tariff incentives;
- change in existing subsidies and other changes in the regulatory determinations under the relevant concessions;
- other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business; or
- other changes that have retroactive effect and/or take account of revenues previously received and expose power projects to additional compliance costs or interfere with the Company's existing financial and business planning.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect the Company's results of operations.

For renewable energy assets, pricing is fixed by regulatory arrangements which operate instead of, or in addition to, contractual arrangements. To the extent that operating costs rise above the level approved in the tariff, the Company's businesses that are subject to regulated tariffs would bear the risk. During the life of a project, the relevant government authority may unilaterally impose additional restrictions on the project's

tariff rates and related payments, subject to the regulatory frameworks applicable in each jurisdiction. For example, in April 2021, the ERC released a public advisory that there will be a moratorium on the imposition of interest on delayed FIT payments due to the COVID-19 pandemic. This moratorium will be imposed for six billing periods from the relevant billing period wherein the interest had first been incurred. While the moratorium is not expected to have a significant impact on ACEN cash flows, future tariffs or changes to existing tariffs and the collection of payments in the future may not permit the project to maintain current operating margins, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***Failure to obtain financing on reasonable terms or at all could adversely impact the execution of the Company's expansion and growth plans.***

The Company's expansion and growth plans are expected to require significant fund raising. As part of the Company's current strategy to reach 5,000 MW of renewable energy capacity by 2025, the Company estimates that it will require around U.S.\$2 billion. The Company's continued access to debt and equity financing as a source of funding for new projects, acquisitions and investments, and for refinancing maturing debt is subject to many factors, including: (i) laws, regulations, and internal bank policies limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers; (ii) the Company's compliance with existing debt covenants; (iii) the ability of the Company to service new debt; (iv) the macroeconomic fundamentals driving credit ratings of the Philippines and other jurisdictions; and (v) perceptions in the capital markets regarding the Company and the industries and regions in which it operates and other factors, some of which may be outside of its control, including general conditions in the debt and equity capital markets, political instability, an economic downturn, social unrest, changes in the regulatory environments where any power projects are located or the bankruptcy of an unrelated company operating in one or more of the same industries as the Company, any of which could increase borrowing costs or restrict the Company's ability to obtain debt or equity financing. There is no assurance that the Company will be able to arrange financing on acceptable terms, if at all. Any inability of the Company to obtain financing from banks and other financial institutions or from capital markets would adversely affect the Company's ability to execute its expansion and growth strategies.

***The Company's international businesses and results of operations are subject to the macroeconomic, social and political developments and conditions of the countries where the Company's portfolio of projects are located.***

The Company's portfolio of power projects in operation and under construction include those located in Australia, Indonesia, Vietnam, and India, with plans for further international expansion in other countries such as South Korea and Taiwan through its joint ventures. International operations and plans for further international expansion may be affected by the respective domestic economic and market conditions as well as social and political developments in these countries, government interference in the economy in certain countries, and changes in regulatory conditions. There is no guarantee that the Company's operations as well as expansion plans will be successful in those countries and the Company cannot provide assurance of effective mitigation to systemic risks in those countries. The Company's financial condition, prospects and results of operations could be adversely affected if it is not successful internationally or if these international markets are affected by changes in political, regulatory, economic and other factors, over which the Company has no control.

For example, in October 2019, the Group disclosed plans to form a joint venture with the Yoma Group, to invest in Yoma Micro Power and jointly explore developing renewable energy projects within Myanmar. Pursuant to this undertaking, AC Renewables International provided development loans to the Yoma Group amounting to U.S.\$24.0 million. Due to the current situation in the country, plans in Myanmar have currently been put on hold. The Group takes a long-term view on its investment in Myanmar and continues to monitor the situation closely.

Changes in tax policies, affecting tax exemptions and tax incentives could also adversely affect the Company's results of operations. Certain Associates of the Company are registered with the BOI and the Philippine Economic Zone Authority as new operators with pioneer status and non-pioneer status for greenfield projects and benefit from certain capital tax exemptions and tax incentives, deductions from taxable income subject to certain capital requirements and duty-free importation of capital equipment, spare parts and accessories.

If these tax exemptions or tax incentives expire, are revoked, or are repealed, the income from these sources will be subject to the corporate income tax rate, which is 25% of net taxable income. As a result, the Company's tax expense would increase, and its profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, and any associated impact on the Company, could have a material adverse effect on the Company's business, financial condition and results of operations.

***COVID-19, future pandemics, epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition and results of operations.***

In December 2019, an outbreak of the novel coronavirus ("COVID-19") occurred in China and spread to other countries, including the Philippines. On 10 March 2020 the World Health Organization characterized COVID-19 as a pandemic.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact its suppliers' ability to deliver, which could delay the construction of the Company's projects.

In a move to contain the COVID-19 outbreak, on 13 March 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective 15 March 2020. On 16 March 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine ("ECQ") throughout the island of Luzon until 12 April 2020, unless earlier lifted or extended. On 24 March 2020, Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the "**Bayanihan Act**") into law, which confers emergency powers on the President of the Philippines. On 25 June 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement. On 11 September 2020, Republic Act No. 11494, the Bayanihan to Recover as One Act (the "**Bayanihan 2 Act**") was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte was in effect until 19 December 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same." The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly instalments. On 17 November 2020, House Bill No. 8031 or the Bayanihan to Arise as One Act, was filed which proposes to extend the effectivity of Bayanihan 2 Act until 4 June 2021 to ensure its full implementation. On 29 December 2020, the Congress passed Republic Act No. 11519, extending the availability of appropriations under Bayanihan 2 until 30 June 2021.

On 1 June 2021, the House of Representatives approved on final reading House Bill No. 9411 or the Bayanihan to Arise as One bill ("**Bayanihan 3 Bill**"), which proposes a stimulus budget amounting to ₱401 Billion which will serve as financial aid and cash subsidy to Filipinos impacted by the COVID-19 pandemic. The Bayanihan 3 bill is currently pending before the Senate of the Philippines. Due to the increasing number of Delta variant cases in the Philippines, Metro Manila was placed under ECQ from 6 August to 20 August 2021, while the rest of the country (including Metro Manila after 20 August 2021) is under various degrees of general community quarantines for the month of August 2021.

Other countries where the Company operates such as Vietnam, Australia, Indonesia, and India were also affected by COVID-19 and their respective governments have reacted in varying degrees of social and economic control to mitigate the spread. To support their economies and local businesses, the various national governments have initiated various fiscal and monetary programs.

Vietnam, one of the few countries that initially managed to effectively contain the spread of COVID-19, began its response to the pandemic with a ban on all flights coming from China beginning 1 February 2020. On 3

March 2020, Prime Minister Nguyen Xuan Phuc announced a U.S.\$1.16 billion fiscal stimulus package from the government's contingency budget. The package included tax breaks, delayed tax payments, and government spending on infrastructure. The government has delayed collecting an estimated U.S.\$7.6 billion in value-added tax, corporate income tax, and land rent from various businesses and households for five months starting April. As the pandemic progressed, the country went into a national lockdown on 1 April 2020. Shortly thereafter, the government announced plans for a U.S.\$2.6 billion fiscal package to support those most affected by the pandemic. Under the new package, those displaced from their jobs received about U.S.\$76 per month through June 2020, low-income households collected about U.S.\$42 per month, and those who "rendered services to the state during the revolution" were sent about U.S.\$22 a month. By 25 April 2020, the government began releasing guidelines that allowed certain areas of Vietnam to lift quarantine measures once virus containment has been proven. Throughout May to July 2020, Vietnam attempted to reopen its economy, gradually allowing in-land travel as well as the resumption of flights to and from China. As Vietnam began to revive its tourism industry, a number of cases were detected, and the government immediately imposed lockdowns in select localities. Vietnam has since witnessed multiple waves of COVID-19 cases. Following the emergence of the Delta variant of the virus, the number of cases detected in the country has seen a sharp increase from just about 10,000 total cases in June 2021 to about 190,000 in early August 2021, this has caused the government to impose several lockdowns for its biggest cities.

The current project construction in Vietnam has been impacted by the recent COVID-19 outbreak in the country, wherein stricter restrictions of travel and movement of both people and equipment are imposed. This can potentially lead to restricted access of foreign consultants to the site and construction delays, resulting in portions of the projects to miss the FIT deadline if not extended by the Vietnam government.

During the pandemic, Australia's various states has varying degrees of restrictions, with some declaring state of emergencies, social restrictions, closing of schools, suspending flights, and closing interstate borders as needed. Generally, while most other countries faced prolonged strict restrictions, Australians enjoyed fairly open societies given its geographic isolation and its strict limits on international arrivals, however, following the emergence of the Delta variant, the National Cabinet also decided to halve the number of airline passengers allowed into Australia per week from over 6,000 to just about 3,000. In early March 2020, an initial AUD23 billion stimulus package was unveiled by the Prime Minister to protect Australians' health, secure jobs and set the economy to bounce back from the crisis. On 22 March 2020, the government announced a second stimulus package of AUD66 billion, increasing the amount of total financial package offered to AUD89 billion. This included several new measures; most notably a coronavirus supplement of an extra AUD550 per fortnight of income support, and relaxed eligibility criteria for individuals on Jobseeker Payment (formerly Newstart), and grants of up to AUD100,000 for small and medium-sized businesses. Australia's federal budget document in May 2021 also revealed that about AUD311 billion has been spent for direct economic and health support in the country since the onset of the pandemic.

While the pandemic has had no significant impacts to the construction of the New England Solar Farm, the Company did opt to delay the commencement of construction to 2021, after the initial wave of the pandemic in 2020. Travel restrictions have also posed some difficulties in the conduct of physical site visits, impacting the conduct of predevelopment works in the country.

Prior to any official social restrictions in Indonesia, in support of its economy, Indonesian President Joko Widodo issued the country's first stimulus package worth U.S.\$725 million on 25 February 2020, providing fiscal incentives to support the country's tourism, aviation, and property industries as well as allocating U.S.\$324 million to low-income households. In March 2020, the government announced two stimulus packages totalling to U.S.\$33.1 billion covering tax reliefs, healthcare spending, and social protection. On 31 March 2020, by virtue of Presidential Decree No. 11 of 2020, the President of Indonesia declared COVID-19 a "Public Health Emergency" ("**Darurat Kesehatan Masyarakat**") and on 13 April 2020 through Presidential Decree No. 12 of 2020, a "**National Disaster**" ("**Bencana Nasional**"). The government of Indonesia implemented various protective measures, including large-scale social restrictions ("**Pembatasan Sosial Berskala Besar**"), imposing temporary travel restrictions on inbound travellers, closing of certain schools and workplaces, the cancellation of hajj pilgrimage which about 200,000 Indonesians were preparing to make, and bans on activities in public places. On 18 May 2020, the government announced another U.S.\$43 billion in economic stimulus supporting state-owned enterprises and subsidizing loan repayments. In September 2020, Jakarta again went into large-scale social restrictions as cases in the capital city continued to rise. By October 2020, Indonesia began a wider reopening of the economy; however, following the emergence

of coronavirus variants, the country has again been placed in varying degrees of lockdowns which are still in place as of August 2021.

In India, a nationwide lockdown was first announced on 24 March 2020 putting the country into a lockdown for 21 days. The lockdown was subsequently extended until 3 May then 17 May then 31 May, with relaxations for regions where the diseases is thought to be contained. On 30 May, restrictions were lifted for some areas, while extensions were implemented only for containment zones with businesses and services resuming in phases (“**Unlock 1.0**”). Subsequent easings named Unlock 2.0, 3.0, 4.0, 5.0, 6.0, and 7.0 followed thereafter for the months of July to October. In aiding its people and its economy, India first announced a relief package worth U.S.\$22.6 billion to assist its poor population during the pandemic. On 12 May 2020, Narendra Modi announced another relief package worth U.S.\$266 billion in fiscal and monetary measures to support the economy. On 12 November 2020, the country’s finance minister also announced another U.S.\$35.7 billion stimulus package which is aimed to incentivize job creation and boost real estate investments. Due to a second wave of infections in the county and the onset of the Delta variant infections, several localized lockdowns were again introduced beginning April of 2021.

The Company’s two solar projects in India were completed despite the pandemic, and both started operations in the second quarter of 2021. However, the Company has experienced some delays in predevelopment work for other projects in its pipeline, given the implementation of lockdowns in India.

Due to numerous uncertainties and factors beyond its control, the Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including whether there is a “second wave” or “third wave” or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Company’s regulators;
- restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
- restrictions on travel or mobilization, which may results in supply chain disruptions and delays in construction;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Company’s personnel and the Company’s ability to maintain staffing needs to effectively operate its power generation portfolio;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- dampened demand due to lower consumption, shutdown of businesses, and restrictions on operations of various industries;
- impacts—financial, operational or otherwise—on the Company’s supply chain, including manufacturers, suppliers and third party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company’s actions in response thereto;

- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Company's businesses.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. In particular, the various degrees of community quarantine imposed across the jurisdictions where the Company operates have affected and could adversely impact (a) the completion of the Company's projects as construction is not an activity given priority under the government guidelines, (b) demand for the Company's product, as industries, offices, and shopping malls account for bulk of energy consumption, (c) spot market prices as demand for electricity may be lower, and (d) ability to collect from its customers, which could negatively impact its cash flows. The outbreak of COVID-19 and the measures to contain this increase in severity, have had an adverse effect on economic activity in these countries and could materially and adversely affect the Company's business, financial condition, and results of operations. To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Offering Circular.

***The Company's long-term success is dependent upon its ability to attract and retain key personnel and in sufficient numbers.***

The Company depends on its senior executives and key management members to implement the Company's projects and business strategies. If any of these individuals resigns or discontinues his or her service, it is possible that a suitable replacement may not be found in a timely manner or at all. If this were to happen, there could be a material adverse effect on the Company's ability to successfully operate its power projects and implement its business strategies.

Power generation involves the use of highly complex machinery and processes, and the Company's success depends on the effective operation and maintenance of equipment for its power generation assets. Technical partners and third-party operators are responsible for the operation and maintenance of certain power projects. Although the Company is circumspect in its selection of technical partners and third-party operators, any failure on the part of such technical partners and third-party operators to properly operate and/or adequately maintain these power projects could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company's growth to date has placed, and the anticipated further expansion of the Company's operations will continue to place, a significant strain on the Company's management, systems, and resources. In addition to training, managing, and integrating the Company's workforce, the Company will need to continue to develop the Company's financial and management controls. The Company can provide no assurance that the Company will be able to efficiently or effectively manage the growth and integration of the Company's operations dispersed businesses and any failure to do so may materially and adversely affect the Company's business, financial condition, results of operations and prospects. In addition, if general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, the Company may decide to delay, modify or forego some aspects of its growth strategies, and its future growth prospects could be adversely affected.

***The Company's business depends on various governmental policy commitments to the promotion of renewable energy.***

The countries in which the Company has investments have demonstrated a commitment to renewable energy. As a result, these countries have created favourable regulatory and tax regimes and financial incentives, as well as renewable portfolio standards that require distributors to source a certain percentage of their power requirements from renewable energy sources.

For the Philippines, it adopted a FIT programme in 2010 for eligible renewable power projects from wind, solar, hydro, biomass, and hybrid energy sources, among others. Eligible renewable power plants are granted a 20-year entitlement. However, subsidies will gradually decrease with the expected grid parity of solar and wind to be achieved by 2020 and 2025 for new projects respectively.

Subsequent to the FIT programme in the Philippines, the DOE also issued the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards (“RPS”) for On-Grid Areas and Off-Grid Areas in 2017 and 2018, respectively. The RPS is a market-based policy that mandates power DUs, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy facilities. The RPS Rules established a minimum annual RPS requirement. This pertains to the RE share of electricity coming from RE resources in the energy mix based on an aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE. The RPS Rules also established the minimum annual incremental RE percentage. This is initially set at 1% to be applied to the net electricity sales of the mandated participant for the previous year, and thereafter adjusted by the DOE as may be necessary.

For Vietnam, its FIT programme provides for a FIT rate of U.S.\$0.0935/kWh for 20 years for solar plants completed by June 2019, with the exception of solar power projects in located in Ninh Thuan province, which has extended this period to December 2019, and U.S.\$0.0850/kWh for wind projects completed by November 2021. In April 2020, the Vietnam government unveiled a second round of FIT rates as follows for project commissioned within 2020: U.S.\$0.0769/kWh for floating solar, U.S.\$0.0709/kWh for ground mounted solar, and U.S.\$0.0838/kWh for rooftop energy solar energy projects. Both FIT rates for solar and wind projects are expected to be set for 20 years once awarded.

Due to the impact of COVID-19 and related travel and movement restrictions in Vietnam, construction of certain renewable energy projects in the country, including the Company’s projects, has been interrupted. As such, certain turbines/portions of the projects may not be completed by the November 2021 FIT deadline, and may not receive the FIT, which may impact future cash flows and the profitability of such projects.

Further, the FIT commitments are generally matters of domestic public policy and are subject to the execution of the relevant power purchase agreement. Should these commitments to renewable energy be reduced for any reason, it could affect the project company’s ability to operate or renew the project company’s permits and licenses and reduce the financial incentives available to the project companies, which could, in turn, have a material adverse effect on the Company’s business, financial condition, results of operations and prospects.

***The Company may not be able to adequately influence the operations of its Associates and joint ventures and the failure of one or more of its strategic partnerships may negatively impacts its business, financial condition, results of operations and prospects.***

The Company derives a portion of its income from investments in Associates and joint ventures, in which it does not have majority voting control. These relationships involve certain risks including the possibility that these partners:

- may have economic interests or business goals that are not aligned with the Company’s;
- may be unable or unwilling to fulfil their obligations under relevant agreements, including shareholder agreements under which the Company has certain voting rights in respect of key strategic, operating and financial matters;
- may take actions or omit to take any actions contrary to, or inconsistent with, the Company’s policies or objectives or prevailing laws;
- may have disputes with the Company as to the scope of their responsibilities and obligations; and/or
- may have difficulties in respect of seeking funds for the development or construction of projects.

The success of these partnerships depends significantly on the satisfactory performance by the partners and the fulfilment of their obligations. If the Company or a strategic partner fails to perform its obligations satisfactorily, or at all, the partnership may be unable to perform adequately. As a result, cooperation among its partners or consensus with other shareholders in these entities is crucial to these businesses’ sound operation and financial success. The Company’s business, financial condition, results of operations and prospects may

be materially adversely affected if disagreements develop between the Company and its strategic partners, and such disagreements are not resolved in a timely manner.

In addition, if any of the Company's strategic partners discontinues its arrangement with the Company, is unable to provide the expected resources or assistance, or competes with the Company on business opportunities, the Company may not be able to find a substitute for such strategic partner. Failure of one or more of the Company's strategic partners to perform their obligations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***Risks and delays relating to the development of greenfield power projects could have a material adverse effect on the Company's operations and financial performance.***

The development of greenfield power projects involves substantial risks that could give rise to delays, cost overruns, unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operation and future growth prospects of the Company.

For the Company's projects under development, the estimated time frame and budget for the completion of critical tasks may be materially different from the actual completion date and costs, which may delay the date of commercial operations of the projects or result in cost overruns. For example, due to the impact of COVID-19 and related travel and movement restrictions in Vietnam, construction of certain renewable energy projects in the country, including the Company's projects, has been interrupted. As such, certain turbines/portions of the projects may not be completed by the November 2021 FIT deadline, and may not receive the FIT, which may impact future cash flows and the profitability of such projects.

The Company is expanding its power generation operations and there are projects in its energy portfolio under construction. These projects involve environmental, engineering, construction and commission risks, which may result in cost overruns, delays or performance that is below expected levels of output or efficiency. In addition, projects under construction may be affected by the timing of the issuance of permits and licenses by government agencies, any litigation or disputes, inclement weather, natural disasters, accidents or unforeseen circumstances, manufacturing and delivery schedules for key equipment, defect in design or construction, and supply and cost of equipment and materials. Further, project delays or cancellations or adjustments to the scope of work may occur from time to time due to incidents of force majeure or legal impediments.

Depending on the severity and duration of the relevant events or circumstances, these risks may significantly delay the commencement of new projects, reduce the economic benefit from such projects, including higher capital expenditure requirements and loss of revenues, which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company's expected Net Attributable Capacity from its pipeline to be undertaken together with various partners and through various subsidiaries, associates and joint ventures have not yet been determined. The target pipeline reflects its current strategy and may change as proposed projects are reviewed or contracts are entered into, and subject to various factors, including market conditions, the general state of the economy and investment environment where the projects will be located and the ability to obtain financing, among others.

***Any restriction or prohibition on the Company's Associates' or joint ventures' ability to distribute dividends would have a negative effect on its financial condition and results of operations and its ability to fulfil its guarantee obligations under the Notes.***

The Company is a holding company that conducts its operations through its Associates and joint ventures. As a holding company, the Company's income is derived primarily from dividends paid to the Company by its Associates and joint ventures.

The Company is reliant on these sources of funds with respect to its obligations and in order to finance its Associates. The ability of the Company's Associates and joint ventures to pay dividends to the Company (and their shareholders in general) is subject to applicable law and may be subject to restrictions contained in loans



and/or debt instruments of such Associates and may also be subject to the deduction of taxes. Currently, the payment of dividends by a Philippine corporation to another Philippine corporation is not subject to tax. Under Philippine law, dividends may be declared by a corporation's board of directors, however, any stock dividend declaration requires the approval of shareholders holding at least two-thirds of such corporation's total outstanding capital stock. Additionally, SEC approval is required if the issuance of stock dividends requires an increase in such corporation's authorized capital stock.

In addition, certain Associates are subject to debt covenants for their respective existing debt. Failure to comply with these covenants may result in a potential event of default, which if not cured or waived, could result in an actual event of default and the debt becoming immediately due and payable. This could affect the relevant company's liquidity and ability to generally fund its day-to-day operations. In the event this occurs, it may be difficult to repay or refinance such debt on acceptable terms or at all. Furthermore, such restrictions could likewise impact the Company's ability to fulfil its guarantee obligations under the Notes.

Any restriction or prohibition on the ability of some or all of the Company's Associates and/or joint ventures to distribute dividends or make other distributions to the Company, either due to regulatory restrictions, debt covenants, operating or financial difficulties or other limitations, could have a negative effect on the Company's cash flow and therefore, its financial condition.

***The administration and operation of power generation projects by project companies involve significant risks.***

The administration and/or operation of power generation projects by project companies involve significant risks, including:

- breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes, leading to unplanned outages and operational issues;
- flaws in the equipment design or in power plant construction;
- issues with the quality or interruptions in the supply of key inputs, including fuel or water;
- material changes in legal, regulatory or licensing requirements;
- operator error;
- performance below expected levels of output or efficiency;
- actions affecting power generation assets owned or managed by the Company, its Associates, joint ventures or its contractual counterparties;
- pollution or environmental contamination affecting the operation of power generation assets;
- claims or issues in relation to potential environmental, ecological and social effects in relation to the sites of its power development projects;
- force majeure and catastrophic events including fires, explosions, earthquakes, volcanic eruptions, floods and terrorist acts that could cause forced outages, suspension of operations, loss of life, severe damage and plant destruction;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;
- inability to obtain or the cancellation of required regulatory, permits and approvals; and
- opposition from local communities and special interest groups.

- There is no assurance that any event similar or dissimilar to those listed above will not occur or will not significantly increase costs or decrease or eliminate revenues derived by the Company, its joint ventures and affiliates from their power projects.

***Climate change may adversely affect the Company's business and prospects.***

The Company is currently involved in the operation of a coal power plant in Batangas. Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect the Company's business and the markets in which it operates. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source. For example, in October 2020, the DOE declared a moratorium on endorsements for greenfield coal power plants as its most recent assessment revealed the need for the country to shift to a more flexible power supply mix.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. Similarly, recent trends in investment mandates and strategies favouring renewable over conventional energy sources may make it more difficult for the Company to obtain financing or refinance existing financing in respect of its thermal coal projects. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt the Company's operations. As a result of the above, the Company's business, financial condition, results of operations and prospects may be materially and adversely affected.

***Environmental regulations may cause the relevant project companies to incur significant costs and liabilities.***

The operations of the project companies are subject to environmental laws and regulations by central and local authorities in which the projects operate. These include laws and regulations pertaining to pollution, the protection of human health and the environment, air emissions, wastewater discharges, occupational safety and health, and the generation, handling, treatment, remediation, use, storage, release and exposure to hazardous substances and wastes. These requirements are complex, subject to frequent change and have tended to become more stringent over time. The project companies have incurred, and will continue to incur, costs and capital expenditures in complying with these laws and regulations and in obtaining and maintaining all necessary permits. While the project companies have procedures in place to allow it to comply with environmental laws and regulations, there can be no assurance that these will at all times be in compliance with all of their respective obligations in the future or that they will be able to obtain or renew all licenses, consents or other permits necessary to continue operations or that there will be no complaints filed or issues raised by environmental groups and local communities against the Company, its subsidiaries, or its affiliates for its operations. Any failure to comply with such laws and regulations or to address such complaints or issues could subject the relevant project company to significant fines, penalties and other liabilities, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, environmental laws and regulations, and their interpretations, are constantly evolving and it is impossible to predict accurately the effect that changes in these laws and regulations, or their interpretation, may have upon the Company's business, financial condition, results of operations or prospects. If environmental laws and regulations, or their interpretation, become more stringent, the costs of compliance could increase. If the Company cannot pass along future costs to customers, any increases could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***The Company's power project development operations and the operations of the power projects are subject to inherent operational risks and occupational hazards, which could cause an unexpected suspension of operations and/or incur substantial costs.***

Due to the nature of the business of power project development and operations, the Company and its project companies engage or may engage in certain inherently hazardous activities, including operations at height, use of heavy machinery and working with flammable and explosive materials. These operations involve many risks and hazards, including the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment, labour disturbances, natural disasters, environmental hazards, and industrial accidents. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, and environmental damage and pollution, any of which could result in suspension of the development or operations of any of the power projects or even imposition of civil or criminal penalties, which could in turn cause the Company or any of the project companies to incur substantial costs and damage its reputation and may have a material adverse effect on the Company's business, financial condition and results of operations.

***Grid curtailments may limit the generation capacity of power projects.***

From time to time, national grid operators curtail the energy generation for a number of reasons, including to match demand with supply and for technical maintenance reasons, including as a result of grid infrastructure that is not up to international standards. For example, in the first half of 2021, the Company experienced a 5.8% curtailment in respect of the power generation of its solar assets in Vietnam as a result of lower demand due to the COVID-19 pandemic and the Tet holidays in the country, and it is possible that the Company will be subject to further curtailments in the future as electricity generation and supply is adjusted in line with demand and other market factors. In such circumstances, a power project's access to the grid and thus its generation capacity can be reduced. Such reductions result in a corresponding decrease in revenue, which if prolonged or occur frequently could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***The Company enters into transactions with related parties.***

In the ordinary course of business, the Company transacts with its related parties, such as its Associates and certain of its Associates and joint ventures enter into transactions with each other. These transactions have principally consisted of advances, loans, bank deposits, reimbursement of expenses, purchase and sale of real estate and other properties and services, sale of electricity, construction contracts and development, management, marketing and administrative service agreements.

While the Company believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms, these transactions may involve conflicts of interest, which, although not contrary to law, may be detrimental to the Company.

***The Company is exposed to credit and collection risks.***

As in other businesses, the power business is exposed to credit and collection risks related to its customers. These include the TransCo, rated corporations as well as cooperatives that have varying credit ratings and private DUs. Further, the government may impose moratorium on collections. For example, the Bayanihan 2 Act imposed a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of ECQ or modified ECQ without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly instalments. In April 2021, the ERC released a public advisory that there will be a moratorium on the imposition of interest on delayed FIT payments due to the COVID-19 pandemic. This moratorium will be imposed for six billing periods from the relevant billing period wherein the interest had first been incurred. In addition, the power projects in Indonesia and in Vietnam are exposed to collection risks from the *Perusahaan Listrik Negara* ("PLN") as the sole electricity business authority in Indonesia and Vietnam Electricity ("EVN"), which has total control of the national power transmission and distribution market in Vietnam, respectively. The power projects in India, once operational, may also be are exposed to collection risk from government related entities such as SECI and GUVNL, which are its off-takers. There can, however, be no assurance that all customers will pay the Company in a timely manner or at all. In such circumstances, the Company's working capital needs would increase, which could,

in turn, divert resources away from the Company's other projects. If a large amount of its customers were unable or unwilling to pay the Company, its financial condition could be negatively affected.

***Exchange rate and/or interest rate fluctuations may have a significant adverse impact on the Company's business, financial condition, results of operations and prospects.***

The Company's functional currency is the Philippine Peso, and the Company has and may have assets, income streams and liabilities denominated in a number of currencies, including U.S. Dollars, Indonesian Rupiah, Vietnamese Dong, Indian Rupee, and Australian Dollars. Changes in foreign currency rates could have an adverse impact on the Company's business, financial condition, results of operations and prospects. Currency fluctuations affect the Company because of mismatches between the currencies in which operating costs are incurred and those in which revenues are received.

***The insurance coverage of the power projects may not be adequate.***

The power projects maintain levels of insurance, which the Company believes are typical with the respective business structures and in amounts that it believes to be commercially appropriate. However, a power project may become subject to liabilities against which it has not insured adequately or at all, or are unable to insure. In addition, insurance policies contain certain exclusions and limitations on coverage, which may result in claims not being honoured to the extent of losses or damages suffered. Further, such insurance policies may not continue to be available at economically acceptable premiums, or at all. The occurrence of a significant adverse event, the risks of which are not fully covered or honoured by such insurers, could have a material adverse effect on a power project's business, financial condition, results of operations and prospects. In addition, under some of the power project's debt agreements, the power project is required to name the lenders under such debt agreements as a beneficiary or a loss payee under some of its insurance policies, or assign the benefit of various insurance policies to the lenders. Therefore, even if insurance proceeds were to be payable under such policies, any such insurance proceeds will be paid directly to the relevant lenders instead of to the power project. If an insurable loss has a material effect on a power project's operations, the power project's lenders may not be required to pay any insurance proceeds or to compensate the power project for loss of profits or for liabilities resulting from business interruption, and this could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***The Company may be adversely affected by WESM price fluctuations.***

Market prices for electric power fluctuate substantially. As electric power can only be stored on a very limited basis and generally must be produced concurrently with its use, frequent supply and demand imbalances result in power prices that are subject to significant volatility. Electricity prices may also fluctuate substantially due to other factors outside of the Company's control, including, but not limited to:

- changes in the generation capacity in the markets, including additional new supply of power from development or expansion of power plants, and decreased supply from closure of existing power plants;
- additional transmission capacity;
- electric supply disruptions, such as power plant outages and transmission disruptions;
- changes in power demand or in patterns of power usage, including the potential development of demand-side management tools and practices;
- the authority of the ERC to review and adjust the prices on the WESM;
- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks and other catastrophic events;
- availability of competitively priced alternative power sources; and

- changes in the power market and environmental regulations and legislation.

The foregoing factors may have a material adverse effect on the business, financial condition, and operations of the Company.

***The Company is dependent on the support of ACEIC.***

The Company and ACEIC has a Management Contract effective 1 September 2018, with a term of five years, pursuant to which ACEIC provides certain services such as, but not limited to, human resources, corporate affairs, legal, and finance. There is no guarantee that ACEIC will continue to provide these services in the future. Should ACEIC cease to provide these services, the Company’s business, financial condition, and results of operations could be adversely affected.

***Increased volatility and uncertainty in fuel and commodity prices as a result of the war in Ukraine may affect supply and pricing of raw materials for production of thermal energy.***

On 24 February 2022, the Russian Federation launched a “special military operation” to invade the country of Ukraine in Eastern Europe, resulting in the escalation of the Russo-Ukrainian War. Armed conflict between Russian and Ukrainian forces soon ensued, killing, and injuring several military and civilian personnel, and which continues to the date of this Information Statement.

To impose sanctions on Russia as a result of the invasion, the United States has banned the importation of Russian oil and gas, while the United Kingdom has committed to phase out the said petroleum products by the end of 2022. Both Russia and Ukraine are major exporters of raw materials for thermal energy production, namely coal, oil, and gas. As of end-2020 (latest available data), Russia is one of the world’s largest producers of oil and coal.<sup>1</sup> In addition, Ukraine is an important transit country for supplies of oil and natural gas from Russia to countries throughout Europe, and prior to the war, also a major exporter of coal.<sup>2</sup>

With sanctions and conflict cutting thermal raw material supply in both countries, market expectations of oil and gas production from Russia, as well as coal production from Ukraine have similarly been reduced. Global market prices of petroleum and coal products in general subsequently began to rise, with Newcastle coal (ICE commodity symbol: NEWC) reaching US\$336.00 per metric ton<sup>3</sup> and Brent Crude Oil reaching US\$118.05 per barrel.<sup>4</sup> As a result, since the Philippines remains mostly dependent on thermal energy, spot market prices remain elevated. Should the war in Ukraine continue, high power prices may adversely impact ACEN’s trading position, if it continues to be a net buyer on the WESM. However, with the completion of new projects in its aggressive RE expansion, the company believes that it may achieve a net seller position with an RE portfolio that may be able to take elevated power prices in the merchant market without the higher costs associated with raw materials for thermal resources.

**Risks Relating to the Philippines**

***Any political instability in the Philippines may adversely affect the Company.***

The Philippines has from time to time experienced political and military instability. The Philippine constitution provides that in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there has been political instability in the Philippines, including public and military protests. No assurance can be given that the political environment in the Philippines will stabilise or that periods of political instability will not occur in the future, particularly in connection with or resulting from the Philippine Presidential elections to be held in May 2022. There can be no assurance that the next administration will continue to implement the economic policies favoured by the current administration. Major deviations from the policies

<sup>1</sup> BBC News. <<https://www.bbc.com/news/58888451>>

<sup>2</sup> U.S. Energy Information Administration. <<https://www.eia.gov/international/analysis/country/UKR>>

<sup>3</sup> As of 18 March 2022, end of trading, for March 2022 contracts.

<sup>4</sup> As of 18 March 2022, end of trading, for front-month contracts.

of the current administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any political instability in the future may result in inconsistent or sudden changes in the economy, regulations and policies that affect the Company, which could have an adverse effect on its business, results of operations and financial condition.

***Any decrease in the credit ratings of the Philippines may adversely affect the Company's business.***

The Philippines is currently rated investment grade by major international credit rating agencies such as Moody's S&P and Fitch. While in recent months these rating agencies have assigned positive or stable outlooks to the Philippines' sovereign rating, no assurance can be given that these agencies will not in the future downgrade the credit ratings of the Government and, therefore, Philippine companies, including the Company. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

***Territorial disputes among the Philippines and its neighbouring nations may adversely affect the Philippine economy and the Company's business.***

China and other Southeast Asian nations, such as Brunei, Malaysia, and Vietnam, have been engaged in competing and overlapping territorial disputes over islands in the West Philippine Sea (also known as the South China Sea). This has produced decades of tension and conflict among the neighbouring nations. The West Philippine Sea is believed to house unexploited oil and natural gas deposits, as well as providing home to some of the biggest coral reefs in the world. China, in recent years, has been vocal in claiming its rights to nearly the whole of the West Philippine Sea – as evidenced by its increased military presence in the area. This has raised conflict in the region among the claimant countries.

In 2013, the Philippines filed a case to legally challenge China's claims in the West Philippine Sea and to resolve the dispute under the United Nations Convention on the Law of the Sea. The case was filed on the Permanent Court of Arbitration, the international arbitration tribunal at The Hague, Netherlands. In July 2016, the tribunal ruled in favour of the Philippines and stated that China's claim was invalid. China rejected the ruling, claiming that it did not participate in the proceedings as the tribunal had no jurisdiction over the case. News reports have reported increased Chinese activity in the area, including the installation of missile systems and the deployment of bomber planes. Other claimants have challenged China's actions in the West Philippine Sea.

There is no guarantee that tensions will not escalate further or that the territorial disputes among the Philippines and its neighbouring countries, especially China, will cease. In an event of escalation, the Philippine economy may be disrupted and the Company's business and financial standing may be adversely affected, particularly as to the operations of ACE Enexor's SC 55 block which is located near the West Philippine Sea.

***Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.***

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Company, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Company may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Company and its Philippine subsidiaries comply with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Revised Corporation Code of the Philippines requires the Company to have independent Directors constituting at least 20.0% of its board of directors. The Company exceeds that requirement and currently has five independent directors.

Furthermore, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in developed countries. Rules and policies against self-dealing and regarding the preservation of interests of public shareholders of the Company may be less well-defined and enforced in the Philippines than elsewhere, putting public shareholders at a potential disadvantage.

Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of public shareholders of the Company.

***Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company's businesses.***

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. The value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004, recovering to ₱43.89 at the end of December 2010.

The value of the Peso has generally depreciated since 2010, and its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. As of 31 December 2021, according to the BSP reference exchange rate bulletin, the Peso was at ₱ 50.7740 per U.S.\$1.00 from ₱48.0360 and ₱50.7440 per U.S.\$1.00 at the end of 2020 and 2019, respectively.

***Investors may face difficulties enforcing judgments against the Company.***

The Company is organized under the laws of the Republic of the Philippines. A substantial portion of the Company's assets is located in the Philippines. It may be difficult for investors to effect service of process outside of the Philippines upon the Company. Moreover, it may be difficult for investors to enforce judgments against the Company outside of the Philippines in any actions pertaining to the Notes. In addition, most of the directors and officers of the Company are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Moreover, the Philippine enacted Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, to facilitate the enforcement of arbitral awards in the Philippines. Judgments obtained against the Company in any foreign court may be recognized and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. The enforceability of foreign judgments in the Philippines is specifically provided for in the 1997 Rules of Civil Procedure. Section 48 of Rule 39 of the Rules of Civil Procedure provides that a judgment or final order of a tribunal of a foreign country having jurisdiction to give the judgment or final order is as follows: (a) in case of a judgment or final order upon specific property, is conclusive upon the title to that property; and (b) in case of a judgment or final order against a person, is presumptive evidence of a right between the parties and their successors in interest by a subsequent title. Further, Philippine courts have held that a foreign judgment is presumed to be valid and binding in the country from which it issues, until the contrary is shown, and the party contesting the foreign judgment has the burden of overcoming the presumption of its validity. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to good customs, public order, or public policy of the Philippines, (iv) the Company did not have notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

***NEW RISK: Regulatory uncertainty from the upcoming national elections – may result in delays in implementation of government programs, or may result in changes in regulations***

The Philippines is a unitary democratic republic, with a President as its head of state and government, elected to a non-renewable six-year term. General elections for the President, Vice President, and Congress, as well as officials of local government units are slated to be held on 09 May 2022. Presidential administrations and legislative sessions, as well as the officials and political parties holding these offices, vary from term to term, as a result of term limits prescribed by the 1987 Philippine Constitution. As a result, the President and his/her administration may implement programs, endorse legislation, enforce executive orders, and/or execute other actions, that may result in delays of implementation of government programs, or may result in changes in regulations that benefit ACEN, its partners and its affiliate businesses. In addition, the bicameral Philippine Congress, may also pass legislation that delays said implementation of government programs or change regulations that promote RE in the Philippines. Several government programs such as the Renewable Energy Law, the RCOA Program, and the Green Energy Option Program, benefit the Company through the expansion of its RE market.

***COVID-19, future pandemics, epidemics, or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect ACEN's business, financial condition and results of operations.***

In December 2019, an outbreak of the novel coronavirus (“COVID-19”) occurred in China and spread to other countries, including the Philippines. On 10 March 2020, the World Health Organization characterized COVID-19 as a pandemic. As of 8 March 2021, the Philippine Department of Health reported 597,763 cases of COVID-19 nationwide with 12,521 deaths attributed to COVID-19.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers (“OFWs”) globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact its suppliers’ ability to deliver, which could delay the construction of ACEN’s projects.

In a move to contain the COVID-19 outbreak, on 13 March 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective 15 March 2020. On 16 March 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until 12 April 2020, unless earlier lifted or extended. On 24 March 2020, Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the “Bayanihan Act”) into law, which confers emergency powers on the President of the Philippines. On 25 June 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement. On September 11, 2020, Republic Act No. 11494, the Bayanihan to Recover as One Act (the “Bayanihan 2 Act”) was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country’s COVID-19 response and recovery plan, and to scrutinize the government’s implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte was in effect until 19 December 2020. Such powers include the authority to adopt measures to “conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same.” The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly installments. On 17 November 2020, House Bill No. 8031 or the Bayanihan to Arise as One Act, was filed which proposes to extend the effectivity of Bayanihan 2 Act



until 4 June 2021 to ensure its full implementation. On 29 December 2020, the Congress passed Republic Act No. 11519, extending the availability of appropriations under Bayanihan 2 until 30 June 2021.

Due to numerous uncertainties and factors beyond its control, the Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

1. the severity and duration of the pandemic, including whether there is a “second wave” or “third wave” or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;
2. the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Company’s regulators;
3. restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
4. economic measures, fiscal policy changes, or additional measures that have not yet been effected;
5. the health of, and effect of the pandemic on, the Company’s personnel and the Company’s ability to maintain staffing needs to effectively operate its power generation portfolio;
6. evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
7. impacts—financial, operational or otherwise—on the Company’s supply chain, including manufacturers, suppliers and third party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
8. volatility in the credit and financial markets during and after the pandemic;
9. the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company’s actions in response thereto;
10. the pace of recovery when the pandemic subsides; and
11. the long-term impact of the pandemic on the Company’s businesses.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. In particular, the enhance community quarantine and various degrees of community quarantine imposed across the Philippines have affected and could adversely impact (a) the completion of ACEN’s projects as construction is not an activity given priority under the government guidelines, (b) demand for ACEN’s product, as industries, offices, and shopping malls account for bulk of energy consumption, (c) WESM prices as demand for electricity is lower, and (d) ability to collect from its customers, which could negatively impact its cash flows. The outbreak of COVID-19 and the measures to contain this increase in severity, have had an adverse effect on economic activity in the Philippines and could materially and adversely affect ACEN’s business, financial condition, and results of operations. To the extent the COVID-19 pandemic adversely affects the business and financial results of ACEN, it may also have the effect of heightening many of the other risks described in this Annex.

Even as quarantine measures continue at the current time, with various levels of restrictions applicable to certain areas, DOE recognized that energy utilization is a basic necessity and is vital to the society. To this end, DOE allows the movement of energy related goods and the movement of energy related personnel subject to adherence to necessary public health precautions prescribed by the DOH. As such, the Company’s operating plants continues to produce power.

## Properties

ACEN and its subsidiaries own the following fixed assets as of 31 December 2021:

*In thousands*

Properties	Location	Amount (in PhP)
<b>Land and land improvements</b>	Bacnotan, La Union/ Norzagaray, Bulacan/ San Lorenzo, Guimaras/ Manapla/ Calaca, Batangas/ Bangui, Ilocos Norte/ Palauig, Zambales/ Negros Occidental/ Botolan, Zambales	<b>1,606,519</b>
<b>Buildings and improvements</b>	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Calaca, Batangas/ San Carlos, Negros Occidental	<b>8,248,059</b>
<b>Machinery and equipment</b>	Guimaras/ Norzagaray, Bulacan/ Bacnotan, La Union/ Calaca, Batangas/ San Carlos, Negros Occidental/ Ilocos Norte/ Lanao Del Norte/ Olongapo City/ Iloilo/ Bais City, Negros Oriental/ Alaminos, Pangasinan/ Alaminos, Laguna/ Palauig, Zambales/ Mariveles, Bataan	<b>31,518,952</b>
<b>Transportation equipment</b>	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Bacnotan, La Union/ Piliia, Rizal/ San Carlos, Negros Occidental	<b>102,770</b>
<b>Tools and other miscellaneous assets</b>	Makati City/ Guimaras/ Bacnotan, La Union/ Calaca, Batangas/ San Carlos, Negros Occidental	<b>827,755</b>
<b>Office furniture, equipment and others</b>	Makati City/ Guimaras/ Bacnotan, La Union/ Norzagaray, Bulacan/ Calaca, Batangas/ San Carlos, Negros Occidental	<b>215,878</b>
<b>Construction in progress</b>	Calaca, Batangas/ Alaminos, Laguna/ Piliia, Rizal/ Palauig, Zambales	<b>4,289,097</b>
<b>Total</b>		<b>46,809,030</b>
<b>Less: Accumulated depreciation, amortization and impairment</b>		<b>10,770,467</b>
<b>Net</b>		<b>36,038,563</b>

Source: Audited consolidated financial statements as of 31 December 2021

In the next twelve (12) months, the Company intends to acquire or complete the acquisition of certain land for its various projects under development, for an estimated amount of Php 1.76 billion. The acquisition will be made by entering into sale agreements with the relevant land owners, to be funded by equity.

In 2021, the Group invested significant capital expenditures related to the following projects:

- (a) Php1,186.19 million for its 160 MW Balaoi and Caunayan wind power project in Pagudpud, Ilocos
- (b) Norte through its subsidiary, BWPC;
- (c) Php963.49 million for its 40-MW battery energy storage system (BESS) project in Alaminos,
- (d) Pangasinan through its subsidiary, Giga Ace 4, Inc. (“Giga Ace 4”);
- (e) Php572.02 million for its 120 MW solar farm project in Alaminos, Laguna through its subsidiary,
- (f) SolarAce1;
- (g) Php408.61 million for its 60 MW solar power project in Palauig, Zambales through its subsidiary,
- (h) Gigasol3;
- (i) Php158.10 million for its 4.375 MWdc Renewable Energy Laboratory Facility with Energy Storage System Project in Mariveles Bataan through its subsidiary, BSEL.
- (j) Php109.91 million for its purchase of parcels of land located at Barrio Poonbato, Botolan, Zambales through its subsidiary, Buendia Christiana Holdings Corp. (“BCHC”); and,
- (k) Php68.84 million for its purchase of generator rotor for its Unit 2 122 MW thermal plant in Calaca, Batangas through its subsidiary, SLTEC.

Land and land improvements include lots in Norzagaray, Bulacan, and Bacnotan, La Union where the power plants are located. In the Guimaras Wind Farm, most parcels of land acquired in 2019 approximate to 605,800 sqm. but some lots were entered as finance lease. Also included in land and land improvements are the 33.7-hectare land in Barangay Puting Bato and Sinisian, Calaca, Batangas owned by SLTEC, the 63.8-hectare land in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental owned by MSPDC, the 25.3-hectare land located in Barangay Baruyen, Bangui and Laoag City owned by NorthWind, and the 64.217-hectare land in Barangay Salaza, Palauig, Zambales.

In 2020, ACEN purchased 100% of PINAI fund's ownership interest through step acquisition in ISLASOL and SACASOL. SACASOL and ISLASOL own and operate the 45MW and 80MW solar farms in San Carlos, Negros Occidental, respectively. The Group acquired ownership to an approximate area of 673,422 sqm. in San Carlos, Negros Occidental from the step acquisition but some of these lots are subject of lease agreements.

In 2021, investment properties amounting to Php438.38 million were reclassified to property, plant and equipment as the properties were being used by the ACEN's subsidiaries, Santa Cruz Solar Energy Inc. ("Santa Cruz Solar"), Giga Ace 9, Inc., and SolarAce2 Energy Corp. in the ongoing construction of power plant facilities. As at 31 December 2021, the remaining balance in investment properties pertains to BCHC's land amounting to Php13.09 million.

In 2021 and 2020, BCHC purchased a 1.92-hectare land located in Botolan, Zambales and a 1.79-hectare land located in Binugao, Toril, Davao City. These are classified as investment properties as these will be held for the potential use of Joint Venture-Special Purpose Vehicle projects in building and operating power plants.

Buildings and improvements are located in the respective power plants and its offices.

As of 28 March 2022, the Company, its subsidiaries, affiliates, and their properties are not subject to any material pending legal proceeding.

#### Lease Commitments

##### *One Subic Power's Facilities Lease Agreement ("FLA") with SBMA*

One Subic Power has a lease contract with SBMA for a parcel of land and electric generating plant and facilities. The lease was originally entered on 20 July 2010 and was valid for five years. The agreement was amended on 24 October 2012 to extend the term of the lease to 19 July 2020 with an option to renew for another five years. On 21 December 2017, SBMA informed One Subic Power that its BOD has approved the amendments of the FLA extending the lease term until 19 July 2030. On 3 April 2018, the third amendments were signed and approved.

##### *Guimaras Wind's Lease Agreement with Various Land Owners*

Guimaras Wind has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased assets, which indicates that the risks and rewards relates to the asset are retained with the land-owners. These leases are classified as operating leases and have terms of twenty (20) to twenty-five (25) years. Guimaras Wind has also entered into various easements and right of way agreements for the Guimaras Wind Farm that will connect to the grid. These agreements convey to Guimaras Wind the right to control the use of the utility of the asset.

##### *Easements and Right of Way Agreements*

In 2014, Guimaras Wind also entered into various easements and right of way agreements with landowners in Guimaras for the erection of transmission lines that will connect the SLWP to the grid. One-off payments made by Guimaras Wind to various landowners to cover the 25-year easement and right of way agreements were recognized as prepaid rent in the consolidated statements of financial position and amortized over the term of the lease. The amortization of the lease during the construction period was capitalized as part of the cost of the wind farm.

*ACEN's Agreement on Assignment of Contract of Lease*

On 20 November 2019, the Parent Company, ACEIC, Ayala Land, Inc. ("ALI") and AyalaLand Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots effective 1 September 2019 to the Parent Company. The lease is until 31 May 2022. The lease is at a fixed monthly rate of Php0.83 million and Php0.01 million for the office unit and parking slots, respectively, with an escalation rate of 5% every year, beginning on the second year.

*SLTEC's Contract of Lease for Office Space*

On 19 December 2019, SLTEC notified the lessor of its intent to pre-terminate their office lease contract effective 31 March 2020. Due to government restrictions in relation to COVID-19, on 27 March 2020, SLTEC notified the lessor of its inability and impossibility to vacate by 31 March 2020, and the parties agreed to terminate the lease effective 31 May 2020. SLTEC remeasured the lease liability and right-of-use asset as a result of the termination of the contract.

*SACASOL's Contract of Lease for Land Phases 1A & 1B*

On 7 March 2014, SACASOL entered into a lease agreement with San Julio Realty, Inc. ("SJRI") for the lease of 35 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of its Phase 1A and Phase 1B solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area delineated for Phase 1A for a period of 25 years. The area delineated for Phase 1B shall be held for the remaining term of the agreement upon the receipt of notice by SACASOL.

On 18 June 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period, respectively. The lease modification did not result in a separate lease.

*SACASOL's Contract of Lease for Land - Phases 1C and 1D*

On 21 October 2014, SACASOL entered into a lease agreement with SJRI for the lease of 32.4214 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of its Phases 1C and 1D solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area for a period of 25 years.

On 18 June 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the consumer price index ("CPI") for the immediately preceding twelve-month period. The lease modification did not result in a separate lease.

*ISLASOL's Contract of Lease for Land - Phases 2A & 2B*

Part of ISLASOL's acquisition of certain solar power plant projects from SACASOL is the lease agreement between SACASOL and Roberto J. Cuenca, Sr. (the Lessor) for the La Carlota A Project. The lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental was executed on 5 June 2014 as site for the construction and operations of its Phases 2A and 2B solar power plant projects. Upon issuance of the Notice to Proceed to the contractor, ISLASOL shall hold the land area delineated for a period of 25 years therefrom.

*ISLASOL's Contract of Lease for Land - Phase 3*

On 1 September 2015, ISLASOL entered into a lease agreement with MSPDC (the Lessor) for the lease of approximately 638,193 sq.m. of land located in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental. The term of the lease shall be for a period of 25 years upon written notice served upon the Lessor by ISLASOL not earlier than one 1 year but not later than 3 months before the expiration of the original period of lease. Lease extension shall be in writing executed by both parties 3 months before the expiration of the original period of lease. ISLASOL has the sole option to extend the term of the lease.

*MONTESOL's Contract of Lease for Land*

On 2 September 2015, MONTESOL entered into a lease agreement with Montenegro Brothers Agricultural Corporation for 21.45 hectares of land located in Barrio Alanginlanan, Bais, Negros Oriental as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 25 years, with a monthly rental payment of Php7.00 per square meter, exclusive of VAT, and subject to annual

adjustment based on actual inflation rate covering subject period as published/ pronounced by the National Economic Development Authority or an equivalent agency. The period of lease may be extended, under the same terms and conditions, at the sole discretion of MONTESOL for up to another 25 years.

#### *SolarAce1's Contract of Lease for Land*

On September 30, 2019, SolarAce1 entered into a lease agreement with ALI, Crimson Field Enterprises Inc., and Red Creek Properties Inc., for 106.59 hectares of land located in Barangay San Andres, Alaminos, Laguna as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 21 years, with a monthly rental payment of Php15.45 per square meter, exclusive of VAT. The rental fee shall be subject to annual adjustment of whichever is higher between 3% per annum and the rate of increase of real property tax where the property is located. The period of lease may be extended, under the same terms and conditions, at the sole discretion of Solarace1 for up to another 21 years.

#### *NorthWind's Contract of Lease for Rental of Office Space*

In August 2017, NorthWind's Metro Manila Administrative Office transferred to Makati. A new contract of lease was signed on 18 September 2017 with 6750 Ayala Avenue Joint Venture ("AAJV") for a period of 5 years by NLR, an affiliate of NorthWind.

An Agreement on the Assignment of Lease was signed between NLR and NorthWind on 20 November 2017. NLR assigned half of the lease premises of 123.8 sq. meters to NorthWind, with a monthly rental of Php0.12 million subject to 5% annual escalation rate.

In January 2020, NorthWind assigned the contract of lease with AAJV to ACEN.

#### *Ingrid's Contract of Lease for Land*

On 23 July 2020, a Sublease Agreement was signed between Ingrid Power and ACEIC to sublease a land with Tabangao Realty Inc. ("TRI") for an approximately 41,781.86 square meters of land located in in Brgy. Malaya, Pililla, Rizal as a site to develop, operate and maintain a 150MW modular diesel engine power plant primarily intended for the provision of ancillary services to the National Grid Corporation of the Philippines. The term of the sublease shall be for a period of 6 years, with a monthly rental payment of Php25.00 per square meter, exclusive of VAT, subject to 3% annual escalation rate. The period of lease may be extended, under the same terms and conditions to another 5 years.

#### *BCHC's Contract of Lease for Land*

On 22 April 2020, BCHC entered into a lease agreement with ACD Incorporated Inc. for 13.95 hectares of land located in Batangas II, Mariveles, Bataan as a site for the construction and operation of the Power Generating Facilities and its allied purposes. The term of the sublease shall be for a period of 25 years, with a monthly rental payment of Php2.00 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BCHC for up to another 25 years.

On 2 September 2020, the property was subleased by BCHC to BSEI to develop, operate and maintain a 5MW RE Laboratory facility. The term of the sublease shall be for a period of 7 years, with a monthly rental payment of Php2.10 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BSEI for up to another 25 years.

On 20 November 2020, an Agreement on the Deed of Assignment of Lease was signed between BCHC and ACEIC. ACEIC agreed to assign its rights and obligations for the land leased with TRI entered on 23 March 2018 for an approximately 177,774 square meters situated in Brgy. Malaya, Pililla, Rizal.

#### *Tower 2 lease agreement with Ayala Land, Inc.*

The Parent Company entered into an agreement with ALI for the lease of office units on the 34th, 35th, and 36th floors of Ayala Triangle Gardens Tower Two Building and 69 appurtenant parking slots starting 18 January 2021 for a period of 10 years. The lease agreement provides for a 5% annual escalation rate for the rental payments.

## **Market for Registrant's Common Equity and Related Stockholders' Matters**

### **Market Price**

ACEN's common shares are listed with the Philippine Stock Exchange. Below are the high and low sales prices on 28 March 2022 and for the calendar years 2021, 2020, 2019, and 2018:

<b>Period</b>	<b>High</b>	<b>Low</b>
On 28 March 2021 (intra-day)	8.42	8.30
<b>Calendar Year 2021</b>		
First Quarter	9.12	6.02
Second Quarter	8.50	6.75
Third Quarter	12.10	7.80
Fourth Quarter	12.92	10.30
<b>Calendar Year 2020</b>		
First Quarter	8.06	2.713
Second Quarter	2.911	1.934
Third Quarter	2.158	1.764
Fourth Quarter	2.185	1.334
<b>Calendar Year 2019</b>		
Fourth quarter	2.89	2.05
Third quarter	3.06	2.20
Second quarter	3.00	2.20
First quarter	2.89	1.38
<b>Calendar Year 2018</b>		
Fourth quarter	1.23	0.85
Third quarter	1.33	0.94
Second quarter	1.86	1.21
First quarter	1.89	1.48

### **Recent Issuances of Securities Constituting an Exempt Transaction**

- On 15 November 2021, the Company signed Subscription Agreements with the following minority shareholders of NorthWind Power Development Corporation for the following number of shares in the Company at a price of Php 11.32 per share:
  - Niels Jacobsen – 16,767,108
  - Ferdinand A. Dumlao – 41,375,371
  - Jose Ildebrando B. Ambrosio – 1,956,209
  - Laura Bauí – 1,956,132
  - Kresten B. Jacobsen – 13,972,590
  - Kia Jacobsen – 13,972,590

The transaction was approved by the Board of Directors of the Company on 18 October 2021. The issuance and listing of the ACEN common shares were approved by the Company's stockholders on 15 December 2021.

Exempt from Registration. The requirement of registration under Subsection 8.1 of the SRC does not apply to the issuance of shares to the owners and/or affiliates of the NorthWind minority shareholders as the sale will be to fewer than twenty (20) persons in the Philippines during any twelve-month period (*Subsection 10.1 [k] of the SRC*).

- On 21 March 2022, the Company signed Subscription Agreements with the following entities for the following number of shares in the Company at a price of Php 7.871 per share:

1. UPC Renewables Asia Pacific Holdings Pte Limited (“UPCAPH”) – 869,119,204
2. Anton Johannes Rohner - 61,630,796

The transaction was approved by the Board of Directors of the Company on 18 October 2021. The issuance and listing of the ACEN common shares were approved by the Company's stockholders on 15 December 2021.

Exempt from Registration. The requirement of registration under Subsection 8.1 of the SRC does not apply to the issuance of shares to UPACPH and Mr. Rohner as the sale will be to fewer than twenty (20) persons in the Philippines during any twelve-month period (*Subsection 10.1 [k] of the SRC*).

- On 22 March 2022, the Company signed Subscription Agreements with the UPC PH Group at a price of Php 8.2889 per share:
  1. UPC Philippines Wind Partners Ltd. – 19,059,423
  2. Wind City Inc. – 142,668,634
  3. Estanyol Holdings Ltd. – 153,493,200
  4. Tenggay Holdings Ltd. – 70,525,763
  5. Alan Kerr - 4,248,813

The transaction was approved by the Board of Directors of the Company on 18 October 2021. The issuance and listing of the ACEN common shares were approved by the Company's stockholders on 15 December 2021.

On 8 March 2022, the Board of Directors approved a revised list of subscribers constituting the UPC PH Group, including a re-allocation of some of the shares for subscription, which will be presented to the stockholders for approval at the meeting.

Exempt from Registration. The requirement of registration under Subsection 8.1 of the SRC does not apply to the issuance of shares to the UPCPH Group as the sale will be to fewer than twenty (20) persons in the Philippines during any twelve-month period (*Subsection 10.1 [k] of the SRC*). The Company will be filing an SEC application for confirmation that the issuance of shares is an exempt transaction under SRC Subsection 10.1 (k).

### Stockholders

The Company had 3,185 registered shareholders as of 28 February 2022. The following table sets forth the top 20 shareholders of the Company, the number of shares held, and the percentage of ownership as of 28 February 2022.

No.	Name of Stockholders	No. of Shares Held	% of Ownership
1	AC Energy and Infrastructure Corporation	16,685,800,533	43.55%
2	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Filipino	12,289,993,809	32.08%
3	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Non-Filipino	9,118,949,167	23.80%
4	Ferdinand A. Dumlao	41,375,371	0.11%
5	Niels Jacobsen	16,767,108	0.04%
6	John Eric Tecson Francia	16,327,073	0.04%
7	Kresten Borch Jacobsen	13,972,590	0.04%

7	Kia Borch Jacobsen	13,972,590	0.04%
8	Dodjie De Gracia Lagazo	6,526,166	0.02%
9	Patrice Rene Clausse	5,839,291	0.02%
10	Maria Corazon Gana Dizon	4,144,123	0.01%
11	Roman Miguel Garfes De Jesus	4,129,895	0.01%
12	Phil. Remnants Co. Inc.	2,801,218	0.01%
13	Peter Mar or Annabelle C. Mar	2,055,000	0.01%
14	Jose Ildebrando Buan Ambrosio	1,956,209	0.01%
15	Laura A. Bauí	1,956,132	0.01%
16	J. Edmond Cuison Garcia	1,874,540	0.00%
17	Gabino Ramon Gonzalez Mejia	1,740,475	0.00%
18	Teresita A. Dela Cruz	1,502,221	0.00%
19	Guillermo D. Luchangco	1,500,000	0.00%
20	Janel Mujar Bea	1,404,876	0.00%



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### PLAN OF OPERATION

#### Financial Performance

The following discussion and analysis of financial position and results of operations of ACEN and its subsidiaries should be read in conjunction with the audited consolidated financial statements as at 31 December 2021, and the restated consolidated financial statements as at 31 December 2020 and 2019. The audited consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

#### 2021

#### Corporate Highlights:

- a) In January 2021, ACEN sold, by way of stock rights offering (SRO), 2,094,898,876 shares and 172,681,558 shares in first round and second round allocations, respectively, which were subsequently listed with the PSE on January 29, 2021.
- b) In April 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in AC Energy International, Inc., which holds ACEIC's international renewable assets. This is in line with the intention to designate ACEN as the energy platform of the Ayala Group, holding all of the group's energy assets worldwide.

The SEC approved ACEN's increase in ACS from 24.4 billion shares to 48.4 billion shares in June 2021, thus enabling the implementation of the assets-for-share swap between ACEN and ACEIC for the latter's international assets. As such, the 2021 results now present the results of operations of the international assets under ACEN. Prior period financials have similarly been restated, to account for the retroactive impact of the share swap transaction effective July 1, 2019, the date when ACEN and the Offshore Companies became under the common control of ACEIC.

- c) In May 2021, ACEN completed its follow-on offering (FOO) with an offer of 2.01 billion common shares priced at ₱6.50 per share, consisting of 1.58 billion shares sold pursuant to the primary offer, 330.24 million shares sold by ACEIC and Bulacan Power pursuant to a secondary offer, and an over-subscription of 100 million secondary shares sold by ACEIC.
- d) In June 2021, ACEN and ACE Endeavor signed a Deed of Absolute sale for transfer of its equity stake in three biopower assets through NIBHI to ThomasLloyd CTI Asia Holdings Pte. Ltd., which already indirectly owns over 90% of the economics of these biomass-fired power plants. The divestment of its minority interest in the biomass assets allows ACEN to focus on the expansion of its core solar and wind businesses.
- e) In September 2021, ACEN, through its wholly-owned subsidiary, ACEN Finance Limited (the Issuer), successfully issued its U.S. dollar-denominated senior guaranteed undated fixed-for-life (non-deferrable) Green Bonds (the Bonds) at an aggregate principal amount of US\$400.0 million, with a fixed coupon of 4.0% for life, with no step-up and no reset, priced at par.

The Bonds are issued under its US\$1.5-billion medium-term note program, are guaranteed by ACEN, and are listed on Singapore Exchange Securities Trading (SGX-ST).

Pricing for the bonds was at 4.0%, which was 45 basis points tighter than the initial price guidance. The final order book volume exceeded US\$2.0 billion (more than 5 times oversubscribed), attracting a wide range of high-quality investors.

The Philippine SEC confirmed that the Bonds comply with the requirements under the ASEAN Green Bonds Circular and qualify as an ASEAN Green Bond. The net proceeds from the Bonds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with the Company's Green Bond Framework (GBF). These include solar energy projects, onshore and offshore wind energy projects, and geothermal energy projects with direct emissions of less than 100g CO<sub>2</sub>/kWh. The GBF sets out well-defined guidelines for the use of proceeds for RE projects, with comprehensive monitoring and reporting commitments.

Including the Parent Company's ₱5.4 billion (US\$111.2 million) stock rights offering (SRO), ₱10.3 billion (US\$212.2 million) follow-on offering (FOO), and ₱11.9 billion (US\$244.2 million) primary share investment by GIC affiliate Arran Investment Pte. Ltd. (Arran), ACEN has raised a total of close to US\$1.0 billion in fresh capital in 2021, which it can use to fund its goal of 5,000 megawatts (MW) in attributable renewable energy (RE) capacity by 2025.

### Operating Highlights:

- a) ACEN ended the year with 3,028MW of attributable capacity in operation and under construction, up from just 1,889MW in the same period in 2020.
  - 50% of the portfolio is located in the Philippines, with the other 33.5% spread across the region: Indonesia, Vietnam, Australia and India.
  - 64% of the capacity is operating, while the remaining 36% is still under construction
  - 83% of the portfolio is powered by renewable energy
- b) In the Philippines, the 120MW Gigasol Alaminos and 63MW Gigasol Palauig solar farms have both started operating in the second quarter, while the 150MW Ingrid peaking plant was completed and started operations in October of this year. ACEN is currently completing the 72MW Greencore Arayat solar plant, the 160MW GigaWind Pagudpud wind farm, the 40MWh Alaminos battery energy storage project, and the 4MW Bataan RE Tech Hub.
- c) Despite the pandemic, the Group has commenced with its first two solar projects in India, the 140MWdc Sitara Solar and 70MWdc Paryapt Solar projects, which have generating power since started in May 2021 and October 2021. The 88MW Nihn Thuan wind farm in Vietnam also completed and started operation in October of this year. The 252MW Quang Binh wind farm in Vietnam has reached commercial operation in November 2021. The Group started construction of its first project in Australia, the 521MWdc New England Solar Farm, earlier this year.
- d) The Group currently has 2,073MW of attributable renewable energy capacity and is working toward its goal of 5,000MW of renewable energy capacity by 2025, in line with its vision of becoming the largest listed renewables platform in Southeast Asia.

### Financial Highlights:

- a) The Group posted consolidated net income attributable to equity holders of the Parent Company amounting to **₱5,250.97 million** for the year ended December 31, 2021, up from **₱4,288.10 million** restated net income in the same period last year.

This includes the results of operations of the international assets that have been infused into ACEN. Currently, none of the international assets are being consolidated by the Group, and that the earnings from these assets are reflected under Equity in Net Income of Associates and Joint Ventures, which is presented net of project development expenses for the various power projects under construction and in the pipeline. Interest and other financial income from investments in redeemable preferred shares of associates and joint ventures, and from development loans and advances to these companies, are reflected under Other Income.

- b) Net income growth was mainly driven by the growth in operating capacity from acquisitions made in 2020 as well as recently completed renewable energy projects. Attributable generation grew 21.3% to 4,632.9 GWh for year ending December 31, 2021, up from 3,818.3 GWh in the same period last year.

Challenges in the availability of thermal assets, coupled with high WESM prices, led to an increase in the cost of purchased power during the period, but this was partially offset by improved wind regime.

The tables below summarize the impact of operations on the Group's consolidated revenues, costs and expenses for the year ended December 31, 2021 and 2020.

#### Revenues

<i>In thousand Pesos</i>	2021	2020 (As restated)	Increase (Decrease)	
			Amount	%
Revenue from sale of electricity	25,878,039	20,283,303	5,594,736	28
Rental income	61,466	86,622	(25,156)	(29)
Dividend income	11,725	14,034	(2,309)	(16)
Other revenue	130,211	104,276	25,935	25

- a) **Revenue from sale of electricity** increased mainly due to demand recovery, exceeding Group's pre-pandemic level, vis-à-vis the mobility restrictions in the previous year, significant increase in retail contracts, and growth in operating capacity following the acquisition of additional stakes in the ISLASOL and SACASOL solar farms last year. Gigasol3 and SolarAce1 have started commercial operations of the 60MWdc Palauig Solar Farm and 120MWdc Alaminos Solar Farm in April and June 2021, respectively, which also contributed to the increase, despite typhoon damages in Visayas region transmission and distribution systems towards end of year.
- b) **Rental income** decreased due to the consolidation of ISLASOL and SACASOL, which have various lease agreements within the Group that have been eliminated following acquisition of majority interest in both companies last March 2020.
- c) **Dividend Income** came from UPC Sidrap, which is recognized as financial asset at FVOCI.
- d) **Other revenue** consists of management fees earned by ACEN from its joint ventures, as well as bulk water sales. Management fees drove the increase due to commencement of fees on the international projects starting Q2 2021.

#### Costs and Expenses

<i>In thousand Pesos</i>	2021	2020 (As restated)	Increase (Decrease)	
			Amount	%
Costs of sale of electricity	21,469,733	13,420,538	8,049,195	60
General and administrative expenses	2,785,549	3,017,665	(232,116)	(8)

- a) **Costs of sale of electricity** increased largely because of the higher cost of purchased power and increased utilization of the diesel plants for power generation given high WESM prices during the SLTEC outage in the second quarter of the year and preventive maintenance activities in the latter half of the year. Power for station use, bunker fuel and start-up costs also increased due these outages and preventive maintenance activities.
- b) **General and administrative expenses** include additional ₱219.53 million provision for impairment in BSEI, which was partially offset by lower salaries, management and professional fees during the year following the capitalization of project development costs. Prior year included one-off transactions such as ₱105.48 million incidental expenses and ₱186.51 million impairment of investment in NIBHI.

## Other Income and Expenses

<i>In thousand Pesos</i>	2021	2020	Increase (Decrease)	
		(As restated)	Amount	%
Interest and other finance charges	(1,694,380)	(1,988,086)	293,706	(15)
Equity in net income of associates and joint ventures	1,952,753	1,490,192	462,561	31
Other income - net	5,723,640	3,551,889	2,171,751	61

- a) **Interest and other finance charges** dropped year-on-year with lower interest on loans and the repayment of short-term loans during the first half of 2021 following ACEN's equity capital raising activities. The account included accrual of the interest on Green Bonds covering the last quarter of the year.
- b) **Equity in net income of associates and joint ventures** increased mainly from income contributions from Salak-Darajat and NLR with better wind regime in current year and increase in ownership interest from same period last year. The Group's joint venture with BIM Group, Ninh Thuan wind farm, and with AMI Renewables, Quang Binh wind farm, both in Vietnam and have Feed-in Tariffs (FIT), since started commercial operation have contributed equity increase during the year. The increase was partially offset by equity decrease due to predevelopment costs from commencement of construction of the New England Solar Farm in Australia.
- c) **Other income** mainly comprised of interest and other financial income from investments in redeemable preferred shares in associates and joint ventures, and from development loans and advances to associates and joint ventures. Other Income for the current period also includes  
 ₱485 million realized forex gains from ACRI largely coming from redemption of redeemable preferred shares of UAC Energy Holdings Pty ("UACH") last September, ₱254 million guarantee fee income, ₱72 million PPE impairment reversals, ₱21 million gain on deconsolidation of Ingrid and ₱42 million realized gain from foreign currency forward contracts. In addition, the Group recognized recoveries from investment in NIBHI amounting to ₱38 million impairment reversal upon the Group's divestment to biomass. Prior year included one-off transaction such as ₱867 million gain on disposal of investments in Infigen accounted as FVTPL.

## Provision for (benefit from) income tax

<i>In thousand Pesos</i>	2021	2020	Increase (Decrease)	
		(As restated)	Amount	%
Current	297,689	404,053	(106,364)	(26)
Deferred income tax	(155,552)	297,823	(453,375)	(152)

- a) The decrease in **provision for income tax - current** was due to the lowering of the income tax rate from 30% to 25% due to the CREATE Act.
- b) **Provision for deferred income tax** in 2021 includes recognition of deferred tax of the Group's NOLCO in current period taxable income.

## Material changes in Consolidated Statements of Financial Position accounts

<i>In thousand pesos</i>	2021	2020 (As restated)	Increase (Decrease)	
			Amount	%
<b>Current Assets</b>				
Cash and cash equivalents	26,445,429	28,077,171	(1,631,742)	(6)
Short-term investment	68,310	–	68,310	–
Accounts and notes receivable	33,309,297	16,611,719	16,697,578	101
Fuel and spare parts	1,490,559	1,391,340	99,219	7
Financial assets at fair value through other comprehensive income (FVOCI)	–	12,620,756	(12,620,756)	(100)
Current portion of:				
Input value added tax (VAT)	1,173,169	438,738	734,431	167
Creditable withholding taxes	837,472	649,271	188,201	29
Other current assets	744,269	453,424	290,845	64
Assets held for sale	203,464	–	203,464	–
<b>Noncurrent Assets</b>				
Investments in:				
Associates and joint ventures	21,358,301	18,795,088	2,563,213	14
Other financial assets at amortized cost	26,085,959	15,297,105	10,788,854	71
Financial assets at fair value through profit or loss (FVTPL)	406,739	–	406,739	–
Financial assets at FVOCI	354,868	381,168	(26,300)	(7)
Property, plant and equipment	36,038,563	31,837,950	4,200,613	13
Right-of-use asset	2,135,479	2,343,404	(207,925)	(9)
Investment properties	13,085	341,549	(328,464)	(96)
Accounts and notes receivable – net of current portion	13,191,314	6,540,288	6,651,026	102
Goodwill and other intangible assets	2,375,980	2,537,094	(161,114)	(6)
Net of current portion:				
Input VAT	524,733	1,177,802	(653,069)	(55)
Creditable withholding taxes	726,804	601,840	124,964	21
Deferred income tax assets – net	512,366	416,353	96,013	23
Other noncurrent assets	3,165,227	1,303,760	1,861,467	143

- Decrease in **cash and cash equivalents** were mainly attributable to investments in new projects, capitalized expenditures and ongoing constructions in project companies, net repayment of short-term and long-term loans, and payment of cash dividends. The decrease was net of gross proceeds from SRO, FOO and Arran's private placement amounting to ₱10.27 billion, ₱5.37 billion and ₱11.88 billion, respectively. This is to fund the Group's various development and operating projects, as well as potential acquisitions. Refer to the Consolidated Statements of Cash Flows for the detailed movement.
- **Short-term investments** include cash placements to cover for expected loan principal and interest repayments upon maturity.
  - (1) Increase in **accounts and notes receivable** was largely coming from trade with the increase in revenues from sale of electricity. The increase was also due to additional drawdowns of loans and other advances extended by ACRI for the funding of various projects.
  - (2) **Fuel & spare parts** went up as a result of SLTEC's purchases of spare parts and other direct materials in preparation for maintenance works, coupled with the Group's purchases of fuel which have not yet been consumed as at December 31, 2021.
  - (3) Current **financial assets at FVOCI** were reduced with the full redemption of (ACRI's) investment in AYCFL redeemable preferred shares.
  - (4) Increase in **current portion of input VAT** mainly driven by input tax from purchases of various materials needed for construction and maintenance of various plants and services procured.
  - (5) **Creditable withholding tax** went up due to improvement in collection of ACEN's receivable from retail customers and unutilized CWT.
  - (6) **Other current assets** increased primarily due to ACEN's foreign exchange forward contracts maturing within 12-month period, SLTEC's advances to contractors and Group's prepaid taxes.

- (7) **Assets held for sale** include Power Barges (PB) 101, 102 and 103 valued at its fair value less cost to sell amount. The account also includes building improvements, machineries, tools, and equipment of ACEN and BSEI that are available for immediate sale.
- (8) **Investments in associates and joint ventures** increased mainly due to the reclassification of Ingrid from subsidiary to joint venture (₱1.2 billion) following the effectivity of the Shareholder Agreement with APHPC on March 2021. There are also new joint venture investments reported during the period such as Greencore3, Solar Philippines and Natures Renewable Energy Development Corporation (NAREDCO), and additional investment in UPC-ACE Australia. Accumulated equity in net earnings increased for the period largely coming from PhilWind (₱974 million) and Salak-Darajat (₱1.1 billion) but reduced by ₱1.7 billion total dividend payout and NIBHI divestment.
- (9) **Investments in other financial assets at amortized cost** include investments in redeemable preferred shares of, and convertible loans extended to associates and joint ventures. These increased with additional subscriptions into redeemable preferred shares of various international projects, as well as additional loan facilities extended.
- (10) **Noncurrent financial assets at FVTPL** includes Compulsorily Convertible Debentures (CCDs) from Masaya Solar. Masaya Solar is currently constructing the 420MWp solar farm in the Central Indian state of Madhya Pradesh.
- (11) **Noncurrent financial assets at FVOCI** are largely the investment in UPC Sidrap and also include golf club shares and listed equity instruments.
- (12) **Plant, property and equipment's** increased mainly due to completion of Gigasol3's solar power plant in Palauig, Zambales, and Solarace1's solar power plant in Alaminos, Laguna, capitalization of ₱1.8 billion for Balaoi wind farm project in Ilocos through BWPC and ₱1.1 billion for the Alaminos Battery Energy Storage System (BESS) Project through Giga Ace 4. The Group also had ₱135.8 million capitalized borrowing costs from project companies during the year. The increase was partially offset by ₱590 million coming from Ingrid's deconsolidation.
- (13) **Right-of-use asset's** decrease came from deconsolidation of Ingrid. During the year, ACEN entered into an office lease agreement with ALI, offset by amortizations.
- (14) **Investment properties** includes Bulacan Power's land amounting to ₱13.09 million. Decrease is due to reclassification to Property, plant and equipment of a land owned by BCHC amounting to ₱283.86 million which are leased out to other subsidiaries of the Group.
- (15) **Accounts and notes receivable – net of current portion** increased primarily due to loans receivable from Greencore amounting to ₱2.2 billion and to non-current portion of Loans and Interest Receivable of ACRI from related parties amounting to ₱6.2 billion.
- (16) **Goodwill & other intangible assets** decreased coming from amortizations for the period.
- (17) Majority of the balance of **deferred tax asset** came from recognition on accrued expenses, NOLCO, MCIT and lease liabilities. Deferred tax asset of the Group went down mainly due to the application of the Group's NOLCO in current period taxable income.
- (18) **Input VAT non-current** decreased due to reclassification of input vat to current as well as deconsolidation of Ingrid with ₱266 million input VAT from importations.
- (19) **Other non-current assets** include various advances to contractors for the ongoing project developments.

<i>In thousand pesos</i>	2021	2020 (As restated)	Increase (Decrease)	
			Amount	%
<b>Current Liabilities</b>				
Accounts payable and other current liabilities	6,280,829	6,490,190	(209,361)	(3)
Short-term loans	–	4,635,000	(4,635,000)	(100)
Current portion of long-term loans	824,488	707,782	116,706	16
Current portion of lease liabilities	536,950	285,001	251,949	88
Income and withholding taxes payable	169,920	345,281	(175,361)	(51)
Due to stockholders	16,585	18,272	(1,687)	(9)
<b>Noncurrent Liabilities</b>				
Notes payable	20,195,054	–	20,195,054	–
Long-term loans - net of current portion	20,117,733	21,546,373	(1,428,640)	(7)
Lease liabilities - net of current portion	2,159,302	1,631,628	527,674	32
Pension and other employment benefits	80,422	50,929	29,493	58
Deferred tax income liabilities - net	74,422	130,981	(56,559)	(43)
Other noncurrent liabilities	2,736,920	1,695,048	1,041,872	61
<b>Equity</b>				
Capital Stock	38,338,527	13,706,957	24,631,570	180
Additional paid-in capital	98,043,831	8,692,555	89,351,276	1,028
Other equity reserves	(56,604,532)	28,662,357	(85,266,889)	(297)
Unrealized fair value (loss) gain on equity instruments at FVOCI	(90,089)	143,625	(233,714)	(163)
Unrealized fair value gain on derivative instruments designated as hedges	6,228	57,409	(51,181)	(89)
Remeasurement loss on defined benefit plan	(24,436)	(6,999)	(17,437)	249
Accumulated share in other comprehensive gain (loss) of associates and joint ventures	29,723	(229,844)	259,567	(113)
Cumulative translation adjustments	(359,910)	(3,453,708)	3,093,798	(90)
Retained earnings	8,707,301	6,349,082	2,358,219	37
Treasury shares	(28,657)	(40,930)	12,273	(30)
Non-controlling interests	29,950,776	50,398,831	(20,448,055)	(41)

- (i) **Accounts payable and other current liabilities** decreased following the full settlement of ₱ 2.04 billion payables to APHPC this September for the acquisition of 20% interest in SLTEC through the assignment of ACEIC to ACEN in 2019. The decrease was partially offset by increase in trade payables.
- (ii) **Short-term loans** decreased on repayments of bank loans to BDO (₱2.00 billion), CBC (₱1.35 billion) and SECB (₱800 million). Availments during the period amounting to ₱2.00 billion and ₱1.00 billion from RCBC and BDO, respectively, were paid in full during the year.
- (iii) **Current portion of long-term loans** increased due to reclassifications of currently maturing principal within 12-month period, offset by repayments during the year.
- (iv) **Current portion of lease liability** increased due to new office lease agreement with ALI.
- (v) Decrease in **income and withholding taxes payable** was mainly due to settlement of income tax payable of ACRI.
- (vi) **Notes payable** pertains to the US\$400.0 million U.S. dollar-denominated senior guaranteed undated fixed-for-life (non-deferrable) Green Bonds (the Bonds) issued and listed in SGX-ST.
- (vii) **Long-term loans - net of current portion** decreased due to the principal repayments by ACEN (₱ 964 million), Guimaras Wind (₱130 million), NPDC (₱140 million) and BWPC (₱178 million). The decrease was offset by the new loans availed by ACEN and BWPC amounting to ₱805 million and ₱33 million, respectively, to fund various development and operating projects. SLTEC also paid principal amortization payment (₱225 million) and cash sweep prepayment (₱500 million).
- (viii) **Lease Liabilities-net of current portion** increased mainly due to new office lease agreements with ALI.
- (ix) **Pension and other employment benefits** increased due to accrual of retirement expense for the year.
- (x) Majority of the balance of **deferred income tax liabilities** came from recognition on unrealized foreign exchange gains and right-of-use assets of the Group as at period ended.

- (xi) **Other non-current liabilities** include ₱1.13 billion trade payables in relation to a Multilateral Agreement signed by the Group, PEMC and other WESM participants. These also include contract liabilities and asset retirement obligations related to solar operations.
- (xii) **Capital stock and additional paid in capital** increased by 2.27 billion shares at ₱2.37 from SRO, 4 billion shares at ₱2.97 from the private placement with Arran and 1.58 billion shares at ₱6.50 from FOO. Proceeds from the SRO were used to fund ongoing Solar Power Projects of Solarace1, Gigasol3 and Greencore 3 Power Solutions, Inc. as well as other projects such as investment into a renewable energy laboratory, and funding for up to U.S.\$100 million for new technology investments in the Philippines. ACEN plans to utilize the proceeds of the Private Placement as follows:
  - (A) Funding of the development and construction of the Group's renewable energy projects, including its Arayat solar project in Pampanga and Bayog wind project in Ilocos Norte, as well as possible expansions of existing plants and acquisition of other operating plants, of approximately up to ₱10 billion, estimated to be used in the 1st half of 2021 at the earliest;
  - (B) Repayment of debt drawn earlier to fund development funding requirements; and
  - (C) Funding of working capital requirements and for general corporate purposes of approximately up to ₱500 million, estimated to be used in the first quarter of 2021 at the earliest.

Proceeds from the FOO will be used to partially fund the development of renewable power projects in the pipeline and inorganic growth opportunities in and when they arise, repayment of loans and reduction of payables, and other general corporate requirements. There were also 8.19 million shares granted through the employee stock ownership plan of the Group.

- (xiii) The movement in **other equity reserves** pertain to the impact of the share swap transaction with ACEIC to acquire the latter's ownership interest in various international business and assets ("Offshore Companies") in exchange for ACEN's issuance of additional primary shares via a tax-free exchange, which rendered prior period restatement to account for the retroactive impact. This business combination of entities under common control had a ₱48.08 billion excess impact over subscription price from the acquisition. Excess of consideration from acquisitions of non-controlling interest in MSPDC and NorthWind amounted ₱261.73 million and ₱723.97 million, respectively.
- (xiv) The decrease in **unrealized FV loss on equity instruments at FVOCI** came from mark-to-market loss for UPC Sidrap for the current period and reversal of unrealized fair value gain upon redemption of AYCFL shares.
- (xv) **Unrealized fair value gain on derivative instruments designated as hedges** decreased due to winding down of ACEN's coal swap transactions which were all sold in third quarter of the year. The account also include BWPC's mark-to-market gains from foreign exchange forward contracts.
- (xvi) **Remeasurement loss on defined benefit plan** decreased parallel to various actuarial loss and loss on return on plan assets.
- (xvii) The increase in **accumulated share in other comprehensive loss of associates and joint ventures** came from share in remeasurement loss from defined benefit obligation of associate and joint venture.
- (xviii) **Retained earnings** increased from resulting net income earned for the period offset by ₱1.20 billion dividends declared last March 19,2021 and paid last April 19, 2021.
- (xix) **Treasury shares** decreased during the period through the offer of secondary shares during the FOO.
- (xx) **Non-controlling interests** are mainly comprised of redeemable preferred shares (RPS) of ACEC held by ACEFIL. Non-controlling interests' share in net income amounted to ₱2.42 billion, which was offset by dividends totaling ₱2.23 billion. There were also capital redemptions amounting to ₱47.50 million in NorthWind, ₱830.98 million (\$16.31 million) in UAC Energy Holdings Pty ("UACH") and ₱19.51 billion (\$400.00 million) in ACEC. The Group also acquired the non-controlling interest in MSPDC and NorthWind with carrying amount of ₱18.77 million and ₱294.8 million, respectively.



## Key Performance Indicators

The key performance indicators of ACEN and its majority owned subsidiaries, as consolidated, are the following:

Key Performance Indicator	Formula	31-Dec-21 Audited	31-Dec-20 As restated	Increase (Decrease)	
				Amount	%
<i>Liquidity Ratios</i>					
<b>Current Ratio</b>	Current assets	<b>8.21</b>	4.83	3.38	70%
	Current liabilities				
<b>Acid test ratio</b>	Cash + Short-term investments + Accounts receivables + Other liquid assets	<b>7.64</b>	4.59	3.05	66%
	Current liabilities				
<i>Solvency Ratios</i>					
<b>Debt/Equity ratio</b>	Total liabilities	<b>0.45</b>	0.36	0.09	25%
	Total equity				
<b>Asset-to-equity ratio</b>	Total assets	<b>1.45</b>	1.36	0.09	7%
	Total equity				
<b>Interest Coverage Ratio</b>	Earnings before interest & tax (EBIT)	<b>5.61</b>	4.57	1.04	23%
	Interest expense				
<b>Net bank Debt to Equity ratio</b>	Short & long-term loans - Cash & Cash Equivalents	<b>0.12</b>	(0.01)	0.13	(1,300 %)
	Total Equity				
<i>Profitability Ratios</i>					
<b>Return on equity</b>	Net income after tax attributable to equity holders of the Parent Company	<b>7.40%</b>	8.03%	(0.63%)	(8%)
	Average stockholders' equity				
<b>Return on assets</b>	Net income after taxes	<b>4.90%</b>	4.81%	0.09%	2%
	Average total assets				
<b>Asset Turnover</b>	Revenues	<b>16.67%</b>	15.39%	1.28%	8%
	Average total assets				

### Current ratio & Acid test ratio

Current ratio & acid test ratio increased due to higher liquid assets such as receivables at period end alongside the decrease in current liabilities primarily from short-term loans repayment.

### Debt/Equity ratio & Asset-to-equity ratio

Significant increase in D/E ratio was driven by additional liabilities with the issuance of bonds despite the increase in equity accounts. Asset-to-equity ratio also increased as the increase in total assets outpaced the increase in total equity.

**Interest coverage ratio**

Higher net income before interest and taxes coupled with lower interest expense following debt settlements yield to higher interest coverage ratio for the current year.

**Net bank debt to equity ratio**

The increase in total debt and increase in cash and cash equivalents combined with lower capital accounts and retained earnings at year-end resulted to a lift in the ratio.

**Return on equity and assets**

Return on equity partially decreased despite higher net income year-on-year, while return on assets registered an increase due to higher generation capacities combined with the increase in the Group's total assets, as compared in the same period last year.

**Asset turnover**

Asset turnover's increase mainly attributable to the Group's efficiency in generating revenue from its assets, alongside the inclusion of international operations to ACEN.

**Material events and uncertainties**

- a) There were no events that triggered direct or contingent financial obligation that was material to the Group. There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- b) There were no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.
- c) There were no material events that had occurred subsequent to the balance sheet date except for the events after the reporting period disclosed in Note 39 of the Audited Consolidated Financial Statements.
- d) ACEN has material commitments to invest in capital expenditure projects mainly in the following:
  - (i) 288MW solar project in Buguey and Lal-lo, Cagayan and the proposed 275MW expansion of Gigasol Palauig solar project in Zambales.
  - (ii) 120MWdc solar power project in Alaminos, Laguna through Solarace1;
  - (iii) 150MW diesel plant in Pililla, Rizal through Ingrid, a joint venture of ACEN, ACE Endeavor and APHPC
  - (iv) 60MWdc solar power project in Palauig, Zambales through Gigasol3;
  - (v) 50MWac (72MWdc) solar power project in Arayat and Mexico, Pampanga through Greencore 3, a joint venture of ACEN, ACE Endeavor and Citicore;
  - (vi) 500MW solar power project in San Marcelino, Zambales through Santa Cruz Solar;
  - (vii) 2x20 MW Alaminos Battery Energy Storage System (BESS) Project through Giga Ace 4;
  - (viii) 160MW wind farm in Balaoi, Pagudpud, Ilocos Norte through BWPC, in partnership with UPC Renewables;
  - (ix) Investment into 4MW renewable energy laboratory in Bataan through BSEI;
  - (x) 521MWdc New England Solar Farm (NESF) and adjacent 50MW battery energy storage system located near Uralla in New South Wales through UPC-ACE Australia, a joint venture of ACEN and UPC Renewables Australia.
  - (xi) Various Vietnam wind farms:
    - a) 252MW wind farm in Quang Binh through AMI Renewables Energy Joint Stock Company
    - b) 88MW wind farm in Ninh Thuan through BIM Energy Joint Stock Co. ("BIME")
    - c) 40MW second phase of the Mui Ne Wind Farm in Binh Thuan through the partnership with the Blue Circle.
    - d) 60MW Lac Hoa & Hoa Dong wind farm in Soc Trang through a joint venture with UPC

- (xii) Funding of up to U.S.\$100 million for new technology investments in the Philippines. Refer to Notes to Consolidated Financial Statements for the details.
- e) Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations
- (i) The results of operations of ACEN and its subsidiaries depend to a significant extent, on the performance of the Philippine economy.
  - (ii) The current highly competitive environment, operation of priority-dispatch variable renewable energy, and community quarantines resulted in lower demand for electricity and have driven market prices of electricity downward.
  - (iii) Movements in the WESM prices could have a significant favorable or unfavorable impact on the Group's financial results.
- f) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way - The Group is developing a line-up of renewable energy projects as part of its growth aspiration. The capital expenditures shall be funded by a combination of equity and debt. Several capital raising activities were executed in 2021: the 2.27 billion shares sold through SRO, the subscription by Arran to 4 billion primary shares pursuant to a private placement, and the issuance of 1.58 billion primary shares for FOO.
- g) There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or results of operations.
- h) There were no operations subject to seasonality and cyclicity except for the operation of wind farms. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

## 2020

The Company posted restated consolidated net income attributable to equity holders of the Parent Company amounting to **₱4,288.10 million** for the year ended December 31, 2020 compared to **₱704.76 million** restated net income attributable to the parent in the same period last year.

The tables below summarize the consolidated results of operations of ACEN's revenues, costs and expenses for the year ended December 31, 2020 and 2019.

### Revenues

<i>In thousand Pesos</i>	2020	2019	Increase (Decrease)	
	(As restated)		Amount	%
Revenue from sale of electricity	20,283,303	16,096,549	4,186,754	26
Rental income	86,622	3,116	83,506	2,680
Dividend income	14,034	15,746	(1,712)	(11)
Other revenue	104,276	11,298	92,978	823

The increase in **revenue from sale of electricity** was primarily due to higher energy sales from the Parent Company's power supply business as a result of the new contracts. The Group also recognized additional revenues from the consolidation of newly acquired entities and FIT adjustments.

**Dividend Income** came from UPC Sidrap, which is recognized as financial asset at FVOCI.

**Rental income** increased due to the contribution from entities acquired as a result of the asset swap with AC Energy and Infrastructure Corporation (ACEIC).

**Other revenue** consists of management fees earned by ACEN from its joint ventures and bulk water sales.

## Costs and Expenses

<i>In thousand Pesos</i>	2020	2019 (As restated)	Increase (Decrease)	
			Amount	%
Costs of sale of electricity	13,420,538	15,302,530	(1,881,992)	(12)
General and administrative	3,017,665	827,980	2,189,685	264

Despite increase in energy sales, **costs of sale of electricity** for the twelve-month period ending December 31, 2020 declined mainly due to lower WESM prices especially during the first half of the year compared to same period last year.

**General and administrative expenses** increased due to personnel integration-related expenses, management fees paid to ACEIC, documentary stamp taxes on share issuances, advances and borrowings and provision for oil spill expenses before insurance recovery.

## Other Income and Expenses

<i>In thousand Pesos</i>	2020	2019 (As restated)	Increase (Decrease)	
			Amount	%
Interest and other finance charges	(1,988,086)	(962,840)	(1,025,246)	106
Equity in net income of associates and joint ventures	1,490,192	739,073	751,119	102
Other income - net	3,551,889	947,784	2,604,105	275

**Interest and other finance charges** is higher due to availment of new long-term and short-term loans from November 2019 to December 2020. This was also driven by higher interest accretion on lease liabilities with additional lease contracts consolidated in the group following the asset swap with ACEIC, as well as new contracts in 2019.

Higher **equity in net income of associates and JV** was posted in 2020 compared to same period last year mainly attributed to income contribution from PhilWind with the transfer of indirect interest from ACEIC through asset swap together with acquisition of PINAI's interest in February 2020.

**Other income** in 2020 is higher than 2019 attributed to foreign exchange gain and advisory service fee pursuant to ACEN's Service Agreement with a third party rendered during first quarter of 2020.

## Provision for (benefit from) income tax

<i>In thousand Pesos</i>	2020	2019 (As restated)	Increase (Decrease)	
			Amount	%
Current	404,053	161,364	242,689	150
Deferred	297,823	(220,884)	518,707	(235)

The increase in **provision for income tax - current** was due to higher consolidated taxable income for the period ended December 31, 2020 mainly driven by revenue growth coupled with drop in cost of sales.

**Provision for deferred income tax** in 2020 was higher due to the reversal of deferred tax assets on NOLCO.

## Material changes in Consolidated Statements of Financial Position accounts

<i>In thousand pesos</i>	2020 (As restated)	2019 (As restated)	Increase (Decrease)	
			Amount	%
<b>Current Assets</b>				
Cash and cash equivalents	28,077,171	39,630,296	(11,553,125)	(29)
Short-term investment	–	100,000	(100,000)	(100)

<i>In thousand pesos</i>	2020	2019	Increase (Decrease)	
	(As restated)	(As restated)	Amount	%
Accounts and notes receivable	16,611,719	7,417,212	9,194,507	124
Fuel and spare parts	1,391,340	938,459	452,881	48
Financial assets at fair value through other comprehensive income (FVOCI)	12,620,756	–	12,620,756	–
Current portion of:				
Input value added tax (VAT)	438,738	190,816	247,922	130
Creditable withholding taxes	649,271	179,007	470,264	263
Other current assets	453,424	212,819	240,605	113
Assets held for sale	–	3,546	(3,546)	(100)
<b>Noncurrent Assets</b>				
Investments in:				
Associates and joint ventures	18,795,088	17,072,173	1,722,915	10
Other financial assets at amortized cost	15,297,105	3,374,290	11,922,815	353
Financial assets at FVOCI	381,168	21,796,602	(21,415,434)	(98)
Property, plant and equipment	31,837,950	25,438,977	6,398,973	25
Right-of-use asset	2,343,404	951,750	1,391,654	146
Investment properties	341,549	13,085	328,464	2,510
Accounts and notes receivable – net of current portion	6,540,288	2,389,231	4,151,057	174
Goodwill and other intangible assets	2,537,094	441,077	2,096,017	475
Net of current portion:				
Input VAT	1,177,802	372,917	804,885	216
Creditable withholding taxes	601,840	861,208	(259,368)	(30)
Deferred income tax assets – net	416,353	653,923	(237,570)	(36)
Other noncurrent assets	1,303,760	2,401,613	(1,097,853)	(46)

- Decrease in **cash and cash equivalents** was due to various expenditures for development projects and new investments including strategic acquisitions. Refer to the Consolidated Statements of Cash Flows for the detailed movement.
- Decrease in **short term investments** was due to redemption of time deposit of ACEN.
- Increase in **accounts and notes receivable** mainly attributed to the approval of price adjustment for power supply agreements and accrual of additional revenues from FIT system adjustments.
- **Fuel & spare parts** went up as a result of SLTEC's purchases of spare parts and other direct materials for maintenance works, coupled with ACEN's purchases of bunker fuel, together with settlement of fuel commodity swaps which are unconsumed as of year-end.
- **Financial assets at FVOCI** pertains to redeemable preferred shares in AYCFL, an unconsolidated affiliate of the Group, expected to be redeemed in 2021.
- Increase in **current portion of input VAT** is mainly driven by input tax from purchases of various materials needed for construction and maintenance of various plants and services procured by the Group.
- **Creditable withholding tax** went up due to improvements in collection of ACEN's receivable from retail customers and unutilized CWT.
- **Other current assets** increased primarily due to SLTEC's prepayments of taxes and insurance as well as advances to contractors. Acquisition of ISLASOL and SACASOL also contributed to the increase of the group's other current assets.
- **Assets held for sale** was reclassified back to property, plant and equipment as the Group changed its intention of selling to using the assets of One Subic Oil for future projects.
- **Investments in associates and joint ventures** increased mainly due to additional investments of ₱2.57 billion in PhilWind and ₱280.41 million in BIM Renewables JSC. Accumulated equity in net earnings increased for the period largely coming from PhilWind (₱826 million) and Salak-Darajat (₱667 million) but reduced by ₱2.0 billion dividends and ₱186 million impairment of investments in NIBHI
- **Investments in other financial assets** at amortized cost include investments in redeemable preferred shares of, and convertible loans extended to, associates and joint ventures. These increased with additional subscriptions into redeemable preferred shares of various international projects, as well as additional loan facilities extended.
- **Financial assets at FVOCI** decreased upon obtaining control of ISLASOL and SACASOL with the Group's step acquisition in March 2020 and subscription to redeemable class B preferred shares of UPC

Sidrap HK.

- **Plant, property and equipment** increased due to significant capital expenditures of the Group for its line-up of projects: ₱2.90 billion for the solar farm project in Alaminos, Laguna,
- ₱897.22 million for the solar farm project in Palauig, Zambales and ₱232.63 million for the 150MW diesel-fired power facility in Pililia, Rizal were some of the major contributors. The account also increased with the consolidation of ISLASOL's and SACASOL's fixed assets.
- **Right-of-use asset's** significant increase came from consolidation of ISLASOL's and SACASOL's leased properties. Increase was also attributable to new lease agreements from Ingrid and BCHC amounting to ₱261.73 million and ₱50.32 million, respectively.
- **Investment properties** increased due to reclassification from Property, plant and equipment of a land owned by BCHC amounting to ₱283.86 million.
- **Goodwill and other intangible assets** increased mainly as a result of recognition of SACASOL's identifiable FIT contract as intangible asset amounting to ₱2.19 billion, as well as goodwill on acquisition of ISLASOL amounting to ₱12.45 million.
- **Input VAT non-current** increased due to reclassification of input vat in non-operating subsidiaries to non-current.
- Majority of the balance of **deferred tax asset** came from recognition on NOLCO and lease liabilities. Despite the increase from acquisition of ISLASOL and SACASOL, deferred tax asset of the Group went down mainly due to the application of the Group's NOLCO in current year taxable income.
- **Other non-current assets** decreased primarily due to non-current portion of receivable from FIT system adjustments as well as various advances to contractors for the ongoing project developments.

<i>In thousand pesos</i>	2020	2019	Increase (Decrease)	
	(As restated)	(As restated)	Amount	%
<b>Current Liabilities</b>				
Accounts payable and other current liabilities	6,490,190	4,064,597	2,425,593	60
Short-term loans	4,635,000	3,556	4,631,444	130,243
Current portion of long-term loans	707,782	905,931	(198,149)	(22)
Current portion of lease liabilities	285,001	128,796	156,205	121
Income and withholding taxes payable	345,281	103,361	241,920	234
Due to stockholders	18,272	16,594	1,678	10
<b>Noncurrent Liabilities</b>				
Long-term loans - net of current portion	21,546,373	22,292,698	(746,325)	(3)
Lease liabilities - net of current portion	1,631,628	852,742	778,886	91
Pension and other employment benefits	50,929	71,034	(20,105)	(28)
Deferred tax income liabilities - net	130,981	350,487	(219,506)	(63)
Other noncurrent liabilities	1,695,048	3,289,902	(1,594,854)	(48)
<b>Equity</b>				
Capital Stock	13,706,957	7,521,775	6,185,182	82
Additional paid-in capital	8,692,555	83,768	8,608,787	10,277
Other equity reserves	28,662,357	41,570,060	(12,907,703)	(31)
Unrealized fair value gain (loss) on equity instruments at FVOCI	143,625	(26,546)	170,171	(641)
Unrealized fair value gain (loss) on derivative instruments designated as hedges	57,409	(14,742)	72,151	(489)
Remeasurement loss (gain) on defined benefit plan	(6,999)	9,254	(16,253)	(176)
Accumulated share in other comprehensive loss of associates and joint ventures	(229,844)	(168,154)	(61,690)	37
Cumulative translation adjustments	(3,453,708)	96,227	(3,549,935)	(3,689)
Retained earnings	6,349,082	3,943,403	2,405,679	61
Treasury shares	(40,930)	(27,704)	(13,226)	48
Non-controlling interests	50,398,831	39,371,962	11,026,869	28

- **Accounts payable and other current liabilities** went up mainly driven by the increase in payable to contractors, which include both manpower cost related to plant preventive maintenance and purchases of property, plant and equipment and spare parts, utilities, and insurance payables. Output vat also

significantly increased with higher sales volume. Consolidation of ISLASOL and SACASOL also contributed to the increase in the account.

- **Short-term loans** went up mainly from outstanding short-term loans from outstanding balance of ₱4.6 billion from various banks such as BDO, SBC, RCBC and CBC as at year-end. Short-term loan from TLCTI Asia assumed from acquisition of ISLASOL was paid in full during the year.
- **Current portion of long-term loans** decreased due to the principal payments and pretermination of loans made during the year, mainly by ACEN.
- **Current portion of lease liabilities** increased due to acquisition of ISLASOL and SACASOL.
- Increase in **income and withholding taxes payable** was mainly due to accrual of income tax expense of several subsidiaries and higher tax withheld from purchases.
- **Due to stockholders** increased from the unpaid dividend to minority shareholders of MSPDC.
- **Long-term loans - net of current portion** decreased due to the principal payments and pretermination of loans mainly by ACEN. The decrease was partly offset by the new loans availed by NorthWind and ACEN amounting to ₱2.30 billion and ₱1.50 billion, respectively, to fund new investments.
- **Lease Liabilities - net of current portion** increased as a result of acquisition of ISLASOL and SACASOL, as well as new lease agreements.
- Majority of the balance of **deferred income tax liabilities** came from recognition on unrealized foreign exchange gains and right-of-use assets of the Group as at year end.
- **Pension and other employment benefits** decreased due to benefits paid amounting to 7.42 million paid from ACEN retirement fund and ₱11.96 million paid from NorthWind's operating funds, partially offset by ₱12.3M ACEN actuarial loss from change in financial assumptions.
- **Other non-current liabilities'** significant decrease came from the reclassification of the currently maturing non-trade payable for the purchase of additional 20% interest in SLTEC through the assignment of ACEIC to ACEN of the share purchase agreement executed by ACEIC and APHPC amounting to ₱ 1.89 billion. The amount is payable in September 2021.
- **Capital stock and additional paid in capital** increased from the issuance of common stock for the share swap agreement with ACEIC Common shares equivalent to 6,185,182,288 at ₱2.37 per share were issued in exchange for ACEIC's interest in various domestic entities.
- The decrease in **other equity reserve** also resulted from the share swap transaction with ACEIC.
- The decrease in **unrealized FV loss on equity instruments at FVOCI** was due to adjustments upon completion of the step acquisition of ISLASOL and SACASOL in March 2020.
- **Unrealized fair value loss on derivative instruments designated under hedge accounting** decreased in proportion to hypothetical value of the coal swap prices of the derivative contracts as at year end.
- The increase in **accumulated comprehensive loss of associates and joint ventures** was a result of the adjustment made in MGI comprehensive income and came from share in remeasurement gain from defined benefit obligation of associate and joint venture.
- **Remeasurement gain on defined benefit plan** decreased as a result of various actuarial losses including a ₱12.3M ACEN actuarial loss from change in financial assumptions.
- **Retained earnings** increased as a result of the net income earned for the year.
- **Treasury shares** increased due to 14.50 million shares repurchased amounting to ₱28.66 million during the year partially offset by the reissuance of 16.70 million ACEN shares held by Bulacan Power amounting to ₱15.43 million.
- **Non-controlling interests** are mainly comprised of redeemable preferred shares (RPS) of ACEC held by ACEFIL. Non-controlling interests' share in net income amounted to ₱2.1 billion, which was offset by dividends totaling ₱1.96 billion. Increase is also due to the 40% investment of TLCTI Asia in ISLASOL.

### Key Performance Indicators

The key performance indicators of ACEN and its majority owned subsidiaries, as consolidated, are the following:

Key Performance Indicator	Formula	31-Dec-20 As restated	31-Dec-19 As restated	Increase (Decrease)	
				Amount	%
<i>Liquidity Ratios</i>					
<b>Current Ratio</b>	Current assets	<b>4.83</b>	9.32	(4.49)	(48%)

Key Performance Indicator	Formula	31-Dec-20	31-Dec-19	Increase (Decrease)	
		As restated	As restated	Amount	%
<b>Acid test ratio</b>	Current liabilities	<b>4.59</b>	9.03	(4.44)	(49%)
	Cash + Short-term investments + Accounts receivables + Other liquid assets				
	Current liabilities				
<i>Solvency Ratios</i>					
<b>Debt/Equity ratio</b>	Total liabilities	<b>0.36</b>	0.35	0.01	3%
	Total equity				
<b>Asset-to-equity ratio</b>	Total assets	<b>1.36</b>	1.35	0.01	1%
	Total equity				
<b>Interest Coverage Ratio</b>	Earnings before interest & tax (EBIT)	<b>4.57</b>	1.75	2.82	161%
	Interest expense				
<b>Net bank Debt to Equity ratio</b>	Short & long-term loans - Cash & Cash Equivalents	<b>(0.01)</b>	(0.18)	0.17	(94%)
	Total Equity				
<i>Profitability Ratios</i>					
<b>Return on equity</b>	Net income after tax attributable to equity holders of the Parent Company	<b>8.03%</b>	2.30%	5.73%	249%
	Average stockholders' equity				
<b>Return on assets</b>	Net income after taxes	<b>4.81%</b>	1.09%	3.72%	341%
	Average total assets				
<b>Asset Turnover</b>	Revenues	<b>15.39%</b>	22.50%	(7.11%)	(32%)
	Average total assets				

#### **Current ratio & Acid test ratio**

Current ratio & acid test ratio dropped due to the increase in current liabilities primarily from short-term loans and accounts payable and other current liabilities.

#### **Interest coverage ratio**

The increase in interest coverage ratio was brought about by higher restated net income before interest and tax for the year ended December 31, 2020 as compared in the same period last year.

#### **Net bank debt to equity ratio**

Net debt equity ratio increased due to additional loans in 2020.

#### **Return on equity and assets**

Return on equity and assets went up this year as the Group registered a significantly higher net income of ₱4.29 billion for the year ending December 31, 2020 due to increase in energy sales and lower WESM prices, compared to ₱704.76 million restated net income reported in the same period last year.



### Asset turnover

Asset turnover decreased primarily due to significant capital expenditures of the Group during the year.

### Material events and uncertainties

- a) There were no events that triggered direct or contingent financial obligation that was material to the Group. There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- b) There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.
- c) There were no material events that had occurred subsequent to the balance sheet date except for the events after the reporting period disclosed in Note 39 of the Audited Consolidated Financial Statements.
- d) ACEN has material commitments to invest in capital expenditure projects mainly in the following:
  - i. 120MWdc solar power project in Alaminos, Laguna through SolarAce1;
  - ii. 63MWdc solar power project in Palauig, Zambales through Gigasol3;
  - iii. 75MWdc solar power project in Mexico, Pampanga through Greencore 3;
  - iv. 75MWdc solar power project in Palauig, Zambales through GigaAce8;
  - v. Investment in 160MW Balaoi wind project;
  - vi. Investment into a renewable energy laboratory; and
  - vii. Funding of up to U.S.\$100 million for new technology investments in the Philippines.Refer to Notes to Consolidated Financial Statements for the details.
- e) Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations
- f) The results of operations of the Company and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
- g) The current highly competitive environment, operation of priority-dispatch variable renewable energy, and community quarantines resulted in lower demand for electricity and have driven market prices of electricity downward.
- h) Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results.
- i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way - The Group is developing a line-up of renewable energy projects as part of its growth aspiration. The capital expenditures shall be funded by a combination of equity and debt. Several capital raising activities are also set for 2021, including the recently concluded SRO which raised ₱ 5.37 billion, the previously announced subscription by GIC to ₱4 billion primary shares (subject to certain conditions precedent), and the planned FOO (subject to regulatory approvals).
- j) There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or results of operations.
- k) There were no operations subject to seasonality and cyclicalities except for the operation of wind farms. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

## 2019

The Company posted consolidated net income attributable to parent amounting to **₱704.76 million** restated net income for the year ended December 31, 2019 compared to **₱560.50 million** net loss attributable to parent in the same period last year.

The tables below summarize the consolidated results of operations of ACEN's revenues, costs and expenses for the calendar year ended December 31, 2019 and 2018.

In July 2019, ACEIC and Axia Power Holdings Philippines Corp. (APHPC) signed a share purchase agreement where ACEIC has the right to purchase Axia's 20% interest in SLTEC. ACEIC assigned the right to ACEN who accounted for the business combination using the pooling of interests method which resulted in the consolidation of SLTEC from July 1, 2019.

### Revenues

<i>In thousand Pesos</i>	2019 (As restated)	2018	Increase (Decrease)	
			Amount	%
Revenue from sale of electricity	16,096,549	15,113,601	982,948	7
Rental income	3,116	674	2,442	362
Dividend income	15,746	9,117	6,629	73
Other revenue	11,298	–	11,298	–

- a) **Dividend income** - Higher dividend income was recognized from the Company's various investments and newly acquired entities in 2019 as compared to the same period last year.
- b) **Rental income** - Increased as a result of new rental contracts entered into by the Parent Company in the first half of the year and from the rental income of the newly acquired entities.

### Other Income and Expenses

<i>In thousand Pesos</i>	2019 (As restated)	2018	Increase (Decrease)	
			Amount	%
Interest and other finance charges	(962,840)	(433,649)	(529,191)	122
Equity in net income of associates and joint ventures	739,073	532,460	206,613	39
Other income - net	947,784	120,252	827,532	688

### Other Income – net

<i>In thousand Pesos</i>	2019 (As restated)	2018	Increase (Decrease)	
			Amount	%
Claims for business interruption	236,306	10,167	226,139	2,224
Interest & other financial income	696,686	96,851	599,835	619
Gain (loss) on sale of:				
Property and equipment	(88,421)	254	(88,675)	(34,911)
Asset held for sale	14,289	–	14,289	–
By-product	13,226	–	13,226	–
Investment	1,375	5,834	(4,459)	(76)
Inventory	(461)	–	(461)	–
Recovery of costs from third party	–	28,626	(28,626)	(100)
Foreign exchange gain	44,191	29,329	14,862	51
Loss on derivatives – net	(6,851)	(15,056)	8,205	54

Provision for unrecoverable input tax	–	(43,712)	43,712	(100)
Others	37,444	7,959	29,485	370

- a) **Interest and other finance charges** - 2019 includes non-cash PFRS 16 lease adjustments and interest on ₱5 billion loan.
- b) **Equity in net earnings of associates and Joint Ventures** – The increase from previous year was mainly attributed to share in net earnings from joint ventures acquired from onshore and offshore asset swaps with ACEIC (i.e. PhilWind/NLR) and international Associates and Joint Ventures which cushioned the 45% share in the net loss of SLTEC from January to June 2019 compared to the full year share in equity earnings from SLTEC which reported net income in 2018.
- c) **Other income – net** - Went up due to the combined effects of the following:
- Claims for business interruption from SLTEC
  - Increase in interest and other financial income due to higher level of investments
  - Gain realized from the sale of asset held for sale, fly ash, scrap and investment, offset by loss on disposal of property and equipment and inventory
  - Higher YTD foreign exchange gain on foreign-currency denominated deposits due to fluctuation of peso in 2019.
  - Lower loss on derivatives was posted in 2019 as compared to 2018.
  - No provision for unrecoverable input tax was recorded in 2019 as compared in 2018.
  - Others pertains to reimbursement of feasibility cost, reversal of outstanding payables, refund of excess business taxes paid, and oil hauling and disposal.

#### Provision for (benefit from) income tax

<i>In thousand Pesos</i>	2019 (As restated)	2018	Increase (Decrease)	
			Amount	%
Current	161,364	20,699	140,665	680
Deferred income tax	(220,884)	150,904	(371,788)	246

- a) **Provision for income tax – current** - Increase due to higher consolidated taxable income for the calendar year ended December 31, 2019.
- b) **Provision for deferred income tax** - Recognition of deferred tax asset on NOLCO with expected taxable income benefit in future years, offset by the tax effect of deferred revenue.

#### Material changes in Consolidated Statements of Financial Position accounts

The material changes in the consolidated statement of financial position accounts were mainly due to the consolidation of Onshore Companies from the share swap agreement with ACEIC in exchange for ACEN's issuance of additional primary shares via a tax-free exchange, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective July 1, 2019, the date when ACEN and the Onshore Companies became under the common control of ACEIC.

In December 2019, the Parent Company entered into a subscription agreement with BCHC to subscribe to the increase in authorized capital stock of BCHC.

<i>In thousand pesos</i>	2019 (As restated)	2018	Increase (Decrease)	
			Amount	%
<b>Current Assets</b>				
Cash and cash equivalents	<b>39,630,296</b>	1,022,366	38,607,930	3,776
Short-term investment	<b>100,000</b>	35,326	64,674	183
Accounts and notes receivable	<b>7,417,212</b>	2,627,291	4,789,921	182
Fuel and spare parts	<b>938,459</b>	413,673	524,786	127
Financial assets at fair value through profit or loss (FVTPL)	–	743,739	(743,739)	(100)
Current portion of:				
Input value added tax (VAT)	<b>190,816</b>	26,332	164,484	625
Creditable withholding taxes	<b>179,007</b>	79,443	99,564	125

<i>In thousand pesos</i>	2019	2018	Increase (Decrease)	
	(As restated)		Amount	%
Other current assets	212,819	182,766	30,053	16
Assets held for sale	3,546	34,328	(30,782)	(90)
<b>Noncurrent Assets</b>				
Investments in:				
Associates and joint ventures	17,072,173	4,322,684	12,749,489	295
Other financial assets at amortized cost	3,374,290	–	3,374,290	–
Financial assets at FVTPL	–	5,452	(5,452)	(100)
Financial assets at FVOCI	21,796,602	257,995	21,538,607	8,348
Property, plant and equipment	25,438,977	5,760,963	19,678,014	342
Right-of-use asset	951,750	–	951,750	–
Investment properties	13,085	13,085	–	–
Accounts and notes receivable – net of current portion	2,389,231	–	2,389,231	–
Goodwill and other intangible assets	441,077	320,219	120,858	38
Net of current portion:				
Input VAT	372,917	335,759	37,158	11
Creditable withholding taxes	861,208	704,726	156,482	22
Deferred income tax assets – net	653,923	261,346	392,577	150
Other noncurrent assets	2,401,613	1,777,202	624,411	35

- a) **Cash and cash equivalents, short-term investments, and financial assets at fair value through profit and loss** - The Consolidated Statements of Cash Flows detail the material changes of these accounts.
- b) **Accounts and notes receivable** - Increase in receivables was due to combination of Onshore Companies from share swap agreement with ACEIC.
- c) **Fuel and spare parts** - Aside from the effect of SLTEC consolidation, fuel and spare parts inventory went up due to increase in fuel purchases, as well as the acquired inventoriable items from common control business combination.
- d) **Input VAT**- Higher due to increase in purchases subject to VAT.
- e) **Creditable withholding taxes – current portion** - Higher balance brought about by balances from Onshore Companies.
- f) **Other current assets** - Increased due to Onshore Companies' advances to contractors, partially offset by collection of deposits as a result of the expiration of certain contracts.
- g) **Asset held for sale** - Lower due to the sale of the Guimaras Power Plant.
- h) **Investments in associates and joint venture and financial assets at fair value through other comprehensive income** - Increased due to the acquisition of onshore and offshore JV's from asset swaps with ACEIC, partly reduced by SLTEC consolidation in 2019.
- i) **Property, plant and equipment** - Significant increase due to consolidation of SLTEC with ₱ 15.6 billion Plant assets and BCHC with land holdings.
- j) **Right of use asset** - Reported as a result of the application of PFRS 16 starting 2019.
- k) **Goodwill and other intangible assets** - Increase from acquired Solienda's and SCC's leasehold rights amounting to ₱152.34 million and ₱0.24 million, partially offset by the provision for probable loss in a geothermal service contract.
- l) **Deferred income tax assets** - Increase mainly due to the recognition of deferred tax asset on NOLCO, net of reversal of DTA on deferred income.
- m) **Creditable withholding taxes – noncurrent** - Increase due to withholding from customers. Also, the Parent Company has no income tax payments for the calendar year ended December 31, 2019.

<i>In thousand pesos</i>	2019	2018	Increase (Decrease)	
	(As restated)	(As restated)	Amount	%
<b>Current Liabilities</b>				
Accounts payable and other current liabilities	4,064,597	2,269,398	1,795,199	79
Short-term loans	3,556	400,000	(396,444)	(99)
Current portion of long-term loans	905,931	265,460	640,471	241
Current portion of lease liabilities	128,796	–	128,796	–
Income and withholding taxes payable	103,361	11,762	91,599	779

<i>In thousand pesos</i>	<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>	
Due to stockholders	<b>16,594</b>	16,651	(57)	0
<b>Noncurrent Liabilities</b>				
Long-term loans - net of current portion	<b>22,292,698</b>	6,071,473	16,221,225	267
Lease liabilities - net of current portion	<b>852,742</b>	–	852,742	–
Pension and other employment benefits	<b>71,034</b>	40,246	30,788	76
Deferred tax income liabilities - net	<b>350,487</b>	95,180	255,307	268
Other noncurrent liabilities	<b>3,289,902</b>	1,383,077	1,906,825	138
<b>Equity</b>				
Capital Stock	<b>7,521,775</b>	4,889,775	2,632,000	54
Additional paid-in capital	<b>83,768</b>	83,768	–	–
Other equity reserves	<b>41,570,060</b>	18,338	41,551,722	226,588
Unrealized fair value (loss) gain on equity instruments at FVOCI	<b>(26,546)</b>	59,772	(86,318)	(144)
Unrealized fair value gain on derivative instruments designated as hedges	<b>(14,742)</b>	–	(14,742)	–
Remeasurement loss on defined benefit plan	<b>9,254</b>	536	8,718	1,626
Accumulated share in other comprehensive gain (loss) of associates and joint ventures	<b>(168,154)</b>	(2,193)	(165,961)	7,568
Cumulative translation adjustments	<b>96,227</b>	–	96,227	–
Retained earnings	<b>3,943,403</b>	3,303,708	639,695	19
Treasury shares	<b>(27,704)</b>	(27,706)	2	0
Non-controlling interests	<b>39,371,962</b>	45,450	39,326,512	86,527

- a) **Accounts payable and other current liabilities** - Higher due to increase in purchases on account and includes the current portion of payable to Axia, as well as significant assumed liabilities from Onshore and Offshore Companies from the share swap.
- b) **Income and withholding taxes payable** - Increase mainly due to higher tax withheld from purchases.
- c) **Short-term loan** - Decrease due to the prepayment and amortization of loans.
- d) **Current and noncurrent lease liability** - Recognized due to the application of PFRS 16.
- e) **Long-term loans** – current and non-current - Increase due to ₱10.7 billion balance of SLTEC loan and the ₱5 billion loan availed by the Parent Company in November 2019, as well as assumed ₱2.13 billion loans from NorthWind arising from common control business combination
- f) **Pension and other employee benefits** - Increase due to the accrual of retirement expense for the period.
- g) **Deferred tax liabilities – net** - Higher due to the tax effect of the recognition of right of use asset as a result of the application of PFRS 16.
- h) **Other noncurrent liabilities** - Increase brought about by the purchase of 20% interest of Axia Power in SLTEC on account.
- i) **Capital stock** - Increased due to additional subscription of shares by ACEIC with the acquisition of majority ownership in the Parent Company last June 2019.
- j) **Other equity reserve and non-controlling interests** – Mainly coming from the consolidation of SLTEC and the share swap agreements with ACEIC.
- k) **Unrealized fair value gains on equity instruments at FVOCI** - Decrease due to the disposal of the shares of stocks held by the Group.
- l) **Unrealized fair value losses on derivative instrument designated under hedge accounting** - Effective portion of the coal hedge entered into by the Parent Company.
- m) **Remeasurement gain on defined benefit plan** - Higher net actuarial gains recorded in 2019 as compared to 2018.
- n) **Retained earnings** - Went up due to net income incurred during the year and the impact of the initial application of PFRS 16.

## Key Performance Indicators of the Company

The table below sets forth the comparative performance indicators of ACEN:

Key Performance Indicator	Formula	31-Dec-19 As restated	31-Dec-18 Audited	Increase (Decrease)	
				Amount	%
<i>Liquidity Ratios</i>					
<b>Current Ratio</b>	Current assets	<b>9.32</b>	<b>1.74</b>	7.58	436%
	Current liabilities				
<b>Acid test ratio</b>	Cash + Short-term investments + Accounts receivables + Other liquid assets	<b>9.03</b>	<b>1.49</b>	7.54	506%
	Current liabilities				
<i>Solvency Ratios</i>					
<b>Debt/Equity ratio</b>	Total liabilities	<b>0.35</b>	<b>1.26</b>	(0.91)	(72%)
	Total equity				
<b>Asset-to-equity ratio</b>	Total assets	<b>1.35</b>	<b>2.26</b>	(0.91)	(40%)
	Total equity				
<b>Interest Coverage Ratio</b>	Earnings before interest & tax (EBIT)	<b>1.75</b>	<b>0.03</b>	1.72	5733%
	Interest expense				
<b>Net bank Debt to Equity ratio</b>	Short & long-term loans - Cash & Cash Equivalents	<b>(0.18)</b>	<b>0.68</b>	(0.86)	(126%)
	Total Equity				
<i>Profitability Ratios</i>					
<b>Return on equity</b>	Net income after tax attributable to equity holders of the Parent Company	<b>2.30%</b>	<b>(6.45%)</b>	8.75%	(136%)
	Average stockholders' equity				
<b>Return on assets</b>	Net income after taxes	<b>1.09%</b>	<b>(2.99%)</b>	4.08%	(136%)
	Average total assets				
<b>Asset Turnover</b>	Revenues	<b>22.50%</b>	<b>76.22%</b>	(53.72%)	(70%)
	Average total assets				

### Current ratio and Acid test ratio

Increased due to the higher cash provided by the issuance of capital stock and availment of long-term loans. On the contrary, current liabilities increased by 79% due to increase in purchases on account and taxes payable.

### Debt to equity ratio and Asset to equity ratio

Dropped due to 96% increase in equity resulting from issuance of new shares of stocks and increase in other equity reserves from share swap with ACEIC.

### Interest coverage ratio

Went up due to net income before interest.

**Net debt to equity ratio**

Decreased with significant increase in capital stock and equity reserves with which cushioned the additional loans availed during the year.

**Return on equity and assets**

Turned around from the net loss reported in 2018 with the significant increase in restated 2019 net income coming from share in earnings from additional assets acquired.

**Asset turnover**

Went down as revenues increased by only 7% while the restated average total assets increased by 261%.

**Material events and uncertainties**

- a. There were no events that trigger direct or contingent financial obligation that was material to the Group. There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- b. There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- c. Except as disclosed in Note 39 Events after the Reporting Period of the Audited Consolidated Financial Statements, there were no other material events that had occurred subsequent to the balance sheet date.
- d. Capital expenditures are planned to rehabilitate and improve the availability and capacity of generation assets. These will be funded by internal resources.
- e. Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations
- f. The results of operations of the Group and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
- g. The current highly competitive environment and operation of priority-dispatch variable renewable energy have driven market prices of electricity downward, resulting in lower margins.
- h. However, limitations in the supply side and unscheduled outages of plants have driven WESM prices upwards. Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results.
- i. There were no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
- j. There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- k. There were no operations subject to seasonality and cyclicity except for the operation of Guimaras Wind farm. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

**2018**

The key performance indicators of the Company and its majority owned subsidiaries, as consolidated, are the following:

KPI	Formula	31-Dec-18 Audited	31-Dec-17 Audited	Increase (Decrease)	
				Difference	%
<i>Liquidity Ratios</i>					
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.74	2.37	(0.63)	(27)
Acid test ratio	$\frac{\text{Cash + Short-term investments + Accounts Receivables + Other liquid assets}}{\text{Current liabilities}}$	1.49	1.97	(0.48)	(24)
<i>Solvency Ratios</i>					
Debt/Equity ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	1.26	1.27	(0.01)	(1)
Asset to equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	2.26	2.27	(0.01)	(0)
Interest coverage ratio	$\frac{\text{Earnings before interest \& tax (EBIT)}}{\text{Interest expense}}$	0.03	1.08	(1.06)	(97)
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	1.13	0.91	0.22	24

KPI	Formula	31-Dec-18 Unaudited	31-Dec-17 Unaudited	Increase (Decrease)	
				Difference	%
<i>Profitability Ratios</i>					
Return on equity	$\frac{\text{Net income after tax}}{\text{Average stockholder's equity}}$	-6.77%	3.83%	(10.60)	(277)
Return on assets	$\frac{\text{Net income after taxes}}{\text{Total assets}}$	-2.96%	1.68%	(4.64)	(277)
Asset turnover	$\frac{\text{Revenues}}{\text{Total assets}}$	75.58%	82.16%	(6.58)	(8)

#### Current ratio & Acid test ratio

Current ratio & acid test ratio decreased due to the twenty-eight (28%) decrease in current assets primarily brought about by the decrease in cash & cash equivalents used in operating activities and reclassification of creditable withholding tax from current to noncurrent. On the other hand, current



liabilities increased by three percent (3%) due to increase in current portion of long-term loans and availment of short-term loan in 2018.

**Debt to equity ratio and Asset to equity ratio**

Debt to equity ratio and asset to equity ratio slightly decreased due to decline in total balances of assets and liabilities which offset the eight percent (8%) decrease in equity brought about by payment of cash dividends and net loss incurred in 2018.

**Interest coverage ratio**

Interest coverage ratio dropped brought about by net loss before interest and tax in 2018.

**Net debt to equity ratio**

Net debt equity ratio slightly increased due to the decline in equity.

**Return on equity and assets**

Return on equity and assets went down due to net loss incurred in the period.

**Asset turnover**

Asset turnover slightly decreased as revenues decreased by eleven percent (11%).

**Material events and uncertainties**

- There were no events that triggered direct or contingent financial obligation that was material to the Company. There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- There were no material events that had occurred subsequent to the balance sheet date except for the event after the reporting period disclosed in Note 39 of the Consolidated Financial Statements.
- Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures -
  - The Company has projects in solar roof, 40MW expansion of the Guimaras wind farm and 45MW solar farm in Batangas. Negotiations with interested parties and various distribution utilities are on-going. The plan for funding these projects will come partly from participation of offtakers and partly from external capital.
- Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations
  - The results of operations of the Company and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
  - The current highly competitive environment and operation of priority-dispatch variable renewable energy have driven market prices of electricity downward, resulting in lower margins.
  - Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results.
- Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way – Material to the Company's liquidity and profitability is the negotiations to reduce supply costs. The Company is also pursuing customer contracts at higher prices from both the retail and wholesale markets. The Company has identified low-earning assets and have offered these in the market. The Company is also looking at cost optimization and reduction in operating expenses at the plant level as well as head office.

- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- There were no operations subject to seasonality and cyclicalities except for the operation of Guimaras' wind farm. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

On 1 July 2019, the Company received the DOE's approval of the relinquishment of SC51. The service contract's deferred exploration cost amounting to ₱32.7M, which was provided with an allowance for probable loss in 2018, will be written off.

## **COMPLIANCE PROGRAM**

### **Corporate Governance**

The Board of Directors, officers and employees of the Company commit themselves to the principles and best practices embodied in its Corporate Governance Manual (the "Manual"). The Company believes that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore exert every effort to ensure adherence thereto within the organization.

### **Compliance Officer**

The Board designates a Compliance Officer who reports to the Chairman of the Board. As required of publicly-listed companies, the appointment of Compliance Officer is properly disclosed to the SEC. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Compliance Officer's duties include ensuring proper onboarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others), monitor, review, evaluate and ensure compliance by the Company, its officers and directors with the relevant laws, with the Code of Corporate Governance ("Code"), rules and regulations and all governance issuances of regulatory agencies, appear before the SEC upon summon on matters in relation to compliance with the Code, ensure the integrity and accuracy of all documentary submissions to regulators, determine violation/s of the Code and recommend to the Board the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation, identify possible areas of compliance issues and work towards the resolution of the same, develop and establish, subject to approval of the Board, a monitoring and evaluation system to determine compliance with the Manual, which system shall provide for a procedure that fulfils the requirements of due process, ensure the attendance of board members and key officers to relevant trainings and perform such other duties and responsibilities as may be provided by the SEC.

### **Integrated Annual Corporate Governance Report (I-ACGR)**

SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-listed companies to submit an Integrated Annual Corporate Governance Report ("I-ACGR") on or before May 30 of the following year for every year that the company remains listed in the PSE, covering all relevant information for the preceding year.

The I-ACGR supersedes the ACGR last submitted for the year 2017 to the SEC and the Compliance Report on Corporate Governance last submitted for the year 2017 to the PSE. The Company submitted its I-ACGR for the years 2018 and 2019 on 30 May 2019 and 2 September 2020, respectively. For the fiscal year 2020, the Company submitted its I-ACGR on 30 June 2021.<sup>5</sup>

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<sup>5</sup> On 27 July 2020, the Company submitted an amended I-ACGR bearing the notarized signature page of its Chairman, Mr. Fernando Zobel de Ayala. To recall, on 25 June 2021, the Company requested the Commission to suspend the wet ink signature and notarization requirement of the Company's 2020 I-ACGR considering that its Chairman, Mr. Fernando Zobel de Ayala, was overseas at the time and unable to physically sign the 2020 I-ACGR in time for the 30 June 2021 deadline for submission. On 21 July 2021, the Company received the Commission's letter granting the foregoing request, subject to the Company's compliance with certain conditions.

As of 31 December 2021, the Company has substantially complied with the principles and best practices contained in the Manual. There were no sanctions imposed on any director, officer or employee for non-compliance of the Manual. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

### **Integrated Report**

The Company adheres to the International Integrated Reporting Framework set by the International Integrated Reporting Council as a means to present its business model, risk and opportunities, strategy, performance, and outlook. A copy of the Company's 2020 Integrated Report may be accessed via <https://acen.com.ph/wp-content/uploads/2021/05/ACEN-2020-Integrated-Report-for-web-2.pdf>.

A copy of the Company's Integrated Report for the year 2021 will be provided to stockholders of record via <https://acen.com.ph/ac-energy-ir-2021/>.

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

0	6	9	-	0	3	9	2	7	4
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**COMPANY NAME**

A	C	E	N	E	R	G	Y	C	O	R	P	O	R	A	T	I	O	N	(	F	O	R	M	E	R	I
y	A	C	E	n	e	r	g	y	P	h	i	l	i	p	p	i	n	e	s	,	I	n	c	.	)	
A	N	D	S	U	B	S	I	D	I	A	R	I	E	S												

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

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R	O	X	A	S	C	O	R	N	E	R	M	A	K	A	T	I	A	V	E	N	U	E	,	
M	A	K	A	T	I	C	I	T	Y	1	2	2	6											

Form Type  
A A F S

Department requiring the report  
S E C

Secondary License Type, If Applicable  
N / A

**COMPANY INFORMATION**

Company's Email Address N/A	Company's Telephone Number 7730-6300	Mobile Number -
No. of Stockholders 3,188	Annual Meeting (Month / Day) 04/19	Fiscal Year (Month / Day) 12/31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person Alan T. Ascalon	Email Address ascalon.at@acenergy.com.ph	Telephone Number/s (02) 7730-6300	Mobile Number -
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**CONTACT PERSON'S ADDRESS**

**35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue,  
Makati City 1226**

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

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



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

The management of **AC Energy Corporation** (formerly AC Energy Philippines, Inc.) **and Subsidiaries**, (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, 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 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.

SyCip Gorres Velayo & Co., the independent auditors 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.

  
**FERNANDO M. ZOBEL DE AYALA**  
 Chairman of the Board

  
**JOHN ERIC T. FRANCIA**  
 President and Chief Executive Officer

  
**MARIA CORAZON G. DIZON**  
 Treasurer and Chief Financial Officer


Signed this 8<sup>th</sup> day of March 2022

**SUBSCRIBED AND SWORN** to before me this MAR 25 2022 at Makati City, affiants exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Fernando M. Zobel De Ayala	P0349883B	22 Jan 2019	DFA Manila
John Eric T. Francia	P3923362B	21 Nov 2019	DFA Manila
Maria Corazon G. Dizon	P6253635A	2 Mar 2018	DFA NCR East

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 Book No. VIII  
 Series of 2022



  
**ATTY. MARK DEAN D.R. IBARALDE**  
 Notary Public - Makati City  
 Appt. No. M-163 extended until June 30, 2022  
 Roll of Attorneys No. 71073  
 IBP OR No. 183298, January 3, 2022  
 PTR No. MKT-8853509, January 3, 2022  
 MCLE Compliance No. VI-0026680; valid until April 14, 2022  
 7727 E. Jacinto cor. Medina St.  
 Barangay Pio Del Pilar, Makati City, Philippines 1226

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
AC Energy Corporation  
35th Floor, Ayala Triangle Gardens Tower 2  
Ayala Avenue, Makati City

### Opinion

We have audited the consolidated financial statements of AC Energy Corporation (formerly AC Energy Philippines, Inc.) and its Subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and January 1, 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020 and January 1, 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### ***Accounting for Common Control Transaction***

In 2021, AC Energy Corporation (“ACEN”) and AC Energy and Infrastructure Corp. (“ACEIC”) executed a Deed of Assignment (the “Transaction”) where ACEIC transferred and conveyed to ACEN all its rights and interests in the international renewable entities in consideration for the issuance by ACEN of 16.69 million common shares at ₱5.15 per common share or a total transfer value of ₱85,931.87 million in favor of ACEIC. The Transaction was a common control transaction and was accounted for using the pooling of interests method. In applying the pooling of interests method, the assets and liabilities of the acquired entities were recognized at their carrying values, an equity adjustment was recorded for the difference between the carrying values of the assets and liabilities acquired and consideration given, and the prior year comparative information were restated. We considered the accounting for the Transaction as a key audit matter due to the complexity and financial impact to the Group.

The Group’s disclosures about the Transaction are included in Notes 1, 3 and 32 to the consolidated financial statements.

### ***Audit Response***

We reviewed the Deed of Assignment and regulatory approvals related to the Transaction. We tested management’s application of the pooling of interests method, the balances of the onshore entities transferred to ACEN, restatement of prior year comparative information and the resulting equity adjustments. We also reviewed the presentation and disclosures related to the common control transaction in the consolidated financial statements.

### ***Impairment Testing of Assets***

As at December 31, 2021, the aggregate carrying amount of the Group’s power barges, construction in progress related to the Bataan Project and goodwill amounted to ₱437.51 million. Management performed impairment assessment on these assets based on the following:

- The carrying amount of the power barges will be recovered principally through a sale transaction rather than through continuing use, and the Bataan Project lack economies of scale.
- Goodwill attributable to the acquisition of One Subic Power Generation Corporation in 2014 and to the acquisition of Negros Island Solar Power, Inc. in 2020 are required to be tested annually under PFRS.

Based on the impairment assessment, management provided allowance for impairment loss on its power barges, and construction in progress related to the Bataan Project amounting to ₱271.82 million. No impairment loss on goodwill was recognized. The impairment testing is a key audit matter because it requires significant management judgment and estimation with respect to the estimated future cash flows of the related cash-generating units, forecasted revenue growth rates and gross margin, prices in the energy spot market, fuel prices, weighted average cost of capital, market risk premium, pre-tax cost of debt, capital structure, fair value less cost to sell and discount rates used in calculating the present value of future cash flows.



The Group's disclosures are included in Notes 3, 8, 13, and 16 to the consolidated financial statements.

#### *Audit Response*

We evaluated the methodologies and the assumptions used by management. These assumptions include forecasted revenue growth rates and gross margin, prices in the energy spot market, fuel prices, weighted average cost of capital, market risk premium, pre-tax cost of debt, capital structure, fair value less cost to sell and discount rates. We compared the key assumptions used, such as forecasted revenue growth rates and gross margin, prices in the energy spot market and fuel prices against the historical performance of the cash generating units ("CGU") and other relevant external data, taking into consideration the impact of the coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We inspected asset purchase agreements to verify the fair value less to cost to sell of noncurrent assets held for sale. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts.

#### ***Provisions and Contingencies***

The Group is involved in legal proceedings, tax and/or other regulatory assessments. This matter is significant to our audit because the estimation of the potential liability resulting from these assessments requires significant judgments by management. The inherent uncertainty over the outcome of these tax matters is brought about by the differences in the interpretation and application of laws and tax rulings.

The Group's disclosures about provisions and contingencies are included in Note 38 to the consolidated financial statements.

#### *Audit Response*

We involved our internal specialist in the evaluation of management's assessment on whether or not any provision for contingencies should be recognized, and the estimation of such amount. We discussed with management the status of these assessments and obtained the Group's correspondences with the relevant tax authorities and opinions of the external tax counsel. We evaluated the position of the Group by considering the relevant tax laws, rulings and jurisprudence.

#### **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 for the year ended December 31, 2021 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 for the year ended December 31, 2021 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 audits 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 audits, 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 PFRSs, 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 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.

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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.



- 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.
- 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 audit. We remain solely responsible for our audit opinion.

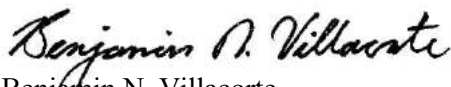
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Benjamin N. Villacorte.

SYCIP GORRES VELAYO & CO.



Benjamin N. Villacorte

Partner

CPA Certificate No. 111562

Tax Identification No. 242-917-987

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1539-AR-1 (Group A)

March 26, 2019, valid until March 25, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-120-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854386, January 3, 2022, Makati City

March 8, 2022



**AC ENERGY CORPORATION**  
**(Formerly AC ENERGY PHILIPPINES, INC.)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Amounts in Thousands)**

	December 31, 2021	December 31, 2020 (As restated, Notes 2 and 32)	January 1, 2020 (As restated, Notes 2 and 32)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 4 and 34)	₱26,445,429	₱28,077,171	₱39,630,296
Short-term investment (Note 4)	68,310	–	100,000
Accounts and notes receivable (Notes 5, 29 and 34)	33,309,297	16,611,719	7,417,212
Fuel and spare parts (Note 6)	1,490,559	1,391,340	938,459
Financial assets at fair value through other comprehensive income (FVOCI; Note 12)	–	12,620,756	–
Current portion of:			
Input value added tax (VAT)	1,173,169	438,738	190,816
Creditable withholding taxes	837,472	649,271	179,007
Other current assets (Notes 7 and 34)	744,269	453,424	212,819
	<b>64,068,505</b>	<b>60,242,419</b>	<b>48,668,609</b>
Noncurrent assets held for sale (Note 8)	203,464	–	3,546
<b>Total Current Assets</b>	<b>64,271,969</b>	<b>60,242,419</b>	<b>48,672,155</b>
<b>Noncurrent Assets</b>			
Investments in:			
Associates and joint ventures (Note 9)	21,358,301	18,795,088	17,072,173
Other financial assets at amortized cost (Note 10)	26,085,959	15,297,105	3,374,290
Financial assets at fair value through profit or loss (FVTPL; Note 11)	406,739	–	–
Financial assets at FVOCI (Note 12)	354,868	381,168	21,796,602
Property, plant and equipment (Note 13)	36,038,563	31,837,950	25,438,977
Right-of-use assets (Note 14)	2,135,479	2,343,404	951,750
Investment properties (Note 15)	13,085	341,549	13,085
Accounts and notes receivable – net of current portion (Notes 5, 29 and 34)	13,191,314	6,540,288	2,389,231
Goodwill and other intangible assets (Note 16)	2,375,980	2,537,094	441,077
Net of current portion:			
Input VAT	524,733	1,177,802	372,917
Creditable withholding taxes	726,804	601,840	861,208
Deferred income tax assets - net (Note 27)	512,366	416,353	653,923
Other noncurrent assets (Notes 17 and 34)	3,165,227	1,303,760	2,401,613
<b>Total Noncurrent Assets</b>	<b>106,889,418</b>	<b>81,573,401</b>	<b>75,766,846</b>
<b>TOTAL ASSETS</b>	<b>₱171,161,387</b>	<b>₱141,815,820</b>	<b>₱124,439,001</b>

(Forward)



	December 31, 2021	December 31, 2020 (As restated, Notes 2 and 32)	January 1, 2020 (As restated, Notes 2 and 32)
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities (Notes 18, 29 and 34)	₱6,280,829	₱6,490,190	₱4,064,597
Short-term loans (Notes 19 and 34)	–	4,635,000	3,556
Current portion of long-term loans (Notes 19, 34 and 35)	824,488	707,782	905,931
Current portion of lease liabilities (Notes 14, 34 and 35)	536,950	285,001	128,796
Income and withholding taxes payable	169,920	345,281	103,361
Due to stockholders (Note 29)	16,585	18,272	16,594
<b>Total Current Liabilities</b>	<b>7,828,772</b>	<b>12,481,526</b>	<b>5,222,835</b>
<b>Noncurrent Liabilities</b>			
Notes payable (Notes 19, 34 and 35)	20,195,054	–	–
Long-term loans – net of current portion (Notes 19, 34 and 35)	20,117,733	21,546,373	22,292,698
Lease liabilities – net of current portion (Notes 14, 34 and 35)	2,159,302	1,631,628	852,742
Pension and other employee benefits (Note 28)	80,422	50,929	71,034
Deferred income tax liabilities – net (Note 27)	74,422	130,981	350,487
Other noncurrent liabilities (Note 20)	2,736,920	1,695,048	3,289,902
<b>Total Noncurrent Liabilities</b>	<b>45,363,853</b>	<b>25,054,959</b>	<b>26,856,863</b>
<b>Total Liabilities</b>	<b>53,192,625</b>	<b>37,536,485</b>	<b>32,079,698</b>
<b>Equity</b>			
Capital stock (Notes 1 and 21)	38,338,527	13,706,957	7,521,775
Additional paid-in capital (Notes 1 and 21)	98,043,831	8,692,555	83,768
Other equity reserves (Note 21)	(56,604,532)	28,662,357	41,570,060
Unrealized fair value (loss) gain on equity instruments at FVOCI (Note 12)	(90,089)	143,625	(26,546)
Unrealized fair value gain on derivative instruments designated as hedges (Note 34)	6,228	57,409	(14,742)
Remeasurement loss on defined benefit plans (Note 28)	(24,436)	(6,999)	9,254
Accumulated share in other comprehensive gain (loss) of associates and joint ventures (Note 9)	29,723	(229,844)	(168,154)
Cumulative translation adjustments	(359,910)	(3,453,708)	96,227
Retained earnings (Note 21)	8,707,301	6,349,082	3,943,403
Treasury shares (Note 21)	(28,657)	(40,930)	(27,704)
Total equity attributable to equity holders of the Parent Company	88,017,986	53,880,504	52,987,341
Non-controlling interests (Note 21)	29,950,776	50,398,831	39,371,962
<b>Total Equity</b>	<b>117,968,762</b>	<b>104,279,335</b>	<b>92,359,303</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱171,161,387</b>	<b>₱141,815,820</b>	<b>₱124,439,001</b>

See accompanying Notes to Consolidated Financial Statements.



**AC ENERGY CORPORATION**  
**(Formerly AC ENERGY PHILIPPINES, INC.)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**  
**(Amounts in Thousands, Except Per Share Figures)**

	<b>Years Ended December 31</b>		
	<b>2021</b>	2020 (As Restated, Notes 2 and 32)	2019 (As Restated, Notes 2 and 32)
<b>REVENUE</b>			
Revenue from sale of electricity (Note 22)	<b>₱25,878,039</b>	₱20,283,303	₱16,096,549
Rental income	<b>61,466</b>	86,622	3,116
Dividend income (Note 12)	<b>11,725</b>	14,034	15,746
Other revenues	<b>130,211</b>	104,276	11,298
	<b>26,081,441</b>	20,488,235	16,126,709
<b>COSTS AND EXPENSES</b>			
Costs of sale of electricity (Note 23)	<b>21,469,733</b>	13,420,538	15,302,530
General and administrative expenses (Note 24)	<b>2,785,549</b>	3,017,665	827,980
	<b>24,255,282</b>	16,438,203	16,130,510
<b>INTEREST AND OTHER FINANCE CHARGES</b> (Note 25)	<b>(1,694,380)</b>	(1,988,086)	(962,840)
<b>EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES</b> (Note 9)	<b>1,952,753</b>	1,490,192	739,073
<b>OTHER INCOME - NET</b> (Note 26)	<b>5,723,640</b>	3,551,889	947,784
<b>INCOME BEFORE INCOME TAX</b>	<b>7,808,172</b>	7,104,027	720,216
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 27)			
Current	<b>297,689</b>	404,053	161,364
Deferred	<b>(155,552)</b>	297,823	(220,884)
	<b>142,137</b>	701,876	(59,520)
<b>NET INCOME</b>	<b>₱7,666,035</b>	₱6,402,151	₱779,736
<b>Net Income Attributable To:</b>			
Equity holders of the Parent Company	<b>₱5,250,972</b>	₱4,288,102	₱704,764
Non-controlling interests	<b>2,415,063</b>	2,114,049	74,972
	<b>₱7,666,035</b>	₱6,402,151	₱779,736
<b>Basic/Diluted Earnings Per Share</b> (Note 30)	<b>₱0.18</b>	₱0.40	₱0.11

*See accompanying Notes to Consolidated Financial Statements.*



**AC ENERGY CORPORATION**  
**(Formerly AC ENERGY PHILIPPINES, INC.)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Amounts in Thousands, Except Per Share Figures)**

	<b>Years Ended December 31</b>		
	<b>2021</b>	2020 (As Restated, Notes 2 and 32)	2019 (As Restated, Notes 2 and 32)
<b>NET INCOME</b>	<b>₱7,666,035</b>	<b>₱6,402,151</b>	<b>₱779,736</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Cumulative translation adjustment	<b>3,155,451</b>	(3,552,333)	96,227
Unrealized fair value (loss) gain on derivative instruments designated as hedges - net of tax (Note 34)	<b>(47,029)</b>	72,151	(14,742)
	<b>3,108,422</b>	(3,480,182)	81,485
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Net changes in the fair value of equity instruments at FVOCI (Note 12)	<b>(44,909)</b>	92,821	42,669
Remeasurement (loss) gain on defined benefit plans, net of tax (Note 28)	<b>(17,437)</b>	35	(7,570)
	<b>(62,346)</b>	92,856	35,099
	<b>3,046,076</b>	(3,387,326)	116,584
<b>SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES (Note 9)</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Unrealized fair value gain (loss) on derivative instruments designated as hedges - net of tax	<b>104,994</b>	(32,997)	-
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement loss on defined benefit plans, net of tax	<b>(54,608)</b>	(28,693)	(165,961)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX</b>	<b>3,096,462</b>	(3,449,016)	(49,377)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱10,762,497</b>	<b>₱2,953,135</b>	<b>₱730,359</b>
<b>Total Comprehensive Income Attributable To:</b>			
Equity holders of the Parent Company	<b>₱8,281,629</b>	₱841,484	₱655,387
Non-controlling interests	<b>2,480,868</b>	2,111,651	74,972
	<b>₱10,762,497</b>	<b>₱2,953,135</b>	<b>₱730,359</b>

*See accompanying Notes to Consolidated Financial Statements.*



**AC ENERGY CORPORATION**  
**(Formerly AC ENERGY PHILIPPINES, INC.)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Amounts in Thousands)**

	Attributable to Equity Holders of the Parent Company											Non-controlling Interests (Note 21)	Total Equity
	Capital Stock (Note 21)	Additional Paid-in Capital	Other Equity Reserves	Unrealized Fair Value Gain (Loss) on Equity Instruments at FVOCI (Note 12)	Unrealized Fair Value Gain on derivative instruments designated as hedges (Note 34)	Remeasurement Loss on Defined Benefit Plans	Accumulated Share in Other Comprehensive Income Loss of Associates and Joint Ventures	Cumulative Translation Adjustments	Retained Earnings (Note 21)	Treasury Shares (Note 21)	Total		
<b>Balances at January 1, 2021, as previously reported</b>	<b>₱13,706,957</b>	<b>₱8,692,555</b>	<b>(₱7,541,223)</b>	<b>(₱8,169)</b>	<b>₱57,409</b>	<b>(₱6,999)</b>	<b>(₱2,723)</b>	<b>–</b>	<b>₱5,167,685</b>	<b>(₱40,930)</b>	<b>₱20,024,562</b>	<b>₱1,330,507</b>	<b>₱21,355,069</b>
Effects of common control business combinations	–	–	36,203,580	151,794	–	–	(227,121)	(3,453,708)	1,181,397	–	33,855,942	49,068,324	82,924,266
<b>Balances at January 1, 2021, as restated</b>	<b>13,706,957</b>	<b>8,692,555</b>	<b>28,662,357</b>	<b>143,625</b>	<b>57,409</b>	<b>(6,999)</b>	<b>(229,844)</b>	<b>(3,453,708)</b>	<b>6,349,082</b>	<b>(40,930)</b>	<b>53,880,504</b>	<b>50,398,831</b>	<b>104,279,335</b>
Net income (loss)	–	–	–	–	–	–	–	–	5,250,972	–	5,250,972	2,415,063	7,666,035
Other comprehensive income (loss)	–	–	–	(44,909)	(51,181)	(17,437)	50,386	3,093,798	–	–	3,030,657	65,805	3,096,462
Total comprehensive income (loss)	–	–	–	(44,909)	(51,181)	(17,437)	50,386	3,093,798	5,250,972	–	8,281,629	2,480,868	10,762,497
Dividends declared (Note 21)	–	–	–	–	–	–	–	–	(1,195,787)	–	(1,195,787)	(2,231,038)	(3,426,825)
Issuance of capital stock (Notes 4 and 21)	24,623,381	89,851,457	–	–	–	–	–	–	–	–	114,474,838	–	114,474,838
Grants through Employee Stock Ownership Plan (Note 21)	8,189	52,360	–	–	–	–	–	–	–	–	60,549	–	60,549
Stock issuance costs (Note 21)	–	(680,287)	–	–	–	–	–	–	–	–	(680,287)	–	(680,287)
Acquisition of treasury shares (Note 21)	–	–	–	–	–	–	–	–	–	(55,184)	(55,184)	–	(55,184)
Reissuance of treasury shares (Note 21)	–	127,746	–	–	–	–	–	–	–	67,457	195,203	–	195,203
Reversal of unrealized fair value gain upon redemption (Note 12)	–	–	–	(25,906)	–	–	–	–	–	–	(25,906)	–	(25,906)
Acquisition of non-controlling interest in a subsidiary (Note 21)	–	–	(985,702)	–	–	–	–	–	–	–	(985,702)	(313,598)	(1,299,300)
Capital redemption of non-controlling interest in a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	(20,386,275)	(20,386,275)
Capital infusion of non-controlling interest in a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	1,988	1,988
Effects of common control business combination	–	–	(84,281,187)	(162,899)	–	–	209,181	–	(1,696,966)	–	(85,931,871)	–	(85,931,871)
	<b>24,631,570</b>	<b>89,351,276</b>	<b>(85,266,889)</b>	<b>(188,805)</b>	<b>–</b>	<b>–</b>	<b>209,181</b>	<b>–</b>	<b>(2,892,753)</b>	<b>12,273</b>	<b>25,855,853</b>	<b>(22,928,923)</b>	<b>2,926,930</b>
<b>Balances at December 31, 2021</b>	<b>₱38,338,527</b>	<b>₱98,043,831</b>	<b>(₱56,604,532)</b>	<b>(₱90,089)</b>	<b>₱6,228</b>	<b>(₱24,436)</b>	<b>₱29,723</b>	<b>(₱359,910)</b>	<b>₱8,707,301</b>	<b>(₱28,657)</b>	<b>₱88,017,986</b>	<b>₱29,950,776</b>	<b>₱117,968,762</b>



Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 21)	Additional Paid-in Capital	Other Equity Reserves	Unrealized Fair Value Gain (Loss) on Equity Instruments at FVOCI (Note 12)	Unrealized Fair Value Gain on derivative instruments designated as hedges (Note 34)	Remeasurement Loss on Defined Benefit Plans	Accumulated Share in Other Comprehensive Income Loss of Associates and Joint Ventures	Cumulative Translation Adjustments	Retained Earnings (Note 21)	Treasury Shares (Note 21)	Total	Non-controlling Interests (Note 21)	Total Equity
Balances at January 1, 2020, as previously reported	₱7,521,775	₱83,768	₱5,366,480	(₱96,584)	(₱14,742)	₱9,254	(₱2,107)	–	₱3,296,295	(₱27,704)	₱16,136,435	₱248,584	₱16,385,019
Effects of common control business combinations	–	–	36,203,580	70,038	–	–	(166,047)	96,227	647,108	–	36,850,906	39,123,378	75,974,284
Balances at January 1, 2020, as restated	7,521,775	83,768	41,570,060	(26,546)	(14,742)	9,254	(168,154)	96,227	3,943,403	(27,704)	52,987,341	39,371,962	92,359,303
Net income (loss)	–	–	–	–	–	–	–	–	4,288,102	–	4,288,102	2,114,049	6,402,151
Other comprehensive income (loss)	–	–	–	92,821	72,151	35	(61,690)	(3,549,935)	–	–	(3,446,618)	(2,398)	(3,449,016)
Total comprehensive income (loss)	–	–	–	92,821	72,151	35	(61,690)	(3,549,935)	4,288,102	–	841,484	2,111,651	2,953,135
Dividends declared (Note 21)	–	–	–	–	–	–	–	–	(546,751)	–	(546,751)	(1,961,062)	(2,507,813)
Issuance of capital stock	6,185,182	8,473,700	–	–	–	–	–	–	–	–	14,658,882	–	14,658,882
Stock issuance costs	–	(94,782)	–	–	–	–	–	–	–	–	(94,782)	–	(94,782)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	(28,657)	(28,657)	–	(28,657)
Reissuance of treasury shares	–	71,402	–	–	–	–	–	–	–	15,431	86,833	–	86,833
Reversal of unrealized fair value gain upon redemption	–	–	–	(11,105)	–	–	–	–	–	–	(11,105)	–	(11,105)
Capital infusion of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	9,776,936	9,776,936
Non-controlling interest arising from a business combination	–	–	–	–	–	–	–	–	–	–	–	1,099,344	1,099,344
Effects of common control business combinations	–	158,467	(12,907,703)	88,455	–	(16,288)	–	–	(1,335,672)	–	(14,012,741)	–	(14,012,741)
	6,185,182	8,608,787	(12,907,703)	77,350	–	(16,288)	–	–	(1,882,423)	(13,226)	51,679	8,915,218	8,966,897
Balances at December 30, 2020	₱13,706,957	₱8,692,555	₱28,662,357	₱143,625	₱57,409	(₱6,999)	(₱229,844)	(₱3,453,708)	₱6,349,082	(₱40,930)	₱53,880,504	₱50,398,831	₱104,279,335
Balances at January 1, 2019	₱4,889,775	₱83,768	₱18,338	₱59,772	₱–	₱536	(₱2,193)	₱–	₱3,212,993	(₱27,706)	₱8,235,283	₱45,450	₱8,280,733
Net income (loss)	–	–	–	–	–	–	–	–	704,764	–	704,764	74,972	779,736
Other comprehensive income (loss)	–	–	–	42,669	(14,742)	(7,570)	(165,961)	96,227	–	–	(49,377)	–	(49,377)
Total comprehensive income (loss)	–	–	–	42,669	(14,742)	(7,570)	(165,961)	96,227	704,764	–	655,387	74,972	730,359
Sale of financial assets at FVOCI	–	–	–	(40,532)	–	–	–	–	40,532	–	–	–	–
Issuance of shares of stocks	2,632,000	–	–	–	–	–	–	–	–	–	2,632,000	–	2,632,000
Acquisition of non-controlling interests	–	–	(130,854)	–	–	–	–	–	–	–	(130,854)	(22,782)	(153,636)
Reissuance of treasury shares	–	–	–	–	–	–	–	–	–	2	2	–	2
Effects of common control business combinations	–	–	41,682,576	(88,455)	–	16,288	–	–	(14,886)	–	41,595,523	39,274,322	80,869,845
	2,632,000	–	41,551,722	(128,987)	–	16,288	–	–	25,646	2	44,096,671	39,251,540	83,348,211
Balances at December 30, 2019	₱7,521,775	₱83,768	₱41,570,060	(₱26,546)	(₱14,742)	₱9,254	(₱168,154)	₱96,227	₱3,943,403	(₱27,704)	₱52,987,341	₱39,371,962	₱92,359,303

See accompanying Notes to Consolidated Financial Statements.





**AC ENERGY CORPORATION**  
**(Formerly AC ENERGY PHILIPPINES, INC.)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in Thousands)**

	Years Ended December 31		
	2021	2020 (As Restated, Note 2 and 32)	2019 (As Restated, Note 2 and 32)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱7,808,172	₱7,104,027	₱720,216
Adjustments for:			
Depreciation and amortization (Notes 23 and 24)	2,005,865	1,810,743	1,037,745
Interest and other finance charges (Note 25)	1,694,380	1,988,086	962,840
Foreign exchange losses (gains) - net	49,230	(45,759)	18,433
Pension and other employee benefits	12,056	(20,071)	35,440
Dividend income (Note 12)	(11,725)	(14,034)	(15,746)
Equity in net income of associates and joint ventures (Note 9)	(1,952,753)	(1,490,192)	(739,073)
Interest and other financial income (Note 26)	(4,376,158)	(2,060,084)	(696,686)
Provision for (reversal of):			
Impairment loss on:			
Property, plant and equipment - net (Notes 13, 24 and 26)	211,405	381,105	-
Advances to contractors (Notes 7 and 26)	(22,447)	49,884	-
Investments in associates and joint ventures (Notes 9, 24 and 26)	-	186,513	-
Inventory obsolescence	-	-	5,611
Probable losses on deferred exploration costs (Notes 16 and 24)	23,379	-	34,493
Expected credit losses (Notes 5, 24 and 26)	873	(32)	12,059
Loss (gain) on:			
Recovery of tax credit certificate on real property tax (Note 26)	(69,154)	-	-
Settlement of derivatives (Note 26)	(41,802)	3,414	6,850
Divestment of an associate (Notes 9 and 26)	(37,635)	-	-
Sale of inventories and by-product (Note 26)	(24,733)	(15,354)	(12,765)
Deconsolidation gain (Note 9 and 26)	(21,808)	-	-
Sale of property and equipment (Notes 13 and 26)	(1,095)	4,280	(294,725)
Sale of noncurrent assets held for sale (Note 26)	-	-	(14,289)
Sale of investments (Note 11 and 26)	-	(867,067)	(1,375)
Bargain purchase (Note 26 and 31)	-	(49,970)	-
Operating income before working capital changes	5,246,050	6,965,489	1,059,028
Decrease (increase) in:			
Accounts receivable	(1,120,936)	(3,292,512)	528,427
Fuel and spare parts	(74,486)	(426,969)	(188,505)
Other current assets	(606,418)	182,026	501,314
Increase (decrease) in accounts payable and other current liabilities	324,303	(353,687)	(1,151,233)
Cash generated from operations	3,768,513	3,074,347	749,031
Interest received	124,485	294,313	-
Income and withholding taxes paid	(472,425)	(244,917)	(272,024)
Net cash flows from operating activities	3,420,573	3,123,743	477,007
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Loans to related parties (Note 29)	(27,374,988)	(11,488,821)	-
Convertible loans (Note 10)	(6,542,561)	(5,983,388)	-
Property, plant and equipment (Note 13)	(5,816,321)	(6,259,461)	(496,471)
Subscription deposits (Note 10)	(3,150,370)	(2,087,275)	-
Investments in redeemable preferred shares (Note 10)	(866,258)	(2,899,776)	-
Investments in associates and joint venture, net (Note 9)	(536,189)	(2,853,713)	1,427,240
Financial assets at FVTPL (Note 11)	(402,680)	(5,474,708)	-
Investment properties (Note 15)	(109,910)	(44,605)	-
Short-term investments	(68,310)	-	(100,000)
Deferred exploration costs (Note 16)	(19,766)	(13,836)	(19,426)

(Forward)



	Years Ended December 31		
	2021	2020 (As Restated, Note 4)	2019 (As Restated, Note 4)
Investments in subsidiaries, net of cash acquired (Note 31)	P-	(P4,026,861)	P-
Right-of-use assets	-	(378,492)	-
Financial assets at FVOCI	-	-	(20,926,157)
Investments in financial assets at amortized Cost	-	-	(1,564,343)
Proceeds from:			
Redemption of financial assets at FVOCI (Note 12)	12,687,858	7,275,900	-
Collection of loans to related parties (Note 29)	7,488,683	3,523,334	-
Redemption of convertible loan (Note 10)	791,328	-	-
Sale of property, plant and equipment	19,445	2,627	337,961
Sale of noncurrent assets held for sale (Note 8)	4,963	-	45,071
Sale of investments in financial assets at FVTPL (Note 11)	-	6,346,901	779,853
Termination of short-term investments	-	100,000	35,326
Insurance claim	-	35,282	222,789
Redemption of redeemable preferred shares	-	-	609,204
Sale of financial assets at FVOCI	-	-	255,772
Sale of investments in a joint venture	-	-	218,348
Dividends received from:			
Investments in associates and joint ventures (Note 9)	1,693,682	2,162,400	39,742
Financial assets at FVOCI (Note 12)	11,725	14,034	1,004
Interest received	1,599,069	1,508,615	1,203,589
Increase in other noncurrent assets, non-current portion of input VAT and CWT (Note 37)	(2,478,046)	(1,766,093)	(956,446)
<b>Net cash flows used in investing activities</b>	<b>(23,068,646)</b>	<b>(22,307,936)</b>	<b>(18,886,944)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Issuance of capital stock (Note 21)	27,584,715	-	2,632,000
Issuance of notes payable (Note 19)	20,383,600	-	-
Availment of short-term debts (Notes 19 and 37)	3,000,000	14,184,275	-
Availment of long-term debts (Notes 19 and 37)	848,276	3,807,614	5,000,000
Reissuance of treasury shares	195,202	86,833	3
Capital infusion of non-controlling interest in subsidiaries (Note 21)	1,988	9,776,936	19,791,153
Payments of:			
Capital redemption of non-controlling interest in a subsidiary (Note 21)	(20,386,275)	-	-
Short-term loans (Notes 19 and 37)	(7,635,000)	(9,630,319)	(400,000)
Cash dividends (Note 21)	(3,410,239)	(2,507,813)	-
Long-term loans (Notes 19 and 37)	(2,188,811)	(4,602,920)	(5,860,862)
Interest on short-term and long-term loans (Note 37)	(1,165,047)	(1,682,101)	(958,249)
Stock issuance costs (Note 21)	(680,287)	(94,782)	-
Lease liabilities (Notes 14 and 37)	(285,855)	(68,670)	(49,522)
Acquisition of non-controlling interest (Notes 2 and 21)	(280,500)	-	(153,636)
Interest on lease liabilities (Notes 16 and 37)	(164,416)	(171,097)	(69,284)
Debt issue cost (Note 19)	(133,396)	(28,500)	(77,166)
Treasury shares (Note 21)	(55,184)	(28,657)	-
Increase (decrease) in due to stockholders	(18,272)	1,678	(5,405)
Increase (decrease) in other noncurrent liabilities	1,016,196	27,263	(5,142,048)
<b>Net cash flows from financing activities</b>	<b>16,626,695</b>	<b>9,069,740</b>	<b>14,706,984</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>			
<b>ON CASH AND CASH EQUIVALENTS</b>	<b>1,389,636</b>	<b>(1,438,672)</b>	<b>(26,852)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,631,742)</b>	<b>(11,553,125)</b>	<b>(3,729,805)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>28,077,171</b>	<b>39,630,296</b>	<b>43,360,101</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>P26,445,429</b>	<b>P28,077,171</b>	<b>P39,630,296</b>

See accompanying Notes to Consolidated Financial Statements.



**AC ENERGY CORPORATION**  
**(Formerly AC ENERGY PHILIPPINES, INC.)**  
**AND SUBSIDIARIES**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Thousands, Except When Otherwise Indicated)**

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**1. Corporate Information and Status of Operations**

AC Energy Corporation, formerly AC Energy Philippines, Inc. (“ACEN” or “the Parent Company”), incorporated on September 8, 1969, and registered with the Philippine Securities and Exchange Commission (“SEC”), is engaged in power generation and trading, oil and mineral exploration, development and production. The Parent Company is a licensed Retail Electricity Supplier (“RES”). As a RES, the Parent Company is allowed to supply electricity to the contestable market pursuant to the Electric Power Industry Reform Act (“EPIRA”). Other activities of the Parent Company include investing in various operating companies and financial instruments.

As at December 31, 2021, AC Energy and Infrastructure Corporation (“ACEIC”) directly owns 64.65% of the ACEN’s total outstanding shares of stock.

The direct parent company (or intermediate parent company) of ACEN is ACEIC, a wholly owned subsidiary of Ayala Corporation (“AC”), a publicly-listed company which as at December 31, 2021 is 47.87% owned by Mermac, Inc. (ultimate parent company). ACEN is managed by ACEIC under an existing management agreement, which was assigned by PHINMA, Inc. to ACEIC on June 24, 2019 and which assignment was approved by the stockholders on September 17, 2019. ACEN, ACEIC and Mermac, Inc. are all incorporated and domiciled in the Philippines. ACEN and its subsidiaries are collectively referred to as “the Group”.

During the Annual Stockholders' Meeting held on April 20, 2020, the stockholders of the Parent Company approved, among others, the following corporate actions:

- i) Amendment to the Articles of Incorporation to change the corporate name from “AC Energy Philippines, Inc.” to “AC Energy Corporation”; and
- ii) Amendment to the By-laws to change the corporate name from “AC Energy Philippines, Inc.” to “AC Energy Corporation”.

These material actions were initially approved by the BOD of ACEN on March 18, 2020.

On January 5, 2021, the SEC approved the amendments to the Parent Company’s Articles of Incorporation and By-laws to change the corporate name from “AC Energy Philippines, Inc.” to “AC Energy Corporation.”

Effective on August 14, 2020, the Parent Company changed its Philippine Stock Exchange (“PSE”) stock symbol from “ACEPH” to “ACEN”.

On December 15, 2021, during a Special Stockholders' Meeting, stockholders representing at least 2/3 of the ACEN’s outstanding capital stock, approved the following:

- i) Amendment to the Articles of Incorporation (“Articles”) to change the corporate name from “AC Energy Corporation” to “ACEN Corporation”;
- ii) Amendment to the Articles to remove oil exploration, mining and related businesses from the Primary Purpose and Secondary Purposes and to specify retail electricity supply and provision of guarantees as part of the Primary Purpose;



- iii) Amendment to the Articles to change the principal office of the Parent Company from “4th Floor, 6750 Office Tower, Ayala Avenue, Makati City 1226, Philippines,” to “35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines”

These material actions were initially approved by the BOD of ACEN on November 11, 2021, as endorsed by the Corporate Governance and Nomination Committee.

The changes to the Primary Purpose and Secondary Purposes are intended to remove the activities that place the Parent Company’s business under the purview of the Philippine foreign investment negative list, and to explicitly specify the Parent Company's authority to provide guarantees in furtherance of its business.

Upon approval of the BOD, the principal office address of the Parent Company was changed from 4th Floor 6750 Office Tower, Ayala Avenue, Makati City to 35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City, awaiting the amendment of the Articles of Incorporation subject to the approval of the SEC.

#### Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group were approved and authorized for issuance by the Parent Company’s BOD on March 8, 2022.

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), derivative financial instruments and equity instruments at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine peso which is the Parent Company’s functional and presentation currency. All values are rounded to the nearest thousands (‘000), except par values, per share amounts, number of shares and when otherwise indicated.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring its accounting policies in line with the Parent Company’s accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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



The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resulting gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

NCI represents the interests in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the NCI in the subsidiary.

The consolidated financial statements comprise the Parent Company and the following subsidiaries of the Group:

<i>Subsidiaries</i>	Principal Activities	Percentage of Ownership (%)			
		2021		2020 (As restated)	
		Direct	Indirect	Direct	Indirect
AC Energy International, Inc. (“ACE International”)	International investment holding	100.00	–	100.00	–
AC Renewables International Pte. Ltd. (“ACRI”) <sup>a</sup>	International investment holding	–	100.00	–	100.00
AC Energy Cayman (“ACEC”) <sup>b</sup>	International investment holding	–	100.00	–	100.00
ACE Investments HK Limited (“ACE HK”) <sup>c</sup>	International investment holding	–	100.00	–	100.00
ACEN Finance Limited (“ACEN Finance”) <sup>b</sup>	Investment holding	100.00	–	–	–
Bulacan Power Generation Corporation (“Bulacan Power”)	Power generation	100.00	–	100.00	–
CIP II Power Corporation (“CIPP”)	Power generation	100.00	–	100.00	–
Guimaras Wind Corporation (“Guimaras Wind”)	Wind power generation	100.00	–	100.00	–
One Subic Oil Distribution Corporation	Distribution of petroleum products	100.00	–	100.00	–
One Subic Power Generation Corporation (“One Subic Power”)	Power generation	–	100.00	–	100.00
ACE Enexor, Inc. (“ACEX”)	Oil, gas, and geothermal exploration	75.92	0.40	75.92	0.40
Palawan55 Exploration & Production Corporation (“Palawan55”)	Oil and gas exploration	30.65	52.93	30.65	52.93
South Luzon Thermal Energy Corporation (“SLTEC”)	Power generation	100.00	–	100.00	–
Buendia Christiana Holdings Corp. (“BCHC”)	Investment holding	100.00	–	100.00	–
ACE Shared Services, Inc. (“ACES”)	Shared services	100.00	–	100.00	–
Giga Ace 1, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 2, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 3, Inc. (“Giga Ace 3”)	Power generation	100.00	–	100.00	–
Giga Ace 4, Inc. (“Giga Ace 4”)	Power generation	100.00	–	100.00	–
Giga Ace 5, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 6, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 7, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 8, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 9, Inc. (“Giga Ace 9”)	Power generation	100.00	–	100.00	–
Giga Ace 10, Inc.	Power generation	100.00	–	100.00	–
Giga Ace 11, Inc. <sup>d</sup>	Power generation	100.00	–	–	–
Giga Ace 12, Inc. <sup>d</sup>	Power generation	100.00	–	–	–
Giga Ace 14, Inc. <sup>c</sup>	Power generation	100.00	–	–	–



Subsidiaries	Principal Activities	Percentage of Ownership (%)			
		2021		2020 (As restated)	
		Direct	Indirect	Direct	Indirect
Giga Ace 15, Inc. <sup>e</sup>	Power generation	100.00	–	–	–
Negros Island Solar Power, Inc. (“ISLASOL”)	Solar power generation	–	60.00	–	60.00
San Carlos Solar Energy, Inc. (“SACASOL”)	Solar power generation	–	100.00	–	100.00
Monte Solar Energy, Inc. (“MONTESOL”)	Solar power generation	96.00	4.00	96.00	4.00
ACE Endeavor, Inc. (“ACE Endeavor”)	Investment holding and management	94.00	6.00	94.00	6.00
Visayas Renewables Corp. (“VRC”)	Investment holding	–	100.00	–	100.00
San Julio Land Development Corporation	Leasing and land development	–	100.00	–	100.00
LCC Bulk Water Supply, Inc.	Water supply and distribution	–	100.00	–	100.00
MCV Bulk Water Supply Inc.	Water supply and distribution	–	100.00	–	100.00
SCC Bulk Water Supply Inc.	Water supply and distribution	–	100.00	–	100.00
HDP Bulk Water Supply Inc.	Water supply and distribution	–	100.00	–	100.00
Ingrid2 Power Corp.	Advisory/Consultancy	–	100.00	–	100.00
Ingrid3 Power Corp. (“Ingrid3”)	Advisory/Consultancy	–	100.00	–	100.00
Ingrid4 Power Corp.	Advisory/Consultancy	100.00	–	–	–
Ingrid5 Power Corp.	Advisory/Consultancy	100.00	–	–	–
Ingrid6 Power Corp.	Advisory/Consultancy	100.00	–	–	–
Solienda Inc.	Leasing and land development	–	100.00	–	100.00
Gigasol 2, Inc.	Power generation	–	100.00	–	100.00
Gigasol 1, Inc.	Power generation	–	100.00	–	100.00
Gigasol 3, Inc. (“Gigasol 3”)	Power generation	–	100.00	–	100.00
Gigasol 4, Inc.	Power generation	100.00	–	–	–
Gigasol 5, Inc.	Power generation	100.00	–	–	–
Gigasol 6, Inc.	Power generation	100.00	–	–	–
Gigasol 7, Inc.	Power generation	100.00	–	–	–
Gigasol 8, Inc. <sup>f</sup>	Power generation	100.00	–	–	–
Gigasol 9, Inc. <sup>f</sup>	Power generation	100.00	–	–	–
Gigasol 10, Inc. <sup>f</sup>	Power generation	100.00	–	–	–
GigaWind1 Inc.	Power generation	–	100.00	–	100.00
GigaWind2 Inc.	Power generation	–	100.00	–	100.00
GigaWind3 Inc.	Power generation	100.00	–	–	–
GigaWind4 Inc.	Power generation	100.00	–	–	–
GigaWind5 Inc.	Power generation	100.00	–	–	–
SolarAce1 Energy Corp. (“SolarAce1”)	Power generation	95.00	5.00	95.00	5.00
SolarAce2 Energy Corp. (“SolarAce2”)	Power generation	–	100.00	–	100.00
SolarAce3 Energy Corp.	Power generation	–	100.00	–	100.00
SolarAce4 Energy Corp.	Power generation	–	100.00	–	100.00
AC Subic Solar, Inc.	Power generation	–	100.00	–	100.00
AC Laguna Solar, Inc.	Power generation	–	100.00	–	100.00
AC La Mesa Solar, Inc.	Power generation	–	100.00	–	100.00
Bataan Solar Energy, Inc. (“BSEI”)	Power generation	–	100.00	–	100.00
Santa Cruz Solar Energy, Inc. (“SCSE”)	Power generation	–	100.00	–	100.00
Pagudpud Wind Power Corp. (“PWPC”)	Investment holding	–	100.00	–	100.00
Bayog Wind Power Corp. (“BWPC”)	Power generation	–	60.00	–	60.00
Manapla Sun Power Development Corporation (“MSPDC”)	Leasing and land development	36.37	63.63	36.37	29.63
ACE Renewables Philippines, Inc.	Investment holding	100.00	–	100.00	–
NorthWind Power Development Corporation (“NorthWind”)	Wind power generation	51.73	48.27	19.52	48.27
Viage Corporation	Investment holding	100.00	–	100.00	–
ACTA Power Corporation	Coal power generation	100.00	–	100.00	–

<sup>a</sup> Incorporated in Singapore

<sup>b</sup> Incorporated in Cayman Islands

<sup>c</sup> Incorporated in Hong Kong

<sup>d</sup> Incorporated on October 26, 2021

<sup>e</sup> Incorporated on October 28, 2021

<sup>f</sup> Incorporated on November 11, 2021

Unless otherwise indicated, the principal place of business and country of incorporation of the Parent Company’s investments in subsidiaries, associates and joint ventures is the Philippines.

Except as discussed below, the voting rights held by the Parent Company in its investments in subsidiaries are in proportion to its ownership interest.



The following significant transactions affected the Parent Company's investments in its subsidiaries:

*Acquisition of ACEIC's offshore subsidiaries through share swap*

On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares at a subscription price of ₱5.15 per share, or an aggregate subscription price of ₱85,931,872,744.95 in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in AC Energy International, Inc. (share swap agreement), which holds ACEIC's international renewable assets.

On June 7, 2021, the SEC approved the ACEN's increase in ACS from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares, and the Amended Articles of Incorporation for the increase in ACS and the increase in number of shares exempt from the preemptive rights of the shareholders for issuance of shares in exchange for property needed for corporate purposes or in payment of previously contracted debt from 16 billion shares to 24 billion shares. The SEC's approval for the increase in ACS is subject to the conditions set forth in the Guidelines Covering the Use of Properties that Require Ownership as Paid-Up of Corporations adopted by the SEC on November 15, 1994, and as amended on August 8, 2013, per SEC Memorandum Circular No. 14, series of 2013.

The acquisition was accounted for using the pooling-of-interests method with prior period restatement to account for the retroactive impact of the share swap transaction effective July 1, 2019, the date when ACEN and the Offshore Companies became under the common control of ACEIC. Detailed information on the share swap is disclosed in Note 32.

*Subscription by ACEN of shares in Giga Ace 4, Inc. ("Giga Ace 4")*

On March 8, 2021, ACEN signed a subscription agreement with wholly-owned subsidiary Giga Ace 4 for the subscription by ACEN to (a) 43,975,374 Common A Shares at the subscription price of ₱219,876,870; and (b) 395,958,366 Redeemable Preferred A Shares ("RPS A") at the subscription price of ₱1,979,791,830; or a total Subscription Price of ₱2,199,668,700, to be issued out of the increase in ACS of Giga Ace 4.

The subscription will be used by Giga Ace 4 to fund the requirements of its 2x20 MW Alaminos Battery Energy Storage System (BESS) Project.

*Subscription by ACEN to shares in Pagudpud Wind Power Corp. ("PWPC")*

On May 20, 2021, ACEN signed a subscription agreement with PWPC for the subscription by ACEN of 3,033,255 Common Shares and 27,299,298 Class A Redeemable Preferred Shares ("RPS A") of PWPC.

The subscription will be used by PWPC to subscribe to shares in BWPC, which will be used by BWPC to fund initial works to start the construction of the Balaoi and Caunayan Wind Power Project in Barangays Balaoi and Caunayan, Pagudpud, Ilocos Norte.

As at December 31, 2021, ₱3,033,255,300 was paid by ACEN.

*Executive Committee's approval of conversion of advances to One Subic Power Generation Corporation ("One Subic Power") into equity*

On June 9, 2021, ACEN's Executive Committee approved the conversion of ACEN's advances to One Subic Power amounting to ₱680 million into equity which is equivalent to 33,493,366 common shares subscription in One Subic Power.



*Subscription by ACEN of shares in Buendia Christiana Holdings Corp. (“BCHC”)*

On June 16, 2021, ACEN signed a subscription agreement with wholly-owned subsidiary BCHC for the subscription by ACEN of: (a) 75,000,000 Redeemable Preferred A Shares (“RPS A”) with a par value of ₱0.10 per share, and (b) 4,075,000 Redeemable Preferred B Shares (“RPS B”) with a par value of ₱100.00 per share, for a total par value of ₱415,000,000 (the “Subscription Price), to be issued out of the increase in ACS of BCHC, subject to the necessary regulatory approvals from the SEC.

The subscription will be used by BCHC to fund acquisition of potential project sites.

*Acquisition of non-controlling interest in MSPDC*

On October 28, 2021, BCHC acquired the 34.00% ownership interest of the minority stockholders of MSPDC at an aggregate amount ₱280.50 million. Effective October 31, 2021, MSPDC became a wholly-owned subsidiary of ACEN.

The excess of consideration over carrying amount of non-controlling interest, recognized under other equity reserves, amounted to ₱261.73 million (see Note 21).

*Acquisition of non-controlling interest in NorthWind*

On October 18, 2021, the BOD of ACEN approved the acquisition of the 32.2% ownership interest of the minority stockholders of NorthWind (the “NW Minorities”) for up to ₱1.093 billion. Moreover, the BOD approved the issuance of up to 90 million of ACEN common shares to the owners, affiliate, and/or partners of the NW Minorities at up to ₱11.32 per share.

On November 12 and 15, 2021, the Share Purchase Agreement and Subscription Agreements, respectively, were signed by ACEN and the NW Minorities for 90.00 million shares in ACEN at a price of ₱11.32 per share:

Effective November 15, 2021, NorthWind became a wholly-owned subsidiary of ACEN. The subscribed shares were issued to the above shareholders on November 29, 2021.

The excess of consideration over carrying amount of non-controlling interest, recognized under other equity reserves, amounted to ₱723.97 million (see Note 21).

*Acquisition of non-controlling interest in BWPC*

On October 18, 2021, the BOD of ACEN approved the acquisition, directly or through its nominated affiliate, of the ownership interest of UPC Philippines Wind Investment Co. BV (“UPC Philippines”) and Stella Marie L. Sutton in BWPC, the owner of the 160MW Pagudpud Wind that is currently under construction in Brgy. Balaoi, Pagudpud, Ilocos Norte. This will be acquired together with NLR and other development special purpose vehicles for an aggregate consideration of up to ₱4.5 billion (subject to adjustments), subject to agreed conditions precedent including required partner, financing, and regulatory approvals, and subject further to execution of definitive documentation. The Sellers will in turn subscribe to up to 942 million common shares of ACEN with a subscription price of ₱11.32/share, subject to adjustments.

Moreover, on December 15, 2021, the stockholders of ACEN approved the issuance of up to 390 million common shares of ACEN to the owners, affiliates, and/or partners of UPC Philippines Wind Investment Co. BV.





*Subscription by ACEN to shares in Ingrid3*

On December 17, 2021, ACEN signed a subscription agreement with wholly-owned subsidiary Ingrid3 for the subscription by ACEN to 3.6 million redeemable preferred shares with a par value of ₱1.00 per share, to be issued from the unissued ACS of Ingrid3. The subscription will be used by Ingrid3 to fund its development projects.

*Subscription by ACEN to shares in SCSE*

On December 28, 2021, ACEN signed a subscription agreement with its subsidiary SCSE for the subscription by ACEN to 69,996,316 Common A Shares and 629,966,843 Redeemable Preferred A Shares (“RPS A”) of SCSE, with total subscription price of ₱6,999,631,590.

The subscription will be used by SCSE to fund the construction of the 283 MW San Marcelino Solar Power project located in San Marcelino, Zambales.

*Subscription by ACEN to shares in BWPC*

On December 28, 2021, ACEN, signed a subscription agreement with its subsidiary, BWPC, for the subscription by ACEN to 36,218,032 Redeemable Preferred D Shares (“RPS D”), 29,759,408 Redeemable Preferred E Shares (“RPS E”), and 4,022,560 Redeemable Preferred G Shares (“RPS G”) of BWPC, with total subscription price of ₱7,000,000,000.

The subscription will be used by BWPC to fund continuing works for the construction of the 160MW Pagudpud Wind Project in Barangays Balaoi and Caunayan, Pagudpud, Ilocos Norte.

The Pagudpud Wind Project will be wholly owned by ACEN following the BOD approval on October 18, 2021, for the acquisition by ACEN of the ownership interest of UPC Philippines and Stella Marie L. Sutton in BWPC. The acquisition is subject to agreed conditions precedent including required partner, financing, and regulatory approvals, and subject further to execution of definitive documentation.

*Property for shares swap between ACEX and ACEN*

On October 18, 2021, the BOD of ACEN approved the transitioning of ACEN’s power generation portfolio to 100% renewable energy by 2025. For this purpose, the BOD of ACEN approved the infusion of certain thermal assets into ACEX in the form of a property-for-share swap.

On December 29, 2021, ACEX and ACEN signed the Deed of Assignment wherein ACEX will issue 339,076,058 shares of stock in ACEX to ACEN at an issue price of ₱10 per share in exchange for the following properties of ACEN: (a) 3,064,900 common shares in Palawan55 with a par value of ₱100 per share, comprising 30.65% of the issued and outstanding shares in Palawan55; (b) 6,000,000 common shares in Bulacan Power representing 100% of the issued and outstanding shares in Bulacan Power; (c) 6,351,000 common shares in CIPP with a par value of ₱50 per share representing 100% of the issued and outstanding shares in CIPP; (d) 3,600,000 redeemable preferred shares in Ingrid3, a special purpose vehicle for the development of a new power project, with a par value of ₱1 per share, representing 100% of the issued and outstanding redeemable preferred shares in Ingrid 3; and (e) 33,493,366 common shares in One Subic Power with a par value of ₱1 per share representing 17.13% of the issued and outstanding shares in One Subic Power.

As a result of the issuance of primary shares from ACEX, the BOD of ACEX approved the conduct of a Stock Rights Offer (SRO) of up to 105 million of ACEX’s shares at ₱10.00 per share, subject to regulatory approvals. The BOD of ACEN approved the underwriting of this SRO in relation to the share swap. After the Share Swap, ACEN’s total direct and indirect interest in ACEX is expected to go up from 76.32% to 89.78%, prior to the conduct of the ACEX SRO.



ACEX have made the required submissions and are awaiting SEC's review and approval as at March 8, 2022.

*Material partly-owned subsidiaries with material economic ownership interest*

The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Group. Management determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of the total NCI and those subsidiaries which type of activities engaged in are important to the Group as at the end of the year.

The principal place of business of the subsidiaries are as follows:

ISLASOL

The registered office address and principal place of business of ISLASOL are Emerald Arcade, F.C. Ledesma St., San Carlos City, Negros Occidental.

ACEC

The registered office of ACEC is maintained by Maples Corporate Services Limited of PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

UAC Energy Holdings Pty Ltd (UACH)

UACH, a subsidiary of ACRI, is a company incorporated and domiciled in Australia, with principal address Suite 2, Level 2, 12-17 Castray Esplanade, Hobart TAS 7000.

BWPC

BWPC's principal and registered office address is 4F Delgado-Adiarte Building, Rizal Street corner Gen. Segundo Avenue, Laoag City, 2900, Ilocos Norte.

NorthWind

The registered office address of NorthWind is Sitio Suyo, Barangay Baruyen, Municipality of Bangui, Province of Ilocos Norte.

MSPDC

MSPDC's registered office address is at No. 56, Rodriguez Avenue, Brgy. 36, Bacolod City, Negros Occidental.

Information on subsidiaries that have material non-controlling economic interests are provided below:

<b>2021</b>	<b>BWPC</b>	<b>ISLASOL</b>	<b>UACH</b>	<b>ACEC</b>
Proportion of equity interests held by NCI	<b>40.00%</b>	<b>40.00%</b>	<b>25.00%</b>	<b>99.99%</b>
Voting rights held by NCI	<b>40.00%</b>	<b>34.00%</b>	<b>25.00%</b>	<b>-</b>
Accumulated balances of NCI	<b>(P67,154)</b>	<b>P1,117,524</b>	<b>P105,172</b>	<b>P28,789,252</b>
Net income (loss) allocated to NCI	<b>(10,122)</b>	<b>61,450</b>	<b>10,467</b>	<b>2,234,317</b>
Comprehensive income (loss) allocated to NCI	<b>(5,970)</b>	<b>61,450</b>	<b>10,523</b>	<b>2,295,915</b>
Dividends paid to NCI	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,141,568</b>

<b>2020 (As restated)</b>	<b>MSPDC</b>	<b>NorthWind</b>	<b>BWPC</b>	<b>ISLASOL</b>	<b>UACH</b>	<b>ACEC</b>
Proportion of equity interests held by NCI	34.00%	32.21%	40.00%	40.00%	25.00%	99.99%
Voting rights held by NCI	34.00%	32.21%	40.00%	34.00%	25.00%	-
Accumulated balances of NCI	P12,141	P312,710	(P61,372)	P1,056,074	P925,625	P48,142,698
Net income (loss) allocated to NCI	18,750	160,511	(15,469)	(43,270)	124,006	1,874,343
Comprehensive income (loss) allocated to NCI	18,750	160,695	(15,469)	(43,270)	124,006	1,871,945
Dividends paid to NCI	20,400	112,721	-	-	-	1,827,941



Summarized financial information of these subsidiaries are as follows:

2021	BWPC	ISLASOL	UACH	ACEC		
(In Thousands)						
<b>Statements of financial position</b>						
Current assets	₱391,476	₱1,460,466	₱9,234	₱210,322		
Noncurrent assets	2,598,920	2,782,655	–	28,078,022		
Current liabilities	79,746	358,046	8,978	–		
Noncurrent liability	1,785	4,142,951	–	–		
<b>Statements of comprehensive income (loss)</b>						
Revenues	262	584,169	62,078	2,296,944		
Cost and expenses	30,871	460,113	1,627	975		
Other income (expenses)	16,553	(1,549)	2,110	–		
Provision for (benefit from) income tax	–	(1,068)	18,769	–		
Profit (loss) attributable to:						
Equity holders of the parent	(3,934)	62,125	33,325	61,652		
Non-controlling interests	(10,122)	61,450	10,467	2,234,317		
Total comprehensive income (loss) attributable to:						
Equity holders of the parent	2,294	62,125	33,493	61,655		
Non-controlling interests	(5,970)	61,450	10,523	2,295,915		
<b>Statements of cash flows</b>						
Operating activities	5,797	3,220,217	227,563,498	(974,005)		
Investment activities	(2,290,451)	(2,819,911)	(218,517,586)	2,522,677,052		
Financing activities	2,646,334	863,711	–	(2,359,374,541)		
Net increase in cash and cash equivalents	₱361,680	₱1,264,017	₱9,045,912	₱162,328,506		
<b>2020 (As restated)</b>						
	MSPDC	NorthWind	BWPC	ISLASOL	UACH	ACEC
(In Thousands)						
<b>Statements of financial position</b>						
Current assets	₱10,467	₱769,381	₱9,768	₱830,148	₱6,182,605	₱43,798
Noncurrent assets	33,655	2,640,435	277,682	2,855,627	–	45,778,308
Current liabilities	17,964	351,480	8,692	232,475	13,983	–
Noncurrent liability	–	2,091,299	420,810	3,875,453	–	–
<b>Statements of comprehensive income (loss)</b>						
Revenues	₱79,393	₱1,154,383	₱27	₱224,726	₱868,958	₱1,872,815
Cost and expenses	1,431	626,495	41,850	332,219	213,856	829
Other income (expenses)	–	(639)	15,948	(624)	–	–
Provision for income tax	22,815	28,923	–	57	–	–
Profit (loss) attributable to:						
Equity holders of the parent	36,397	337,815	(10,406)	(64,904)	531,096	(2,357)
Non-controlling interests	18,750	160,511	(15,469)	(43,270)	124,006	1,874,343
Total comprehensive income (loss) attributable to:						
Equity holders of the parent	36,397	337,999	(10,406)	(64,904)	531,096	(2,357)
Non-controlling interests	18,750	160,695	(15,469)	(43,270)	124,006	1,871,945
<b>Statements of cash flows</b>						
Operating activities	₱15,903	₱783,280	(₱20,367)	₱82,640	₱–	(₱805)
Investment activities	–	(288,104)	(58,997)	(2,024)	8,450,360	(26,776,897)
Financing activities	(60,000)	(436,151)	73,316	153,044	(8,228,176)	7,147,274
Net increase (decrease) in cash and cash equivalents	(₱44,097)	₱59,025	(₱6,048)	₱233,660	₱222,184	(₱19,630,428)



2019 (As restated)	MSPDC	NorthWind	BWPC	ACEC
	(In Thousands)			
<b>Statements of financial position</b>				
Current assets	P68,063	P657,147	P13,061	P19,792,539
Noncurrent assets	33,410	2,559,607	213,024	19,333,464
Current liabilities	3,556	251,286	426	-
Noncurrent liability	57,090	2,142,992	340,416	-
<b>Statements of comprehensive income (loss)</b>				
Revenues	P31,593	P580,819	P-	P5
Cost and expenses	580	269,544	5,816	252
Other income (expenses)	-	(58,855)	(4,312)	-
Provision for (benefit from) income tax	5,687	11,482	-	-
Profit (loss) attributable to:				
Equity holders of the parent	16,771	163,332	(6,077)	-
Non-controlling interests	8,555	77,606	(4,051)	(247)
Total comprehensive income (loss) attributable to:				
Equity holders of the parent	16,771	163,332	(6,077)	-
Non-controlling interests	8,555	77,606	(4,051)	(247)
<b>Statements of cash flows</b>				
Operating activities	P71,387	P606,382	(P17,103)	(P225)
Investment activities	(900)	(24,116)	(34,937)	-
Financing activities	(60,069)	(642,205)	54,156	19,791,153
Net increase (decrease) in cash and cash equivalents	P10,418	(P59,939)	P2,116	P19,790,928

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. Unless otherwise indicated, adoption of the new standard did not have an impact on the consolidated financial statements of the Group.

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

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

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

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

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

The Group adopted the amendment beginning April 1, 2021.



- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

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

The Group shall also disclose information about:

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments did not have a material impact on the Group.

#### Future Changes in Accounting Policies

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

#### *Effective beginning on or after January 1, 2022*

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments are not expected to have material impact to the Group.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

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



Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

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

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



period in which the Group first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not applicable to the Group.

*Effective beginning on or after January 1, 2023*

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

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

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

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have an impact on the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*

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

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

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

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

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and



- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*  
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

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

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

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

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





PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The adoption of the standard is not applicable to the Group.

#### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

#### Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Group's consolidated financial statements, unless otherwise indicated.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in the consolidated statement of income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in



excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

#### Combination of Entities under Common Control

Combination of entities under common control are accounted for by applying the pooling-of-interests method. The pooling-of-interests method generally involved 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 value or recognize any new assets or liabilities at the date of combination. The only adjustments that are made are those adjustments to harmonize the accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the entity acquired is reflected within equity.
- The consolidated statement of income, comprehensive income and cash flows reflect the result of the combining entities in full, irrespective of when the combination takes place.
- Comparative financial information are presented as if the entities had always been combined, or on date the common control existed on the combining entities, whichever comes earlier.
- The effects of any intercompany transactions are eliminated to the extent possible.

#### Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.



A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve (12) months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

#### Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position is composed of cash in banks and on hand and short-term deposits with a maturity of three (3) months or less, which are subject to an insignificant risk of changes in value.

#### Short-term Investments

Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three (3) months to one (1) year.

#### Fair Value Measurement

The Group measures financial assets at FVTPL, FVOCI and derivative financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Investment properties (see Note 15)
- Quantitative disclosures of fair value measurement hierarchy (see Note 35)
- Financial instruments (including those carried at amortized cost, see Note 35)

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest.

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

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



All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described in Note 35, based on the lowest level input that is significant to the fair value measurement as a whole.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

### Financial Instruments – Classification and Measurement

#### *Classification of Financial Assets*

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

#### *Contractual Cash Flows Characteristics*

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Business Model*

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in



determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

#### *Financial Assets at Amortized Cost*

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Other income-net" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for probable losses" in the consolidated statement of income.

As at December 31, 2021 and 2020, the Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments, accounts receivable, development loans, debt replacements, other loan and interest receivable under Accounts and notes receivable, Other financial assets at amortized cost and deposits under Other Noncurrent Assets (see Notes 4, 5, 10, 17 and 34).

#### *Financial Assets at FVOCI*

##### Debt instruments

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As at December 31, 2021 and 2020, the Group does not have debt instruments at FVOCI.

##### Equity instruments

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.



Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

As at December 31, 2021 and 2020, the Group's investments in quoted and unquoted equity securities and golf club shares are classified as financial asset at FVOCI (see Notes 12 and 34).

#### *Financial Assets at FVTPL*

Financial assets at FVTPL are measured at fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The net changes in fair value of financial assets at FVTPL from the Group's investments in Unit Investment Trust Funds (UITF), included in "Interest and other financial income" account presented under "Other income - net" in the consolidated statements of income, amounted to nil in both 2021 and 2020, and ₱30.84 million in 2019 (see Note 26).

As at December 31, 2021, the Group has Compulsorily Convertible Debentures accounted as FVTPL (Note 11). As at December 31, 2020, the Group has no financial assets accounted as FVPL.

#### Derivative financial instruments and hedge accounting

##### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation



At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### *Fair value hedges*

The change in the fair value of a hedging instrument is recognized in the consolidated statement of income as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of income as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in consolidated statement of income.

#### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of hedging reserve.



The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group entered into fuel and coal swap contracts as a hedge of its exposure to price risk on its purchases (see Note 34).

#### Classification of Financial Liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As at December 31, 2021 and 2020, the Group has not designated any financial liability at FVTPL.

The Group's accounts payable and other current liabilities (excluding derivative liability and statutory payables), due to stockholders, short-term and long-term loans, deposit payables and other noncurrent liabilities are classified as financial liabilities measured at amortized cost under PFRS 9 (see Notes 18, 19, 20 and 34).





## Derecognition of Financial Assets and Financial Liabilities

### *Financial Assets*

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### *Modification of Contractual Cash Flows*

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

## Offsetting of Financial Instruments

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



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

There are no offsetting of financial assets and financial liabilities and any similar arrangements that warrants disclosure in the Group's consolidated financial statements as at December 31, 2021 and 2020.

#### Impairment of Financial Assets

PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL on debt instruments that are measured at amortized cost and FVOCI. No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

#### *Stage 1: 12-month ECL*

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

#### *Stage 2: Lifetime ECL – not credit-impaired*

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

#### *Stage 3: Lifetime ECL – credit-impaired*

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

#### *Loss Allowance*

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The investments are considered to be low credit risk investments as the counterparties have investment grade ratings. It is the Group's policy to measure ECLs on such instruments on a 12-month basis based on available



probabilities of defaults and loss given defaults. The Group uses the ratings published by a reputable rating agency to determine if the counterparty has investment grade rating. If there are no available ratings, the Group determines the ratings by reference to a comparable bank.

For all debt financial assets other than accounts receivable, ECLs are recognized using general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

#### *Determining the Stage for Impairment*

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

#### *Write-off policy*

The Group writes-off a financial asset and any previously recorded allowance, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

#### Fuel and Spare Parts

Fuel and spare parts are stated at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method. NRV is the current replacement cost of fuel and spare parts.

Previously, the Group determined the cost using the first-in, first-out method. In 2021, the Group elected to change accounting policy on the inventory costing from first-in, first-out (FIFO) method to moving average method applied retrospectively. The restatements have no material impact on the Group’s total assets, total liabilities and equity as at the beginning of earliest period presented.

#### Non-current Assets Held for Sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.



The criteria for held for sale classification under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

#### Property, Plant and Equipment

Property, plant and equipment, except land, is stated at cost, net of accumulated depreciation and impairment losses. Such cost includes the cost of replacing a part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost, net of accumulated impairment losses, if any.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The depreciation of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the assets are fully depreciated or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the item is derecognized. The estimated useful lives used in depreciating the Group's property, plant and equipment are as follows:

Category	In Years
Land improvements	10
Buildings and improvements	6-25
Machinery and equipment:	
Wind towers and equipment	25
Power plant	20
Power barges	10
Others	10-15
Tools and other miscellaneous assets	5-10
Transportation equipment	3-5
Office furniture, equipment and others	3-10

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. These are adjusted prospectively, if appropriate.



Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

Construction in progress includes cost of construction and other direct costs and is stated at cost less any impairment in value. Construction in progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

#### Leases

The Group applied PFRS 16, *Leases* on January 1, 2019.

PFRS 16 supersedes PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

#### *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments



of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has elected to use the two exemptions proposed by the standard on the following contracts:

- a. Lease contracts for which the lease terms ends within 12 months from the date of initial application
- b. Lease contracts for which the underlying asset is of low value

*Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option to renew the lease contract for an additional term subject to the mutual agreement with the lessors. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

*Deferred taxes*

Upon adoption of PFRS 16, the Group has adopted the modified retrospective approach for accounting the transition adjustments and has elected to recognize the deferred income tax assets and liabilities pertaining to lease liabilities and right-of-use assets on a gross basis.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate used by the Group is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

All other borrowing costs are expensed in the period in which these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



### Foreign Currency Denominated Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized as "Foreign exchange gain - net" under "Other income - net" in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of the gains or losses on the change in fair values of the items (i.e., translation differences on items which the fair value gains or losses are recognized in OCI or in profit or loss are also recognized in OCI or in profit or loss, respectively).

### Interests in Joint Arrangements

Joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

#### *Joint Operations*

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement. The Group's service contracts (SC) are assessed as joint operations.

### Investments in Associates and a Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and a joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share in the net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is collectively assessed for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the



Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share in profit or loss of the associate or the joint venture is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Group's share in losses of an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

The consolidated financial statements include additional information about associates and joint ventures that are material to the Group (see Note 9). Management determined material associates and joint ventures as those associates and joint ventures where the Group's carrying amount of investments is greater than 5% of the total investments and advances in associates and joint ventures as at the end of the year.

#### Investment Properties

Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized either when disposed of or when permanently withdrawn from use and no future economic benefit is expected from disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.





### Leasehold Rights

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

The remaining useful life of identifiable FIT contract is 13 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

The useful lives of leasehold rights are assessed as finite. The amortization expense on leasehold rights are recognized as “Depreciation and amortization” under “Cost of sale of electricity” account in the consolidated statement of income.

### Deferred Exploration Costs

The Group follows the full cost method of accounting for exploration costs determined based on each SC area. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written-off against the allowance when the projects are abandoned or determined to be unproductive. When the exploration work results are positive, the net exploration costs, and subsequent development costs are capitalized and amortized from the start of commercial operations.

### Impairment of Non-financial Assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired in accordance with PAS 36. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth (5<sup>th</sup>) year.

Impairment losses are recognized in the consolidated statement of income in the expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

The following assets have specific characteristics for impairment testing:

*Property, Plant and Equipment and Investment Properties*

For property, plant and equipment and investment properties, the Group assesses for impairment based on impairment indicators such as evidence of internal obsolescence or physical damage.

*Investments in Associates and Interest in a Joint Venture*

The Group determines at the end of each reporting period whether there is any objective evidence that the investments in associates and interest in a joint venture are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and interests in joint ventures, and their carrying amounts.

*Goodwill*

Goodwill is tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

*Right-of-Use Assets and Leasehold Rights*

Right of use assets and leasehold rights with finite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

*Deferred Exploration Costs*

Deferred exploration costs are reassessed for impairment on a regular basis. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount



of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6,

*Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented, and disclosed in accordance with PAS 36, *Impairment of Assets*.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Other income" in the consolidated statement of income.

#### Asset Retirement Obligation

The Group is legally required under a lease agreement to dismantle certain machinery and equipment and restore the leased site at the end of the lease contract term. The Group recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the EIR method with the related interest expense recognized in the consolidated statement of income.

#### Pensions and Other Post-employment Benefits

##### *Defined Benefit Plan*

ACEN Retirement Plan for Plants is a hybrid retirement plan which has funded defined benefit features and matching defined contribution features covering all regular and permanent employees. Benefits under the defined benefit features of the plan are based on the employee's final plan salary



and years of service. The defined benefit provisions of the ACEN Retirement Plan for Plants is patterned from the Phinma Jumbo Retirement Plan, which is the former retirement plan of the Group.

Effective January 1, 2020, the matching defined contribution features of the plan covers all regular and permanent employees. Starting on the date of membership of an employee in the Plan, the Group shall contribute to the retirement fund a percentage of the member's salary as defined when a Member opts to contribute to the plan. Benefits are based on the percentage of the total amount of contributions and investment returns credited to the personal retirement account (PRA) of the member at the time of separation. The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.

The retirement fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan.

The hybrid retirement plan currently covers for participating entities: ACEN, Bulacan Power, CIPP, One Subic Power, Guimaras Wind, and any subsidiary and affiliate of ACEN that may subsequently adopt and participate in the Plan.

SLTEC and NorthWind currently operate their separate and distinct funded, noncontributory, defined benefit retirement plan with separately administered funds. Other entities are covered by Republic Act (R.A.) 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The cost of providing benefits is determined using the projected unit credit method.

The Defined Benefit Obligation (DBO)/Actuarial Accrued Liability (AAL) is the actuarial present value of expected future payments required to settle the obligation resulting from employee service in current and prior periods. The calculation of the DBO/AAL assumes that the plan continues to be in effect and that estimated future events (including salary increases, turnover and mortality) occur. DBO differs from AAL only in the use of discount rate to compute the present value of expected future payments. The discount rate for DBO is based on the single weighted average discount rate which is based on the bootstrapped PHP-BVAL rates as mandated by PAS 19 at various tenors for intermediate durations were interpolated. The rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate while the expected rate of return on plan assets is used as the discount rate in computing AAL for funding.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognized in the consolidated statement of income on the earlier of:

- the date of the plan amendment or curtailment; or,
- the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. The Group



recognizes the following changes in the net defined benefit obligation under “Cost of sale of electricity” and “General and administrative expenses” accounts in the consolidated statement of income:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

#### *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

#### *Other long-term benefits*

Vacation and sick leaves are recognized as a liability when these are accrued to the employees. Unused vacation and sick leave credits shall be converted to cash upon separation of employee. Leave expected to be settled wholly before twelve months after the end of the annual reporting period is reclassified to short-term benefits.

#### Capital Stock

Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

#### Stock Options and Grants

Stock option and grants are accounted for in accordance with PFRS 2, that is, the cost of stock option awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the binomial method. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

If the outstanding options are dilutive, its effect is reflected as additional share dilution in the computation of diluted earnings per share.



#### Additional Paid-in Capital (APIC)

APIC represents the amount paid in excess of the par value of the shares issued. An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs, net of tax, might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. In accordance with PAS 32, *Financial Instruments: Presentation*, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Accounted also in the APIC are dividends declared by the transferee entities in the common control transaction with ACEIC between October 10, 2019 to June 20, 2020 which the Parent Company has beneficial economic interests already based on the Deed of Assignment. These are accounted for as equity contributions from ACEIC and are recorded as APIC.

#### Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the acquisition, reissuance or retirement of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Share options exercised during the reporting period are satisfied with treasury shares.

#### Other Equity Reserves

Other equity reserves are made up of equity transactions other than capital contributions such as share in equity transactions of associates and joint ventures and difference between considerations paid or transferred and the net assets of the entity acquired through business combinations involving entities under common control.

#### Retained Earnings

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration and adjusted for the effects of changes in accounting policies as may be required by PFRS's transitional provisions.

#### Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in determining the profit or loss for the year in accordance with PFRS. OCI includes remeasurement gain (loss) on retirement plan, net of related taxes, unrealized fair value gain (loss) on equity instruments at FVOCI, unrealized fair value gain (loss) on derivative instruments designated as hedges, net of related taxes, and cumulative translation adjustments.

#### Cash Dividend and Non-cash Dividend to Equity Holders of the Parent Company

The Group recognizes a liability to make cash or non-cash distributions to equity holders of the Parent Company when the distribution is authorized, and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

#### Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded acting as principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.



### *Sale of Electricity*

Sale of electricity is consummated whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity is based on sales price. Sales of electricity using bunker fuel are composed of generation fees from spot sales to the WESM and supply agreements with third parties and are recognized monthly based on the actual energy delivered.

Starting December 27, 2014, sales of electricity to the WESM using wind are based on the Feed in Tariff (FIT) rate under the FIT System and are recognized monthly based on the actual energy delivered. Meanwhile, revenue from sale of electricity through ancillary services to National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided. Revenue from sale of electricity through Retail Supply Contract (RSC) is composed of generation charge from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

The Group identified the sale of electricity (power generation, trading and ancillary services) where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer. The Group concluded that the revenue should be recognized overtime since the customers simultaneously receives and consumes the benefits as the Group supplies electricity.

Retail supply also qualifies as a series of distinct services which is accounted for as one performance obligation since the delivery of energy every month is a distinct service which is recognized over time and have the same measure of progress.

For power generation and trading and retail supply, the Group uses the actual kwh dispatched which are also billed on a monthly basis.

For ancillary services, the Group determined that the output method is the best method in measuring progress since actual energy is supplied to customers. The Group recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

### *Amounts Reimbursed to Customers*

Certain revenue contracts with customers provide for the sale of any unutilized electricity to the WESM. The proceeds are recorded as reduction in "Revenue from sale of electricity" in the consolidated statement of income.

### *Rental Income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature.

### *Dividend Income*

Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders of the investees approve the dividend.



#### *Other revenues*

Other revenues include management fees and revenue from water distributions. Management fees are recognized for services rendered when earned. Revenue from water distributions arise from water supply contracts which include production and water fees and are recognized per cubic meter based on actual consumption.

Management fees earned in 2021, 2020 and 2019 amounted to ₱109.89 million, ₱93.95 million and ₱11.30 million, respectively.

Revenue from water distribution in 2021, 2020 and 2019 amounted to ₱20.32 million, ₱10.33 million and nil, respectively.

#### *Contract Liability*

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

#### *Claims on business interruptions and property damage*

Income is recognized when an acknowledgment for the proposed claims is received from insurers. The income arises from unplanned shutdown of an insured property which resulted to business interruptions and property damage.

#### *Other Income*

Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

#### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized when incurred.

#### Taxes

##### *Current Income Tax*

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

Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.





### *Deferred Income Tax*

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, including carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) which can be deducted against future RCIT due to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO can be utilized, except:

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

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statement of income.



#### Creditable Withholding Taxes (CWT)

CWTs are carried at the amount withheld by the customers for services provided by the Group. CWTs are recognized when payments are received from customers and the related withholding taxes were made. CWTs can be utilized as credits against the Group's income tax liability provided these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation and may also be reduced by impairment losses, if any. CWTs, which are expected to be utilized as payment for income taxes within 12 months are classified as current, otherwise, these are classified as noncurrent assets.

#### Value-added Tax (VAT)

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and,
- When receivables and payables are stated with the amount of VAT included

The amount of VAT recoverable from the taxation authority is recognized as "Input VAT", while VAT payable to taxation authority is recognized as "Output VAT". Output VAT is recorded based on the amount of sale of electricity billed to third parties. Any amount of output VAT not yet collected as at reporting period are presented under "Accounts payable and other current liabilities" account in the consolidated statement of financial position.

#### Earnings (Loss) Per Share

Basic earnings (loss) per share is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted earnings (loss) per share is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Group does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets.

Previously, the operating businesses are organized and managed separately according to its related services. Financial information on operating segments and the restatement following a change in composition of reportable segments are presented in Note 36 to the consolidated financial statements.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. If it is probable that an outflow of resources embodying economic benefits will occur and the liability's value can be measured reliably, the liability and the related expense are recognized in the consolidated financial statements.

Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.



Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it is virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the consolidated financial statements.

#### Events After the Reporting Period

Post year-end events that provide additional information about the Group's position as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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### 3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated taking into consideration the Group's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances including the impact of COVID-19.

#### Judgments

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

#### *Asset Acquisitions and Business Combinations*

Where asset is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Otherwise, corporate acquisitions are accounted for as business combinations. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The Group's acquisitions of SACASOL and ISLASOL have been accounted for as business combinations while the acquisitions of BCHC, Ingrid and ACTA Power and various subscriptions to Giga Ace 1 up to 10 have been accounted for as purchases of assets (see Notes 31 and 32).

#### *Combination of Entities under Common Control*

A combination involving entities or businesses under common control is 'a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory'. This will include



transactions such as the transfer of subsidiaries or businesses between entities within a group, provided the transaction meets the definition of a business combination in PFRS 3.

The share swap transactions entered into by the Parent Company with ACEIC and the acquisition of 20% ownership stake of Axia Power Holdings Philippines, Corporation (“APHPC”) in SLTEC were determined to be common control business combinations (see Note 32).

#### *Accounting for Arrangements as a Single Transaction*

In determining whether to account for the arrangements as a single transaction, an entity considers all the terms and conditions of the arrangements and their economic effects. One or more of the following indicate that the Parent Company should account for the multiple arrangements as a single transaction:

- (a) They are entered into at the same time or in contemplation of each other.
- (b) They form a single transaction designed to achieve an overall commercial effect.
- (c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; or
- (d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. An example is when a disposal of shares is priced below market and is compensated for by a subsequent disposal priced above market.

The indicators clarify that arrangements that are part of a package are accounted for as a single transaction.

The series of transactions entered into by ACEN together with TLCTI Asia for the investment and entry in ISLASOL, were assessed to be linked agreements and thus, were accounted for as a single transaction that resulted in recognition of NCI. Management’s judgements in accounting for its ownership interest in ISLASOL are discussed in Note 31.

#### *Assessment of Joint Control*

The Group’s investments in joint ventures (see Note 9) are structured in separate incorporated entities. Even though the Group holds various percentages of ownership interests on these arrangements, their respective joint arrangement require unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the term of the contractual agreements. The rights of the Group and the other parties to the joint venture, including as to the net assets of the joint venture, will be based on the contractual arrangements that they entered into (see Note 9).

#### *Determination of Transaction Price from Sale of Electricity*

The adjustment of the FIT rate for the delivered energy is a variable consideration which shall be accounted for in the period in which the transaction price changed. In 2020, the Group recognized additional revenue and long-term receivables computed on the FIT rate increment which will be recovered for a period of five years starting January 1, 2021. In 2021, while waiting for the approval of the 2021 FIT rates, management assessed that the approved 2020 FIT rates represent the best estimate of the transaction price the Group will be entitled to in exchange of the delivered energy.

#### *Recognition of Deferred Tax Liabilities on Taxable Temporary Differences Arising from Investments in Foreign Subsidiaries, Associates and Joint Ventures*

The Group did not recognize deferred tax liabilities on the temporary differences arising from undistributed earnings, cumulative translation adjustment, and OCI accounts of its foreign subsidiaries, associates and joint ventures since management believes that the timing of the reversal



of these taxable temporary differences can be controlled by the Group and the management does not expect reversal of these temporary differences in the foreseeable future.

#### *Other Financial Assets at Amortized Cost*

Other financial assets at amortized cost include redeemable preferred shares and convertible loans which the Group has assessed as debt instruments. These are held by the Group within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows which are reflective of basic lending arrangements (see Notes 5 and 10).

#### *Change in Operating Segments*

The Group changed the structure of its internal organization that caused the composition of its reportable segments to change. Previously, the operating businesses are organized and managed separately according to its related services. As at December 31, 2021, the Group's segment report is according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets, reported on the basis that is used internally by the management for evaluating segment performance and deciding how to allocate resources among operating segments. Financial information on operating segments and the restatement following a change in composition of reportable segments are presented in Note 36 of the consolidated financial statements. The reported operating segment information is in accordance with PFRS 8.

#### *Change in Inventory Costing Method*

Fuel and spare parts are valued at the lower of cost or net realizable value (NRV). NRV is the current replacement cost of fuel and spare parts. In 2021, the Group elected to change in accounting policy on the inventory costing from first-in, first-out (FIFO) method to moving average method, as the management evaluated that moving average method more accurately reflects the acquisition and usage of these inventories in the power generation operations of the Group. The change in accounting policy is to be applied retrospectively which will impact the fuel and spare parts and cost of sale of electricity accounts. As the restatements have no impact on the Group's total assets, total liabilities and equity as at the beginning of earliest period presented, the management believes that the presentation of consolidated statement of financial position as at the beginning of earliest period presented is not necessary.

#### *Classification of Noncurrent Assets Held for Sale*

The Group classified the power barge assets as noncurrent assets held for sale under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, as result of the assessment that the assets' carrying amount will be recovered principally through a sale transaction rather than through continuing use (Note 8).

The following criteria are met as of the financial reporting date:

- a. The power barges are available for immediate sale as evidenced signed purchase agreement on August 20, 2021. While the transaction is still subject to certain conditions precedent, the requirements under PFRS 5 are deemed to have been satisfied in so far as the assets to be sold are concerned.
- b. The power barges are measured at the lower of the carrying amount and fair value less costs to sell.
- c. Depreciation of the assets ceased upon its classification as held for sale
- d. The sale is highly probable to be completed within 12 months from end of period date.



*Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates*

As at December 31, 2021, the Group has assessed whether it has any uncertain tax positions. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

Management's Use of Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Evaluation of Impairment of Non-financial Assets*

The Group reviews investments in associates and joint venture, investment properties, property, plant and equipment, right-of-use assets, and intangible assets for impairment of value. Impairment for goodwill is assessed at least annually. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group has evaluated the conditions and the assets subject to impairment to assess whether any impairment triggers that may lead to impairment have been identified. In doing this, the Group has reviewed the key assumptions in its previous annual impairment assessment to assess whether any changes to the assumptions within that impairment assessment would result in an impairment loss as at December 31, 2021. Except for the matters discussed in Note 16, based on the Group's review of key assumptions that include the impact if COVID-19, management has assessed that there were no significant changes in the assumptions used (see Notes 9, 13, 14, 15 and 16).

*Fair Value Measurement of Financial Assets at FVTPL and FVOCI*

In the estimation of fair value of investments recorded as financial assets at FVTPL and FVOCI, management need to determine the appropriate techniques and inputs for fair value measurements. Management uses the discounted cash flow technique in estimating the fair value of the financial assets at FVTPL and FVOCI. Based on the financial performance and financial position of the investee entity which is a related party investment company, management estimates the amount and timing of the future cash inflow arising from redemption of preferred shares (see Notes 11 and 12).

*Measurement of Expected Credit Losses*

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If in a subsequent period, asset quality improves and any previously assessed significant increase in credit risk also reverses since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL (see Notes 5 and 10).



*Determination of Significant Increase in Credit Risk (SICR)*

The Group compares the probabilities of default occurring over the expected life of financial assets as at the reporting date with the probability of default occurring over the expected life on the date of initial recognition to determine significant increase in credit risk. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category.
- adverse changes in business, financial and/or economic conditions of the borrower.
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition.
- the account has become past due beyond 30 days where an account is classified under special monitoring category: and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the Group.

In response to COVID-19, the Group undertook a review of its portfolio of financial assets and the ECL for the year for financial assets carried at amortized cost. The review considered the macroeconomic outlook, client and customer/borrower credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date.

As at December 31, 2021 and 2020, the Group assessed that for its financial assets such as cash and cash equivalents, there has been no SICR since origination and is assessed as low credit risk based on published information of comparable entities. For accounts receivable, the Group used provision matrix in estimating its ECL. A broad range of forward-looking information were considered as economic inputs, such as GDP growth, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. While these model inputs including forward-looking information are revised, the ECL models, and definitions of default remain consistent with prior periods.

The Group complied with the Department of Energy (“DOE”) circulars on granting extensions on deferment of payments and obligation. The changes in economic activity brought about by the community quarantine measures and lowering of WESM prices have resulted in lower electricity demand and consumption. Consequently, this affected the revenue targets of the Distribution Companies, Generation Companies, and RES business units. However, projects under FIT were not affected by the movements in the WESM prices. Nevertheless, the Group has been in constant discussions, and has been working together with its customers and other key stakeholders to minimize the impact of the pandemic to the respective parties’ power supply agreements.

*Impairment of Investment in an Associate*

In 2020, the Group assessed that its investment in Negros Island Biomass Holdings, Inc (NIBHI) was impaired. The Group expects the return on its investment in NIBHI through dividends. Given however that the projects where NIBHI has investments have not started commercial operations, are still completing pertinent regulatory permitting requirements, and in the process are accumulating pre-operating costs and losses, the Group has provided allowance for the impairment loss amounting to ₱186.51 million (see Note 24).



The recoverable amount of the investment in NIBHI amounting to nil as at December 31, 2020 was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a twenty five-year period. The pre-tax discount rate applied to cash flow projections is 10.0%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, the Group has recognized an impairment charge of ₱186.51 million in 2020 against the related goodwill recorded in the investment in an associate account. The provision for impairment of investment in an associate is recorded in “General and administrative expenses” in the consolidated statements of income (see Notes 9 and 24).

In 2021, the investment in redeemable preferred shares of NIBHI was fully redeemed and remaining common shares was sold to various stakeholders (see Note 9).

#### *Impairment of Assets Related to Bataan Project*

On September 20, 2020, Bataan Solar Energy, Inc. (“BSEI”) issued the Notice to Proceed (“NTP”) for the development of a 4.375 MWdc Renewable Energy Laboratory Facility with Energy Storage System Project (the “Bataan Project”) in Brgy. Batangas-II Mariveles, Bataan. The Bataan Project utilizes state-of-the art technologies in the solar and storage industry with various types of modules, mounting structures, inverters and energy storage system with the view of acquiring first-hand experience in operating such technologies. Power generated will be initially sold to WESM. Given however the lack of economies of scale for the Bataan Project, the management assessed that the expected revenue cannot cover return of the investment in the Bataan Project and thereby provided impairment for the Bataan Project’s various spending to date for its advances to contractors and construction in progress and tools and miscellaneous assets under property, plant and equipment amounting to ₱49.88 million, ₱96.62 million, and ₱14.89 million, respectively. In 2021, ₱27.44 million and ₱14.89 million were reversed for its advances to contractors and tools and miscellaneous assets, respectively, while additional ₱219.53 million was provided for the construction in progress (see Notes 7, 8 and 13).

The recoverable amount of the Bataan Project assets amounting to nil as at December 31, 2021 and 2020 were determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a seven-year period. The pre-tax discount rate applied to cash flow projections is 10.0%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, the Group recognized net impairment charge of ₱177.20 million and ₱160.93 million in 2021 and 2020, respectively, against the related other current assets and property, plant and equipment. The provision for impairment of property, plant and equipment and advances to contracts are included in “General and administrative expenses” in the consolidated statements of income (see Notes 7, 8, 13 and 24).

#### *Impairment of PB 102 and PB 103*

In 2020, following the fuel oil discharge accident (Notes 9 and 38), the Parent Company recognized full provision for impairment of PB 102 and PB 103 amounting to ₱270.53 million as the assets are not operational as at December 31, 2020 and there are no existing ancillary service contracts to utilize the assets for income generation. The Group reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives will not be affected following this decision.

The recoverable amounts of PB 102 and PB 103 amounting to nil as at December 31, 2020 were determined based on the calculation of fair value less costs of disposal using estimated scrap value with reference to recent sales, adjustments to weight of the scrap and deduction for costs of disposal. As a result of this analysis, the Group has recognized an impairment charge of ₱270.53 million in 2020 against the related property, plant and equipment. The provision for impairment loss on property, plant and equipment is included in “General and administrative expenses” in the consolidated statements of income (see Notes 13 and 24).





Further details on investments in associates and joint ventures, plant, property, and equipment, right-of-use assets, investment properties and leasehold rights are provided in Notes 9,13, 14, 15 and 16, respectively.

*Realization of Deferred Income Tax Assets*

The Group reviewed its business and operations to take into consideration the estimated impacts of COVID-19, including its estimated impact on macroeconomic environment, the market outlook and the Group’s operations. As such, the Group assessed its ability to generate sufficient taxable income in the future that will allow realization of net deferred tax assets. As a result, the carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. The Group assessed that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized (see Note 27).

*Estimation of Pension and Other Employee Benefits Liabilities*

The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates of the country. Further details about the assumptions used are provided in Note 28.

*Contingencies and Tax Assessments*

The Group is currently involved in various legal proceedings and assessments for local and national taxes (see Note 38). The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The final settlement of these may result in material adverse impact on the Group’s consolidated financial statements.

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**4. Cash and Cash Equivalents**

	<b>2021</b>	2020 (As restated)
Cash on hand and in banks	<b>₱22,990,899</b>	₱14,188,780
Short-term deposits	<b>3,454,530</b>	13,888,391
	<b>₱26,445,429</b>	₱28,077,171

Cash in banks earn interest at the respective bank deposit rates for its peso and dollar accounts.

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.



Interest income earned on cash in banks and short-term deposits in 2021, 2020 and 2019 at the range of 0.90% to 1.21%, 0.99% to 3.20%, and 3.00% to 5.59%, amounted to ₱129.55 million, ₱253.97 million and ₱228.15 million, respectively (see Note 26).

Short-term deposits include SLTEC's debt service accrual account (DSAA) amounting to ₱56.98 million and ₱212.24 million as at December 31, 2021 and 2020, respectively. This pertains to cash deposits earmarked to cover future debt service payments that bears interest from 0.13% to 0.50% for 2021 and 0.13% to 0.63% for 2020 and have a maturity period of two to six months. DSAA with maturities of more than three (3) months amounting to ₱66.82 million and nil as at December 31, 2021 and 2020, respectively, is presented separately as Short-term Investment in the statement of financial position. These funds are restricted solely for payment of the principal amortization and interest from loans.

The DSAA meets the definition of cash and cash equivalents and short-term investments since the Company has control over the said funds until the repayment dates (see Note 19).

## 5. Accounts and Notes Receivable

This account consists of:

	2021	2020 (As restated)
Accounts receivable	<b>₱8,880,659</b>	₱7,865,106
Notes receivable (Note 29)		
Development loan	<b>15,549,644</b>	6,496,611
Debt replacement loan	<b>17,253,756</b>	7,283,299
Other loan	<b>1,060,868</b>	403,037
Accrued interest receivable	<b>3,937,283</b>	1,284,680
	<b>46,682,210</b>	23,332,733
Allowance for impairment loss	<b>181,599</b>	180,726
	<b>₱46,500,611</b>	₱23,152,007

### *Accounts receivable*

This account consists of trade and other receivables from related parties and third parties:

	2021	2020 (As restated)
Trade receivables		
Third party		
Independent Electricity Market Operator of the Philippines ("IEMOP")	<b>₱2,219,536</b>	₱1,076,014
RES Buyer	<b>2,002,655</b>	2,411,242
National Transmission Corporation ("TransCo")	<b>1,727,488</b>	1,465,212
PEMC Multilateral Agreements	<b>1,137,262</b>	1,137,262
National Grid Corporation of the Philippines ("NGCP")	<b>179,076</b>	374,000
Philippine Electricity Market Corporation ("PEMC")	<b>75,752</b>	65,519
Others	<b>119,092</b>	71,170

(Forward)



	2021	2020 (As restated)
Related party		
Others (Note 29)	<b>₱149,175</b>	₱137,346
Other Receivables		
Third party	<b>1,008,996</b>	1,037,197
Related party (Note 29)	<b>261,627</b>	90,144
	<b>8,880,659</b>	7,865,106
Allowance for impairment loss	<b>181,599</b>	180,726
	<b>8,699,060</b>	7,684,380
Less: Noncurrent portion	<b>2,093,042</b>	1,933,892
Current portion	<b>₱6,606,018</b>	₱5,750,488

*Trade Receivables*

Trade receivables mainly represent receivables from IEMOP, TransCo, PEMC, and NGCP for the FIT and from the group's bilateral customers. Significant portion of outstanding balance relate to receivables from Manila Electric Company ("MERALCO") baseload and Mid-Merit PSAs as well as FIT system adjustments (see Note 22).

Trade receivables consist of both noninterest-bearing and interest-bearing receivables. The term is generally thirty (30) to sixty (60) days.

Noncurrent trade receivables include refundable amount from the PEMC arising from recalculation of November and December 2013 spot prices as directed by the ERC. In 2014, the Group, PEMC, and other WESM participants signed a Multilateral Agreement pending the resolution of cases filed by WESM participants in the Supreme Court. On various dates in 2014 to 2016, ACEN recorded collections in relation to the Multilateral Agreement amounting to ₱1,123.51 million. In June 2016, the 24-month period of repayment prescribed; hence, the Group provided an allowance for doubtful accounts related to Multilateral Agreement amounting to ₱13.75 million. NorthWind also recorded collections amounting to ₱115.08 million in relation to the Multilateral Agreement. Collections are presented as "Trade payables" under "Other noncurrent liabilities" (see Note 20). Noncurrent trade receivables also include FIT system adjustments that are expected to be realized beyond 12 months after end of reporting period. FIT system adjustments are discounted using the PHP BVAL Reference rates on transaction date ranging from 2.06% - 2.45%.

Other receivables from third party mainly pertain to the noninterest-bearing receivable from NGCP for the sale of transmission assets and submarine cable. Also included under this account is SLTEC's receivable from NGCP for the remaining uncollected consideration for the sale of the 230KV Salong Switching Station and related assets and subscription receivable of ISLASOL from TLCTI Asia.

Other receivable also includes advances to employees and advance payments to suppliers and deposits to distribution utilities.



*Notes receivable*

This account consists of development, debt replacements and other loans receivable from related parties and third parties:

	2021	2020 (As restated)
Development loan		
Third party	<b>₱2,847,976</b>	₱3,037,701
Related party (Note 29)	<b>12,701,668</b>	3,458,910
Debt replacement		
Related party (Note 29)	<b>17,253,756</b>	7,283,299
Other loan		
Third party	<b>1,060,868</b>	403,037
	<b>33,864,268</b>	14,182,947
Less: Noncurrent portion	<b>9,586,187</b>	4,100,427
Current portion	<b>₱24,278,081</b>	₱10,082,520

Receivables from related parties includes various development and debt replacements loans from ACEIC and the Group's joint ventures and associates. It also includes receivable from Term Loan Facility with Grencore Power Solutions 3, Inc. ("Grencore") (see Note 29).

Development loans to third parties includes the interest-bearing loans receivable from UPC Renewables Asia Pacific Holdings (URAPHL), from BIM Energy Holdings (BIMEH), and from BEHS Joint Stock Company (BEHS). It also includes interest-bearing term loan facility from Provincia Investments Corporation ("PIC"). First drawdown on the loan facility to PIC was made on July 2, 2021 amounting to ₱150.00 million. Interests together with the principal amount are payable on or before July 2, 2026 (see Note 9).

Other loans receivable from third parties includes long term loan receivables from Caltrans, Lantrans and Acetrans used for land acquisitions.

*Accrued interest receivable:*

This account consists of accrued interest receivable from related parties and third parties, and from other financial assets at amortized cost:

	2021	2020 (As restated)
Development loan		
Third party	<b>₱118,898</b>	₱84,214
Related party (Note 29)	<b>305,360</b>	106,377
Debt replacement		
Third party	<b>5,786</b>	-
Related party (Note 29)	<b>1,033,005</b>	186,013
Redeemable preferred shares		
Related party (Note 29)	<b>946,559</b>	₱319,253
Convertible loan		
Related party (Note 29)	<b>1,421,565</b>	554,868
Other loan		
Third party	<b>100,557</b>	12,564
Trade receivables		
Third party	<b>5,553</b>	21,391
	<b>3,937,283</b>	1,284,680
Less: Noncurrent portion	<b>1,512,085</b>	505,969
Current portion	<b>₱2,425,198</b>	₱778,711



*Allowance for credit losses*

The movements in the allowance for credit losses on individually impaired receivables are as follows:

	2021		
	Trade	Others	Total
Balances at beginning of year	₱94,742	₱85,984	₱180,726
Provisions - net (Note 24)	873	-	873
Reclassification	1,116	(1,116)	-
<b>Balances at end of year</b>	<b>₱96,731</b>	<b>₱84,868</b>	<b>₱181,599</b>

	2020 (As restated)		
	Trade	Others	Total
Balances at beginning of year	₱94,742	₱86,016	₱180,758
Reversal	-	(32)	(32)
<b>Balances at end of year</b>	<b>₱94,742</b>	<b>₱85,984</b>	<b>₱180,726</b>

The allowance for credit losses includes ₱39.37 million full provision for receivables from mining rights assigned to a third party.

**6. Fuel and Spare Parts**

	2021	2020
		(As restated)
Fuel	₱700,165	₱671,527
Spare parts - at cost	292,618	310,899
Spare parts - at net realizable value	497,776	408,914
	<b>₱1,490,559</b>	<b>₱1,391,340</b>

Fuel charged to "Costs of sale of electricity" in the consolidated statements of income amounted to ₱4,787.98 million, ₱3,070.82 million and ₱2,655.41 million in 2021, 2020 and 2019, respectively (see Note 23).

For the years ended 2021, 2020 and 2019, no provision for impairment, both for fuel and spare parts was recognized by the Group. As at December 31, 2021 and 2020, the allowance for inventory obsolescence amounted to ₱6.96 million.

**7. Other Current Assets**

	2021	2020
		(As restated)
Advances to contractors	₱270,265	₱264,979
Derivative asset (Note 34)	241,744	46,968
Prepaid expenses	223,264	186,404
Others	36,433	4,957
	<b>771,706</b>	<b>503,308</b>
Less allowance for impairment loss	27,437	49,884
	<b>₱744,269</b>	<b>₱453,424</b>



Advances to contractors pertain to advance payments for services and supply of repairs and maintenance.

Derivative asset pertains to the foreign exchange forward contracts maturing within 12-month period (see Notes 17, 18 and 34). ACEN had realized ₱41.80 million gain, ₱3.41 million and ₱6.85 million loss from matured forex forwards in 2021, 2020 and 2019, respectively (see Note 26).

Prepaid expenses pertain to insurance, subscriptions, rent, taxes and other expenses paid in advance.

Allowance for impairment relates to the advances to contractors paid by BSEI for the development of its renewable energy laboratory facility with energy storage system project (see Notes 3 and 13). The ₱22.45 million reversal arise from subsequent collection and reassessment of collectability (Note 26).

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## 8. Noncurrent Assets Held for Sale

### ACEN

In 2021, The Group classified the power barge assets as noncurrent assets held for sale under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, as result of the assessment that the assets' carrying amount will be recovered principally through a sale transaction rather than through continuing use. Power Barge ("PB") 101 and 102 were commissioned in 1981 while PB 103 in 1985. These were acquired by ACEN from the Power Sector Assets and Liabilities Management Corporation ("PSALM") in 2015. Each power barge is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a gross capacity of 32MW and providing dispatchable reserve services to the Visayas grid.

On August 20, 2021, the Parent Company's Executive Committee approved the sale of PB 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary, and PB 102 and PB 103 to SPC Power Corporation or its designated affiliate or subsidiary.

On September 16, 2021, the Asset Purchase Agreement for the sale of PB 102 and 103 with SPC Island Power Corporation was signed. Impairment loss amounting to ₱8.71 million and ₱270.53 million was recognized for the year ended December 31, 2021 and 2020 respectively, to bring down to its estimated net realizable value.

On December 21, 2021, ACEN signed the Asset Purchase Agreement for the sale of PB 101 to MORE Power Barge, Inc. The Deed of Absolute sale was executed by the parties on January 21, 2022. Impairment loss amounting to ₱69.15 million and nil was recognized for the year ended December 31, 2021 and 2020 respectively, to bring down to its estimated net realizable value.

### *Impairment Losses*

PB 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil on July 3, 2020. Based on investigation, an explosion in one of the barge's fuel tanks ruptured the hull of the barge which resulted in the oil spill. The Group assessed and determined that the incident raised impairment indication that the asset's carrying amount exceeded its estimated recoverable amount. The Group recognized net impairment of ₱2.74 million, ₱270.53 million and nil in 2021, 2020 and 2019, respectively (see Notes 13, 24 and 26).

As at December 31, 2021, the carrying value of the power barges (PB101 to P103) amounted to ₱193.53 million.



**BSEI**

In 2021, tools identified as salable were classified as noncurrent assets held for sale from property, plant and equipment, with its related impairment reversal amounting to ₱14.89 million (see Notes 13 and 26), ₱4.96 million of these were sold during the year. As at December 31, 2021, the carrying value of the remaining tools amounted to ₱9.93 million and these are available for immediate sale in its present condition although nothing yet has been finalized, management has been actively looking for interested buyers.

**9. Investments in Associates and Joint Ventures**

The Group's investments in associates and interest in joint ventures as at December 31 are as follows:

	Percentage of ownership		Carrying amount	
	2021	2020 (As restated)	2021	2020 (As restated)
<b>Investments in associates:</b>				
Star Energy Geothermal (Salak-Darajat) B.V. ("Salak-Darajat")	<b>19.80</b>	19.80	<b>₱10,652,033</b>	₱9,330,436
Maibarara Geothermal, Inc. ("MGI")	<b>25.00</b>	25.00	<b>785,042</b>	739,076
Negros Island Biomass Holdings, Inc. ("NIBHI")	–	45.12	–	224
Others <sup>(1)</sup>	<b>Various</b>	Various	<b>631</b>	25,728
			<b>11,437,706</b>	10,095,464
<b>Interest in joint ventures:</b>				
Philippine Wind Holdings Corp. ("PhilWind")	<b>69.81</b>	69.81	<b>₱5,765,677</b>	₱5,853,561
BIM Renewable Energy Joint Stock Company ("BIMRE")	<b>30.00</b>	30.00	<b>1,597,533</b>	1,380,194
Ingrid Power Holdings, Inc. ("Ingrid")	<b>50.00</b>	–	<b>1,210,658</b>	–
UPC-AC Energy Australia (HK) Ltd. ("UPC- ACE Australia")	<b>50.00</b>	50.00	<b>903,333</b>	1,008,899
AMI AC Renewables Corporation ("AAR")	<b>50.00</b>	50.00	<b>275,573</b>	288,355
BIM Energy Joint Stock Company ("BIME")	<b>30.00</b>	30.00	<b>111,825</b>	111,792
UPC Renewables Asia III Ltd. ("UPC Asia III")	<b>10.00</b>	10.00	<b>47,035</b>	56,591
Natures Renewable Energy Devt. (NAREDCO) Corporation	<b>45.00</b>	–	<b>8,250</b>	–
Others <sup>(2)</sup>	<b>Various</b>	Various	<b>711</b>	232
			<b>9,920,595</b>	8,699,624
			<b>₱21,358,301</b>	₱18,795,088

The details and movements of investments in associates and joint ventures accounted for under the equity method are as follows:

	2021	2020 (As restated)
<b>Investment in associates and joint ventures</b>		
Acquisition costs:		
Balance at beginning of year	<b>₱18,015,097</b>	₱14,482,086
Interest retained in former subsidiary	<b>980,900</b>	–
Additions	<b>536,189</b>	2,853,713
Divestment	<b>(186,738)</b>	–

(Forward)



	2021	2020 (As restated)
Cumulative translation adjustment	<b>₱562,682</b>	(₱900,297)
Effect of a business combination under common control (Note 2)	–	1,579,595
Balance at end of year	<b>19,908,130</b>	18,015,097
Accumulated equity in net earnings (losses):		
Balance at beginning of year	<b>1,197,907</b>	2,228,523
Equity in net earnings	<b>1,952,753</b>	1,490,192
Dividends received	<b>(1,693,682)</b>	(2,003,931)
Divestment	<b>(34,971)</b>	–
Effect of business combinations under common control	–	(516,877)
Balance at end of year	<b>1,422,007</b>	1,197,907
Accumulated share in other comprehensive income:		
Balance at beginning of year	<b>(229,844)</b>	(168,154)
Unrealized fair value gain (loss) on derivative instruments designated as hedges - net of tax	<b>104,994</b>	(32,997)
Remeasurement loss on defined benefit plans - net of tax	<b>(54,608)</b>	(28,693)
Effect of business combinations under common control	<b>209,181</b>	–
Balance at end of year	<b>29,723</b>	(229,844)
Accumulated impairment losses		
Balance at beginning of year	<b>(188,072)</b>	(1,559)
Divestment	<b>186,513</b>	–
Provision for impairment (Notes 26)	–	(186,513)
Balance at end of year	<b>(1,559)</b>	(188,072)
<b>Total investments</b>	<b>₱21,358,301</b>	<b>₱18,795,088</b>

### Investments in Associates

#### *Salak-Darajat*

In 2017, the Group acquired an interest in Salak-Darajat, an investment holding company incorporated in Netherlands, with project companies located in Indonesia that have continuing interest in Chevron's geothermal assets and operations in Indonesia. The Indonesia assets and operations pertain to the Darajat and Salak geothermal fields in West Java, Indonesia, with a combined capacity of 637 MW of steam and power.

Dividends declared by Salak-Darajat amounted to US\$6.93 million (₱336.41 million) and US\$29.70 million (₱1,426.67 million) in 2021 and 2020.

The Group has significant influence over Salak-Darajat by virtue of its approval rights over key decision areas and material transactions through various reserved matters that are considered relevant activities.

#### *MGI*

The Parent Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010 to implement the integrated development of the





Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. MGI's registered business address is 7<sup>th</sup> F JMT Building, ADB Avenue, Ortigas Center, Pasig City.

The Parent Company received dividends amounting to ₱20.00 million and ₱17.50 million in 2021 and 2020, respectively.

#### *NIBHI*

Upon effectivity of ACEN's share swap with ACEIC, the Parent Company acquired a 45.12% voting ownership in NIBHI, through ACE Endeavor.

NIBHI, a joint venture development holding company with Zabaleta group, has signed binding agreements to divest its shareholdings in three biomass-fired power plants in the Visayas. Subject to certain conditions precedent, NIBHI would sell its equity stake to its partner, the Singapore-based ThomasLloyd CTI Asia Holdings Pte Ltd ("TLCTI Asia") which indirectly already owns over 90% of the economics of the equity ownership of the biomass-fired power plants and currently has a portfolio totaling 63.44 MW in generation capacity from biomass.

NIBHI issued irrevocable proxies to TLCTI Asia over the biopower shares on June 15, 2021 on the basis of the Heads of Terms Agreement signed on May 11, 2021. The Share Purchase Agreement between NIBHI and TLCTI Asia, as well as the Deeds of Absolute Sale, were executed on June 22, 2021.

In 2021, prior to the effectivity of the sale of NIBHI to TLCTI Asia, the Group recognized equity in net income of NIBHI amounting to ₱104.52 million and received dividends from NIBHI amounting to ₱69.32 million. Pursuant to the above transaction and agreement, the Group recovered cash proceeds from the redemption of redeemable preferred shares held by ACE Endeavor amounting to ₱31.85 million and has sold of the remaining shares held by ACE Endeavor to various stakeholders for a consideration of ₱40.98 million. After considering the cash proceeds from redemption and sale of shares in NIBHI, the Group recognized net gain from the divestment amounting to ₱37.64 million (see Note 26).

NIBHI is a domestic corporation registered in the Philippines and located at 26<sup>th</sup> Floor, PSE Tower Bonifacio High St., 28<sup>th</sup> cor. 5<sup>th</sup> Ave., Bonifacio Global City, Taguig City.

<sup>(1)</sup> Others consists of investment in The Blue Circle Pte. Ltd., Negros Island Biomass Holdings, Inc., and Asia Coal Corporation (Asia Coal).

#### Interest in Joint Ventures

##### *PhilWind*

On November 5, 2019, the Parent Company's Executive Committee approved and authorized the share purchase agreement to acquire PINAI's ownership interest in PhilWind, a holding company for North Luzon Renewable Energy Corp. ("NLR"). This approval was ratified by the BOD during its meeting on November 11, 2019.

On November 14, 2019, ACEN signed a First Amended and Restated Share Purchase Agreement with the PINAI Investors for the acquisition of PINAI's indirect ownership interest in NLR.

PINAI effectively has a 31.01% preferred equity and 15.00% common equity ownership in NLR. NLR is a joint venture of ACEIC, UPC Philippines Wind Holdco I B.V., Luzon Wind Energy Holdings B.V. (DGA) and the PINAI Investors. NLR owns and operates an 81 MW wind farm in Pagudpud, Ilocos Norte, which started commercial operations in November 2014. PhilWind is the parent company of NLR. PhilWind directly and indirectly owns 66.69% of NLR, through its 38.00%



direct interest and 28.69% indirect interest through its 100% wholly owned subsidiary, Ilocos Wind Energy Holding Co., Inc. (“Ilocos Wind”).

On February 27, 2020, the Parent Company purchased all the shares of PINAI Investors in PhilWind for ₱2,573.30 million through its wholly-owned subsidiary Giga Ace 1, Inc.

The investment in PhilWind is accounted for as an investment in joint venture as the relevant activities of PhilWind and NLR require the unanimous consent of the stockholders.

On June 22, 2020, upon the effectivity of ACEN’s share swap transaction with ACEIC, the Parent Company increased its ownership interest in PhilWind to 69.81%.

On October 18, 2021, the BOD of ACEN approved the acquisition, directly or through its nominated affiliate, of the ownership interest of UPC Philippines Wind Investment Co. BV (“UPC Philippines”) and Stella Marie L. Sutton in NLR. This will be acquired together with BWPC and other development special purpose vehicles for an aggregate consideration of up to ₱4.5 billion (subject to adjustments), subject to agreed conditions precedent including required partner, financing, and regulatory approvals, and subject further to execution of definitive documentation.

PhilWind was incorporated and registered with the SEC on November 12, 2009, primarily to engage in the business of a holding company for renewable energy and other corporations. The registered office address is at 15<sup>th</sup> Floor, Picadilly Star Bldg., 4<sup>th</sup> Avenue Cor. 27<sup>th</sup> St., Bonifacio Global City, Taguig, with principal place of business at 4<sup>th</sup> Floor 6750 Ayala Avenue Office Tower, Makati City.

Dividends declared by PhilWind amounted to ₱1,062.16 million and ₱270.51 million in 2021 and 2020.

#### *BIMRE and BIME*

In 2018, the Group entered into a 30-70 joint venture agreement with BIM Group to develop, construct, and operate at 300 MW of Solar Farm in Ninh Thuan Province, Vietnam, through BIMRE and BIME. Its principal place of business and country of incorporation is in Vietnam.

On October 4, 2021, the 88 MW Ninh Thuan wind farm started commercial operations. Located in South Central Vietnam, the US\$155 million wind farm features 22 units of GE Renewable Energy’s Cypress turbines.

In 2020, the Group entered into an Amendment and Supplement to Share Subscription Agreement for additional Common Shares, Class A Preferred Shares and Class B Preferred Shares for 30% ownership in BIMRE. As at December 31, 2020, the Group made a subscription deposit of US\$5.63 million (₱280.41 million) for common shares and \$3.96 million (₱190.11 million) for Class A and B Preferred Shares. Deposits for Class A and Class B Preferred Shares are classified under “Other financial assets at amortized cost”.

The Group has joint control over BIMRE and BIME by virtue of the requirement for unanimous consent from both Shareholders over key decision areas and material transactions through various reserved matters.

Dividends declared by BIMRE and BIME amounted US\$4.06 million (₱205.79 million) and US\$6.02 million (₱289.25 million) in 2021 and 2020.



### *Ingrid*

On July 23, 2020, ACEIC, ACEN and ACED signed a Shareholders' Agreement with APHPC and Marubeni Corporation for the development, construction and operation of the 150 megawatt (MW) highspeed, diesel-fueled power plant under Ingrid. Under the Agreement, APHPC will acquire 50% of the voting shares and 50% of the economic rights in Ingrid while ACEN will hold 50% of the voting shares and 45% of the economic rights with ACE Endeavor having a 5% share of the economic rights in Ingrid.

On November 24, 2020, the Philippine Competition Commission issued a decision confirming that the transaction "will not likely result in substantial lessening of competition and resolving to take no further action with respect to the transaction.

On March 18, 2021, the Parent Company and APHPC executed a Subscription Agreement for the subscription by APHPC to 5 Common B Shares, 580,000 Redeemable Preferred F Shares, and 5,219,995 Redeemable Preferred G Shares of Ingrid. On August 10, 2021, Ingrid received the SEC's approval of Ingrid's amended Articles of Incorporation, and the Certificate of Approval of Increase in ACS, both issued on August 4, 2021. Following the subscription of APHPC, Ingrid will have a total subscribed capital of ₱1.97 billion.

On October 12, 2021, Ingrid and APHPC executed the second Subscription Agreement for the subscription by APHPC to an additional 112,000 Redeemable Preferred F Shares with a par value of ₱100 per share and 1,034,000 Redeemable Preferred G Shares with a par value of ₱100 per share to be issued out of the unissued ACS of Ingrid, to maintain the 50% interest in the shares and in the economic rights as provided in the 2020 Agreement.

Ingrid is among the Parent Company's wholly owned subsidiaries which were acquired from ACEIC in exchange for ACEN's own shares in 2020. Following the Shareholders' Agreement and the SEC's approval of Ingrid's increase in ACS, the Group loses control and recognizes the investment retained in the former subsidiary. The retained interest is remeasured upon deconsolidation of Ingrid's assets and liabilities from the consolidated statement of financial position and recognized a gain amounting to ₱21.81 million (see Note 26) in the consolidated statements of income. ACEN, ACED and APHPC have joint control with Ingrid over key decision areas and material transactions through various reserved matters.

In 2021, Ingrid started commercial operation of 150MW high-speed, diesel-fueled power plant project following the issuance of the Notice to Proceed (NTP) in December 2019. Ingrid's registered office address is 4th Floor, 6750 Building, Ayala Avenue, San Lorenzo, Makati City.

### *UPC-ACE Australia*

On May 23, 2018, ACEIC participated in the Australian renewables market through a joint venture with international renewable energy developer, UPC Renewables. The Group has invested US\$30.00 million (₱1,519.1 million) for 50% ownership in UPC's Australian business and is also providing US\$200.0 million facility to fund project equity. Additional investments were made in 2021 amounting to US\$5.75 million (₱278.60 million) for funding the NESF.

On October 18, 2021, the Parent Company's BOD approved to acquire the remaining 51.6% stake in UPC-AC Renewables Australia joint venture. This transaction will raise ACEN's ownership in the renewables development platform to 100%.

ACEN, through its subsidiary ACRI, will acquire the interest of its joint venture partners UPC Renewables Asia Pacific Holdings and Mr. Anton Rohner ("the Sellers") in UPC-AC Renewables Australia for a total consideration of US\$243.3 million, subject to adjustments. The Sellers will in



turn subscribe to up to 942 million common shares of ACEN with a subscription price of ₱11.32/share, subject to adjustments. The acquisition is subject to satisfaction of agreed conditions precedent, and consents and regulatory approvals, including the consent or non-objection of the Foreign Investment Review Board of Australia.

Moreover, on December 15, 2021, the stockholders of ACEN approved the issuance of up to 942 million Common Shares to the owners, affiliates, and/or partners of UPC Renewables Asia Pacific Holdings Pte Limited and Mr. Anton Rohner and the listing of the shares to be issued.

UPC Renewables Asia Pacific Holdings Pte Limited	880,369,204
Anton Rohner	61,630,796
<hr/>	<hr/>
Total ACEN shares to be issued	942,000,000
Subscription price per share	₱11.32
<hr/>	<hr/>
Total subscription price <i>(subject to adjustment)</i>	₱10,663,440,000

This material action was initially approved by the BOD of ACEN on October 18, 2021.

UPC Renewables Australia is developing the 1,000MW Robbins Island and Jim's Plain solar project in Northwest Tasmania and the 700MW New England Solar Farm (NESF) located near Uralla in New South Wales. UPC Renewables Australia also has a further development portfolio of another 3000MW's located in NSW, Tasmania and Victoria.

#### *AAR*

In 2018, the Group entered into a 50-50 joint venture agreement with AMI Renewables Energy Joint Stock Company to develop, construct, and operate renewable power projects in Vietnam. The joint venture company, New Energy Investments Corporation (NEI) is a holding company that holds direct ownership interest in the project companies. Its principal place of business and country of incorporation is in Vietnam. On December 27, 2018, NEI changed its business name to AMI AC Renewables Corporation.

On November 17, 2021, the 252 MW wind farm in Quang Binh, Vietnam has reached commercial operations. This is the third joint project of ACEN and AMI Renewables following the 50 MW Khanh Hoa and 30 MW Dak Lak solar farms which started operations in 2019.

#### *UPC Asia III*

In 2017, the Group signed investment agreements with UPC Renewables Indonesia Ltd to develop, construct and operate a wind farm in Sidrap, South Sulawesi, Indonesia (the "Sidrap Project"). The project was developed through PT UPC Sidrap Bayu Energi, a special purpose company based in Indonesia. The Sidrap Project, with generating capacity of 75 MW, started commercial operations in April 2018 and is the first utility-scale wind farm project in Indonesia. UPC Asia III's principal place of business and country of incorporation is Hong Kong.

The Group has joint control over UPC Asia III by virtue of the requirement for unanimous consent from both shareholders over key decision areas and material transactions through various reserve matters.

#### *NAREDCO*

On October 18, 2021, the BOD of ACEN approved ACEN's joint venture with CleanTech Global Renewables, Inc. ("CleanTech"). CleanTech has assigned its rights and obligations under the joint venture to its wholly-owned subsidiary, CleanTech Renewable Energy 4 Corp. ("CREC4").



NAREDCO, ACEN's joint venture project with CREC4, is a special purpose vehicle for the development of the proposed 200MWdc Lal-lo Solar Power Project in Lal-lo, Cagayan (the "Lal-lo Solar Power Project"). The planned capacity of Phase 1 is 100MWdc.

On December 17, 2021, ACEN and ACE Endeavor signed subscription agreements with NAREDCO for the subscription to an aggregate of 82,500 common shares in NAREDCO with a par value of ₱100 per share for a total par value of ₱8,250,000. The subscribed shares is composed of (a) 45,000 common shares to be issued from NAREDCO's unissued capital stock, and (b) 37,500 common shares to be issued out of the increase in NAREDCO's ACS.

#### *UPC AC Energy Solar Ltd.*

In July 2020, ACEN, through its joint venture UPC-AC Energy Solar, issued a notice-to-proceed for a 140 MWdc solar plant ("Sitara Solar project") in Rajasthan, a desert state with the highest irradiation in India. The project utilizes Risen Energy monocrystalline panels.

In May 2021, despite the worsening pandemic situation in India, the 140 MWdc Sitara Solar project in Rajasthan started commercial operations. The project supplies energy to the Solar Energy Corporation of India. UPC-AC Energy Solar won the power supply agreement for Sitara Solar via a competitive bid at INR 2.48 per kWh, fixed over a 25-year period.

In October 2020, ACEN, through its joint venture UPC-AC Energy Solar, issued notice-to-proceed for a 70 MWdc solar plant ("Paryapt Solar project") in Gujarat, one of the first states to develop solar generation capacity in India and with its own target to set up 8,000MW of solar power by 2022. The Paryapt Solar Farm uses Jinko monocrystalline solar panels.

In April 2021, UPC-AC Energy Solar achieved a significant milestone with the start of commercial operations of its 70 MWdc Paryapt Solar project located in the State of Gujarat, India. The project is supplying energy to Gujarat Urja Vikas Nigam Ltd. UPC-AC Energy Solar won the power supply agreement for the project via a competitive bid at INR 2.55 per kWh, fixed over a 25-year period.

The development of these 210 MWp maiden solar farms in India involved an investment of around US\$100 million. The solar farms are comprised of more than 466,000 solar panels which are capable to produce around 358 GWh annually, or an estimated 323,990 metric tonnes of CO<sub>2</sub>e avoided.

#### *Grencore*

On February 21, 2020, Citicore Renewable Energy Corporation ("CREC") and ACE Endeavor entered into a Framework Agreement for the joint development, ownership and operation of solar and other power plants in the Philippines, CSEC is a wholly-owned subsidiary of CREC. Pursuant to the Framework Agreement, CREC and ACE Endeavor (directly or through nominated affiliates) agreed to be shareholders of Grencore which was incorporated to wholly own and undertake the development of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the "Project").

On February 4, 2021, ACEN and ACE Endeavor signed a Shareholders' Agreement with Citicore Solar Energy Corporation ("CSEC"), and Grencore, for the development, construction, and operation of the Project. On the same date, ACEN and ACE Endeavor signed subscription agreements with Grencore for the subscription of 2.25 million and 0.25 million common shares, respectively, with a par value of ₱1.00 per share, or a total par values of ₱2.25 million and ₱0.25 million, respectively, to be issued out of the unissued ACS of Grencore. ACEN and ACE Endeavor have fully paid their subscriptions.



The Project started construction in 2021. Under the Shareholders' Agreement, CSEC will have 50% of the shares in Grencore, the special purpose vehicle of the Project, while ACEN and ACE Endeavor will hold a 45% and 5% interest, respectively. ACEN has agreed to provide a term loan facility to Grencore of up to ₱2.68 billion to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start up, testing, delivery, ownership, operation and maintenance of the power plant. Grencore and its shareholders agreed to execute the necessary loan and security agreement for this purpose. Total amount drawn in 2021 amounted to ₱2.08 billion.

The investment in Grencore is accounted for as an investment in joint venture as the relevant activities of Grencore require the unanimous consent of the stockholders.

Grencore is a domestic corporation registered in the Philippines with principal office address at Lot 4 Magalang - Arayat Road, Barangay San Antonio, Arayat, Pampanga, Philippines.

*Solar Philippines Central Luzon Corporation ("SPCLC")*

On January 22, 2021, ACEN signed a Deed of Absolute Sale of Shares with Solar Philippines Power Project Holdings, Inc. ("SP") for the acquisition by ACEN of SP's 0.24 million common shares in Solar Philippines Central Luzon Corporation ("SPCLC") with a par value of ₱1.00 per share or a total par value of ₱0.24 million.

On the same date, ACEN signed a Subscription Agreement with SPCLC for the subscription by ACEN to 0.38 million common shares with a par value of ₱1.00 per share or a total par value for a total subscription price of ₱0.38 million, to be issued out of the unissued ACS of SPCLC.

On June 25, 2021, ACEN signed an Omnibus Loan and Security Agreement with PIC (the "Borrower") and SP (the "Sponsor") for the financing of the various acquisition of project sites for solar power projects.

Under the Agreement, ACEN, as Lender, will be extending a term loan facility to the Borrower in the amount of up to ₱1.00 billion. The loan will be secured by (1) a real estate mortgage over the Borrower's and third-party mortgagors' title to, or rights and interests over, real assets in favor of ACEN, and (2) a mortgage and pledge over the shareholding of the Sponsor in one of its fully-owned subsidiaries. As at December 31, 2021, PIC has drawn ₱150.00 million from the facility (see Note 2).

SPCLC is a special purpose vehicle and is meant to implement the joint venture between ACEN and SP for the development and operation of solar power projects in the Philippines.

As at December 31, 2021, commercial operations have not yet been achieved.

SPCLC was incorporated and registered with the Philippine SEC, primarily to develop and own solar projects, mainly in Central Luzon. The registered office address and principal place of business is at 20<sup>th</sup> Floor, Philamlife Tower, Makati City.

(2) Others consists of investment in UPC-AC Energy Solar Limited, PT UPC Sidrap Bayu Energi (formerly AC Energy International RE1), Masaya Solar Energy Pvt Ltd., Asian Wind Power 1 HK Ltd., Dai Phong Development, Investment Joint Stock Company, Asian Wind Power 2 HK Ltd., Indochina Wind Pte. Ltd., Vietnam Wind Energy Limited, AC Energy International RE 1 Pte. Ltd., Grencore Power Solutions 3, Inc. (Grencore) and Solar Philippines Central Luzon Corporation ("SPCLC").



The summarized financial information of material associates and joint ventures of the Group, and the reconciliation with the carrying amounts of the investments in the consolidated financial statements are shown below:

**2021 (Amounts in millions, except otherwise stated)**

	PhilWind	Ingrid	UPC-ACE Australia	AAR	Salak-Darajat	BIMRE
Classification	Joint venture	Joint venture	Joint venture	Joint venture	Associate	Joint venture
Functional currency	PHPP	PHPP	US\$	VND (in billions)	US\$	VND (in billions)
Dividends received	₱1,062.16	₱–	US\$–	₱–	\$6.93	₱33.48
<b>Summarized Statements of Financial Position:</b>						
Current assets	₱1,856.92	₱1,057.81	\$ 2.60	₱979.21	\$360.53	₱ 722.00
Noncurrent assets	7,252.95	1,293.16	207.27	9,056.26	2,501.69	5,703.73
Total assets	9,109.87	2,350.97	\$209.87	₱10,035.47	\$2,862.22	₱6,425.73
Current liabilities	596.32	458.89	11.17	471.15	88.22	1,329.41
Noncurrent liabilities	4,930.89	42.19	178.20	9,473.99	1,724.76	3,994.03
Equity	₱3,582.66	₱1,849.89	\$ 20.50	₱ 90.33	\$1,049.24	₱1,102.29
Share in equity	₱2,501.05	924.95	\$10.25	(₱14.39)	\$ 207.75	₱330.69
Notional goodwill	3,264.62	285.71	7.54	73.91	2.04	363.00
Others	–	–	–	–	–	–
Carrying value of investments in functional currency	₱5,765.68	₱1,210.66	\$17.79	₱59.52	\$209.79	₱693.69
Carrying value of investments in Philippine Peso	₱5,765.68	₱1,210.66	847.86	₱0.26	₱10,046.10	₱1.51
CTA	–	–	55.47	0.01	605.93	0.09
Carrying value of investments in reporting currency	₱5,765.68	₱1,210.66	₱903.33	₱0.28	₱10,652.03	₱1.60
<b>Summarized Statements of Comprehensive Income:</b>						
Revenue	₱2,892.55	451.08	\$–	₱525.07	\$349.70	₱1,165.48
Cost and expenses	1,127.22	483.99	15.70	554.65	234.61	704.23
Net income (loss)	1,765.33	(32.91)	(15.70)	(29.58)	115.09	461.25
Other comprehensive income	648.77	–	(1.82)	–	(5.54)	–
Total comprehensive income (loss) at functional currency	₱2,414.10	(₱32.91)	(₱17.52)	(₱29.58)	\$109.54	₱461.25
Group's share in total comprehensive income (loss) at functional currency	₱974.01	(₱16.46)	(₱8.76)	(₱14.79)	\$21.69	₱138.37
Total comprehensive income (loss) in Philippine Peso	₱2,414.10	(₱32.91)	(₱880.36)	(₱0.07)	₱5,504.25	₱1.06
Group's share in total comprehensive income (loss) in Philippine Peso	₱974.01	(₱16.46)	(₱439.64)	(₱0.02)	₱1,052.08	₱0.32



2020 (Amounts in millions, except otherwise stated)

	PhilWind	UPC-ACE Australia	AAR	Salak-Darajat	BIMRE
Classification	Joint venture	Joint venture	Joint venture	Associate	Joint venture
Functional currency	PHP	US\$	VND	US\$	VND
			(in billions)		(in billions)
Dividends received	₱270.51	US\$–	₱–	\$29.70	₱139.87
<b>Summarized Statements of Financial Position:</b>					
Current assets	₱1,624.63	\$2.93	₱1,068.40	\$295.15	₱764.11
Noncurrent assets	7,542.68	94.83	2,096.12	2,473.35	5,989.20
Total assets	9,167.31	97.76	3,164.52	2,768.50	6,753.31
Current liabilities	445.95	2.31	301.08	55.25	1,655.87
Noncurrent liabilities	5,219.87	66.76	1,500.21	1,741.80	4,312.56
Equity	₱3,501.48	\$28.69	₱1,363.23	\$971.45	₱784.88
Share in equity	₱2,444.38	(\$10.45)	(₱36.33)	\$192.00	₱573.19
Fair value adjustment on land	–	–	–	15.00	–
Notional goodwill	3,409.18	31.45	164.72	–	41.25
Others	–	–	–	(12.76)	0.05
Carrying value of investments	₱5,853.56	\$21.00	₱128.39	\$194.24	₱614.49
Carrying value of investments in Philippine Peso	₱5,853.56	₱1,018.39	₱0.33	₱10,282.41	₱1.42
CTA	–	(9.49)	(0.04)	(951.98)	(0.04)
Carrying value of investments in reporting currency	₱5,853.56	₱1,008.90	₱0.29	₱9,330.44	₱1.38
<b>Summarized Statements of Comprehensive Income:</b>					
Revenue	₱ 2,826.10	\$0.61	₱258.27	\$338.24	₱1,052.16
Cost and expenses	1,293.27	2.16	298.85	266.47	610.90
Net income	1,532.83	(1.55)	(40.58)	71.77	441.26
Other comprehensive loss	–	–	–	1.89	–
Total comprehensive income at functional currency	₱1,532.83	(\$1.55)	(₱40.58)	\$73.66	₱441.26
Group's share in total comprehensive income at functional currency	₱826.04	(\$0.78)	(₱20.29)	\$14.58	₱132.38
Total comprehensive income in Philippine Peso	₱1,532.83	(₱77.08)	(₱82.72)	₱3,538.38	₱991.11
Group's share in total comprehensive income in Philippine Peso	₱826.04	(₱308.62)	(₱41.36)	₱667.90	₱284.02





2019 (Amounts in millions, except otherwise stated)

	PhilWind	UPC-ACE Australia	AAR	Salak-Darajat	BIMRE
Classification	Joint venture	Joint venture	Joint venture	Associate	Joint venture
Functional currency	PHP	US\$	VND (in billions)	US\$	VND (in billions)
<b>Summarized Statements of Comprehensive Income:</b>					
Revenue	₱1,885.15	\$0.18	₱158.36	\$332.27	₱702.63
Cost and expenses	1,071.29	5.38	168.15	247.41	421.40
Net income	813.86	(5.20)	(9.79)	84.86	281.23
Other comprehensive loss	(2.30)	–	–	(21.12)	–
Total comprehensive income at functional currency	₱811.56	(\$5.20)	(₱9.79)	\$63.74	₱281.23
Group's share in total comprehensive income at functional currency	₱242.26	(\$2.60)	(₱4.90)	\$12.62	₱84.37
Total comprehensive income in Philippine Peso	₱811.56	(₱263.87)	(₱21.35)	₱3,234.42	₱484.10
Group's share in total comprehensive income in Philippine Peso	₱242.26	(₱131.93)	(₱10.68)	₱640.42	₱145.23

Aggregate net income (loss) of immaterial associate and joint ventures as of December 31, 2021 and 2020 amounted to ₱136.95 million and (₱366.10) million, respectively.

## 10. Other Financial Assets at Amortized Cost

This account consists of:

	2021	2020 (As restated)
Redeemable preferred shares and subscription deposits	₱12,766,483	₱8,181,268
Convertible loans	13,319,476	7,115,837
Balance at end of year	₱26,085,959	₱15,297,105

### Investment in redeemable preferred shares and subscription deposits

The rollforward analysis of this account follows:

	2021	2020 (As restated)
Balances at beginning of year	₱8,181,268	₱3,374,289
Subscription deposits	3,150,370	2,087,275
Conversion of subscription deposits	(3,416,093)	–
Subscription to redeemable preferred shares	866,258	2,899,776
Conversion to redeemable preferred shares	3,417,430	–
Cumulative translation adjustment	567,250	(180,072)
Balances at end of year	₱12,766,483	₱8,181,268



### Investments in redeemable preferred shares

#### *Investment in UPC Asia III*

UPC Asia III owns 75 MW Wind Farm in South Sulawesi, Indonesia. Redeemable Class A preference shares in UPC Asia III are non-voting shares and are redeemable at the holder's option within 30 days from earlier of July 15, 2035 or date as soon as funds are realized by UPC Asia III or its subsidiaries. The shares are entitled to dividends at fixed, cumulative, and compounding rate annually, commencing from January 11, 2017.

As at December 31, 2021 and 2020, investment in Redeemable Class A preferred shares amounted to US\$21.86 million (₱1,110.14 million) and US\$21.86 million (₱1,050.28 million), respectively. Interest income amounted to US\$4.08 million (₱201.85 million), US\$4.18 million (₱207.25 million) and US\$4.64 million (₱222.88 million) 2021, 2020 and 2021, respectively.

#### *Investment in AAR*

AAR owns a combined 80 MW of Solar Farm in Khan Hoa and Dak Lak Province, Vietnam. Redeemable Class A and Class B preference shares in AAR are entitled to dividends at fixed base rate annually, commencing from January 22, 2018. The shares are redeemable only by cash at the issuer's option on "first in first out" basis but no earlier than the 5th year from subscription date. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 20 years from commercial operations.

In 2021, the Group converted its subscription deposits to Class A preferred shares for a total of US\$55.84 million (₱2,835.19 million). In 2020, the Group subscribed to Class A preferred shares for a total of US\$46.37 million (₱2,227.27 million).

As at December 31, 2021 and 2020, investment in Redeemable Class A and B preferred shares amounted to US\$122.16 million (₱6,202.34 million) and US\$66.32 million (₱3,185.57 million), respectively. Interest income amounted to US\$11.73 million (₱580.14 million), US\$4.66 million (₱228.07 million) and US\$2.24 million (₱107.86 million) in 2021, 2020 and 2019, respectively.

#### *Investment in BIMRE*

BIMRE owns 300 MW of Solar Farm in Ninh Thuan Province, Vietnam. On November 4, 2019, the Group converted deposit for future equity in BIMRE into 3,437,000 redeemable Class A preferred shares and 3,437,000 redeemable Class B preferred shares. The Redeemable Class A and Class B preferred shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable at par and only by cash and at the issuer's option on "first in, first out" basis but no earlier than the 13th year (for Class A) and 7th year (for Class B) from subscription date and no later than the end of project, and all accrued coupons are current.

In 2021, the Group subscribed to redeemable Class B for a total of US\$0.01 million (₱0.03 million), while US\$3.96 million (₱192.12 million) subscription deposits were converted to redeemable Class A and Class B preferred shares.

As at December 31, 2021 and 2020, investment in Redeemable Class A and Class B preferred shares amounted to US\$24.39 million (₱1,238.21 million) and US\$20.43 million (₱981.30 million), respectively. Interest income amounted to US\$3.17 million (₱156.61 million), US\$2.75 million (₱136.18 million) and US\$2.34 million (₱112.55 million) in 2021, 2020 and 2021, respectively.



*Investment in BIME*

BIME owns 30 MW of Solar Farm in Ninh Thuan Province, Vietnam. On November 4, 2019, the Group converted deposit for future equity in BIME into 343,700 redeemable Class A preferred shares and 343,700 redeemable Class B preferred shares. The Redeemable Class A and Class B preferred shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable at par and only by cash and at the issuer's option on "first in, first out" basis but no earlier than the 13th year (for Class A) and 7th year (for Class B) from subscription date and no later than the end of project, and all accrued coupons are current.

In 2021, The Group subscribed to redeemable Class B for a total of US\$0.01 million (₱0.06 million).

As at December 31, 2021 and 2020, investment in Redeemable Class A and Class B preferred shares amounted to US\$4.26 million (₱216.05 million) and US\$4.25 million (₱204.34 million), respectively. Interest income amounted to US\$0.55 million (₱27.44 million), US\$0.56 million (₱27.58 million) and US\$0.29 million (₱14.16 million) in 2021, 2020 and 2019, respectively.

*Investment in UPC Solar*

UPC Solar is currently developing solar farms with combined capacity of 210 MW in the Provinces of Rajasthan and Gujarat, India. During the years ended December 31, 2021 and 2020, the Group entered into different Share Subscription Agreement with UPC Solar to subscribe the latter's Class A redeemable preferred shares. The redeemable Class A Preferred shares are non-voting shares entitled to dividends at fixed, cumulative, and compounding base rate annually. Shares are redeemable only by cash and at the issuer's option on "first in, first out" basis. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 25 years from commercial operations.

In 2021 and 2020, the Group subscribed to Class A Redeemable preferred shares for a total of \$17.50 million (₱866.17 million) and \$14.00 million (₱672.50 million), respectively.

As at December 31, 2021 and 2020, investment in Class A Redeemable Preferred shares amounted to US\$31.50 million (₱1,599.38 million) and US\$14.00 million (₱672.50 million), respectively. Interest income amounted to US\$2.54 million (₱125.54 million), US\$0.25 million (₱12.28 million) and nil in 2021, 2020 and 2019, respectively.

*Investment in BIM Wind*

BIM Wind owns and operates an 88 MW wind project in the Province Ninh Thuan, Vietnam. The wind farms began operations on September 2021. The redeemable preference shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable only by cash and at the issuer's option on "first in first out" basis no later than the end of the operations of the project which is expected in 20 years from commercial operations.

In 2021, the Group converted its subscription deposits to redeemable preferred shares for a total of \$7.68 million (₱390.11 million).

As at December 31, 2021 and 2020, investment in Redeemable preferred shares amounted to US\$7.68 million (₱390.11 million) and nil, respectively. Interest income amounted to US\$1.22 million (₱60.31 million) in 2021 and nil in 2020 and 2019, respectively.



### Subscription Deposits

#### *Subscription to BIMRE*

The Group entered into an Amendment and Supplement to Share Subscription Agreement for additional Common Shares, Class A Preferred Shares and Class B Preferred Shares for 30.00% ownership in BIMRE. In 2020, the Group made subscription deposit amounting to \$3.96 million (₱190.11 million) which was subsequently converted in 2021. As at December 31, 2021 and 2020, remaining unconverted subscriptions deposit amounted to nil and \$3.96 million (₱190.11 million).

#### *Subscription to AAR*

On April 16, 2020, the Group entered into a Share Subscription and Deposit Agreement for additional Class A Preferred Shares of AAR. In 2021 and 2020, the Group subscribed to future Class A Preferred Shares amounting to \$50.59 million (₱2,508.05 million) amounting to \$7.52 million (₱361.41 million), respectively. Subscriptions amounting to \$55.85 million (₱2,835.87 million) were partially converted to Class A Redeemable Preferred Shares of AAR in 2021, while nil in 2020. As at December 31, 2021 and 2020, remaining unconverted subscription deposit amounted to \$2.26 million (₱114.88 million) and \$7.52 million (₱361.41 million), respectively.

#### *Subscription to BIM Wind*

On July 7, 2020, the Group entered into a Share Subscription and Deposit Agreement for non-interest deposit with BIM Wind. In 2021 and 2020, the Group made subscription deposit amounting to \$13.04 million (₱642.32 million) and \$31.97 million (₱1,535.75 million), respectively. Subscriptions amounting to \$7.68 million (₱390.11 million) was partially converted in 2021, while nil in 2020. As at December 31, 2021 and 2020, remaining unconverted subscription deposit amounted to \$37.33 million (₱1,895.36 million) and \$31.97 million (₱1,535.75 million), respectively.

### Convertible loans

The rollforward analysis of this account follows:

	2021	2020 (As restated)
Balance at beginning of year	₱7,115,837	₱–
Additions	6,542,561	5,983,388
Redemptions	(791,328)	–
Cumulative translation adjustment	452,406	(63,841)
Reclassified from receivables from related parties	–	1,196,290
Balance at end of year	<b>₱13,319,476</b>	<b>₱7,115,837</b>

#### *Investment in UPC Australia*

On April 22, 2020, the Group entered into an agreement with UPC-ACE Australia, to make available a convertible term loan facility in an aggregate principal amount of \$48.50 million (₱2,350.55 million) for NESF Project. On January 6, 2021, the Group entered an amended the convertible loan facility to increase the principal amount by \$111,500,000 for Facility B Limit and \$160,000,000 for Facility C limit. The Group, from time to time until maturity date, has an irrevocable right to convert all or part of the conversion amount into redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. The redeemable preference shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 30 years of drawn down date.



On June 30, 2020, the Group entered into an agreement with UPC-ACE Australia, to make available a convertible term loan facility in an aggregate principal amount of US\$275.00 million (₱13,327.88 million) for Project Trace. The Group, from time to time until maturity date, has an irrevocable right to convert all or part of the conversion amount into redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. The redeemable preference shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 30 years of drawn down date.

In 2021, total amount drawn from the loan amounted to US\$129.72 million (₱6,501.94 million) while total redemptions amounted to US\$16.33 million (₱791.33 million).

On March 10, 2021, the outstanding convertible loan related to Project Trace was fully paid.

As at December 31, 2021 and 2020, outstanding balance of the convertible loan amounted to US\$178.20 million (₱9,047.96 million) and US\$64.81 million (₱3,113.09 million). Interest income amounted to US\$12.15 million (₱600.20 million), US\$1.95 million (₱94.78 million) and nil in 2021, 2020 and 2019, respectively.

#### *Investment in Vietnam Wind Energy Limited*

On April 17, 2020, the Group entered into an agreement with VWEL, to make available a convertible term loan facility in an aggregate amount of US\$38.00 million (₱1,841.67 million). The Group, from time to time until maturity date, has an irrevocable right to convert all or part of the conversion amount into redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. The redeemable preferred shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends, redeemable at the issuer's option. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 20 years of drawn down date.

Amounts drawn in 2021 and 2020 amounted to nil and US\$38.00 million (₱1,825.37 million).

As at December 31, 2021 and 2020, outstanding balance of the convertible loan amounted to US\$38.00 million (₱1,929.41 million) and US\$38.00 million (₱1,825.37 million). Interest income amounted to US\$4.90 million (₱242.27 million), US\$2.87 million (₱140.70 million) and nil in 2021, 2020 and 2019.

#### *Investment in Asian Wind Power I HK Ltd (Asian Wind I)*

On April 12, 2019, the Group entered into an agreement with Asian Wind 1 to make available a convertible term loan facility in aggregate principal amount not exceeding US\$26.00 million (₱1,260.09 million). The Group, from time to time until 25th anniversary of drawdown date, has an irrevocable right to convert all or part of the conversion amount into Class A redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, Class A preference shares with no voting rights. Class A redeemable preference shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends. The preference shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 25 years of drawn down date.

As at December 31, 2021 and 2020, outstanding balance of the convertible loan amounted to US\$24.58 million (₱1,247.77 million) and US\$24.58 million (₱1,180.48 million), respectively. Interest income amounted to US\$3.46 million (₱170.72 million), US\$5.41 million (₱271.06 million)



and US\$1.96 million (₱94.17 million) in 2021, 2020 and 2019, respectively. In 2020, this was reclassified as “Other Financial Asset at Amortized Cost” upon reassessment of the features of the instrument.

*Investment in Asian Wind Power 2 HK Ltd (Asian Wind 2)*

On March 25, 2020, the Group entered into an agreement with Asian Wind 2, to make available a convertible term loan facility in an aggregate amount not exceeding US\$23.00 million (₱1,114.70 million). The Group, from time to time until 25th anniversary of drawdown date, has an irrevocable right to convert all or part of the conversion amount into Class A redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, Class A redeemable preference shares with no voting rights. Class A redeemable preference shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends. The preference shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 25 years of drawn down date.

In 2021 and 2020, total amount drawn from the loan amounted to US\$0.80 million (₱40.62 million) and US\$20.75 million (₱996.89 million).

As at December 31, 2021 and 2020, outstanding balance of the convertible loan amounted to US\$21.55 million (₱1,094.33 million) and US\$20.75 million (₱996.89 million). Interest income amounted to US\$2.71 million (₱133.74 million), US\$1.73 million (₱85.31 million) and nil in 2021, 2020 and 2019.

Convertible loan facilities bear interest ranging from 8.50% to 12.00% per annum.

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## 11. Financial Assets at FVTPL

*Compulsory Convertible Debenture of Masaya Solar Energy Private Limited (“Masaya Solar”)*

On November 16, 2021 and December 9, 2021, the Group subscribed to 21,561,291 and 32,799,307, respectively, Compulsorily Convertible Debentures (CCDs) of Masaya Solar. Masaya Solar is currently constructing the 420MWp solar farm in the Central Indian state of Madhya Pradesh. Total cost of subscription amounted to \$8.01 million (₱402.68 million).

The CCDs are unsecured and have a maturity date of 28 years from the date of allotment. Unless earlier converted, CCDs shall be converted into equity shares immediately after maturity date. Prior to maturity, Masaya Solar, has the option to convert the CCDs into equity shares in the ratio of 1:1.”

As at December 31, 2021, financial assets at FVTPL amounted to ₱406.74 million.

*Investments in Infigen Energy Ltd. (“Infigen”)*

On various dates in April, May and July 2020, the Group acquired 194,130,203 shares in Infigen which represents 20.00% ownership interest in Infigen. Infigen is an Australia-based renewable energy company that owns, develops and operates renewable energy generation assets. The shares of Infigen are listed and actively traded in the Australian Securities Exchange.

Total cost of the investment amounted to AU\$159.61 million (₱5,672.10 million), inclusive of AU\$5.56 million (₱197.54 million) directly attributable cost.

On September 9, 2020, the Group sold its 20.00% ownership interest at AU\$0.92 per share resulting to realized mark-to-market gain of AU\$24.54 million (₱867.07 million) presented under “Gain on



sale of investments” account (see Note 26). The gain was subjected to corporate income tax of AU\$5.56 million (₱197.68 million).

*Investments in PHINMA Solar*

On June 19, 2019, the Parent Company sold its remaining 50% interest in PHINMA Solar to PHINMA Corporation for ₱218.3 million which resulted in a gain of ₱1.38 million (see Note 26). The Parent Company recognized a share in PHINMA Solar's net loss amounting to ₱0.03 million for the period January 1 to June 19, 2019.

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**12. Financial Assets at FVOCI**

	2021	2020 (As restated)
Current:		
AYC Finance Limited (AYCFL)	₱-	₱12,620,756
Noncurrent:		
UPC Sidrap HK Limited	₱353,657	₱379,957
Golf club shares	1,190	1,190
Listed shares of stock	21	21
	<b>₱354,868</b>	<b>₱381,168</b>

On May 14, 2019, the Group subscribed to 41.22 million redeemable preference shares at par value of US\$10 per share in AYCFL, an unconsolidated affiliate of the Group. The subscribed redeemable preferred shares amounting to \$412.20 million (₱21,186.00 million) are cumulative, non-voting and redeemable by AYCFL, at its sole option, at price and terms to be determined by its directors.

On September 14, 2020, the BOD of AYCFL approved to redeem a total of 15.00 million redeemable preferred shares at US\$10.00 per share for a total of US\$150.00 million (₱7,275.90 million) which took effect on September 18, 2020. Total unrealized fair value gain that was reclassified to retained earnings upon redemption is at US\$0.23 million (₱11.10 million).

On April 21, 2021, the BOD of AYCFL approved to redeem the remaining 26.22 million redeemable preferred shares at US\$10.00 per share for a total of US\$262.20 million (₱12,687.86 million) which took effect on April 23, 2021.

The movements in net unrealized (loss) gain on financial assets at FVOCI for the year ended are as follows:

	2021	2020 (As restated)
Balance at beginning of year	₱143,625	(₱26,546)
Unrealized (loss) gain recognized during the year	(44,909)	92,821
Reversal of unrealized fair value gain upon redemption	(25,906)	(11,105)
Effect of business combinations under common control (Note 32)	(162,899)	88,455
Balance at end of year	<b>(₱90,089)</b>	<b>₱143,625</b>

In 2021, 2020 and 2019, dividend income earned from UPC Sidrap amounted to ₱11.73 million (\$0.24 million), ₱14.03 million (\$0.29 million) and ₱15.75 million (\$0.29 million).



### 13. Property, Plant and Equipment

The details and movements of this account for the years ended December 31 are shown below:

	2021							Total
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	
<b>Cost</b>								
Balance at beginning of year	₱1,202,277	₱8,270,052	₱25,179,237	₱86,949	₱339,436	₱192,269	₱6,080,900	₱41,351,120
Additions	42,877	77,775	973,074	34,733	208,637	51,719	4,159,620	5,548,435
Transfer to noncurrent assets held for sale	-	(26,618)	(677,477)	(2,988)	(16,191)	(4,620)	-	(727,894)
Transfer from right-of-use assets	-	-	672,133	-	-	-	-	672,133
Transfer from investment property	438,374	-	-	-	-	-	-	438,374
Transfer from advances to contractors	-	-	2,207	-	-	-	127,393	129,600
Transfer to intangibles	-	-	-	-	(243)	-	-	(243)
Deconsolidation	-	-	-	(2,433)	-	-	(588,264)	(590,697)
Disposals and retirement	-	-	(645)	(10,079)	-	(610)	(464)	(11,798)
Reclassification	(77,010)	(73,150)	5,370,423	(3,412)	296,117	(22,880)	(5,490,088)	-
Balance at end of year	1,606,519	8,248,059	31,518,952	102,770	827,755	215,878	4,289,097	46,809,030
<b>Accumulated depreciation</b>								
Balance at beginning of year	16,773	1,693,436	7,045,930	47,736	101,853	90,299	-	8,996,027
Depreciation (Notes 23 and 24)	14,683	357,125	1,058,964	4,699	90,760	47,956	-	1,574,187
Transfer to noncurrent assets held for sale (Note 8)	-	(3,426)	(236,203)	(2,988)	(202)	(3,379)	-	(246,198)
Transfer to intangibles (Note 16)	-	-	-	-	(27)	-	-	(27)
Deconsolidation (Note 9 and 26)	-	-	-	(463)	-	-	-	(463)
Disposals and retirement	-	-	-	(7,405)	-	(469)	-	(7,874)
Reclassifications	-	(12,184)	(209,764)	(2,728)	237,229	(12,553)	-	-
Balance at end of year	31,456	2,034,951	7,658,927	38,851	429,613	121,854	-	10,315,652
<b>Accumulated impairment loss</b>								
Balance at beginning of year	-	-	352,064	-	14,890	-	150,189	517,143
Provision for impairment loss (Note 24)	-	-	77,858	-	-	-	223,555	301,413
Reversals (Note 26)	-	-	(75,118)	-	(14,890)	-	-	(90,008)
Retirement	-	-	(464)	-	-	-	-	(464)
Transfer to noncurrent assets held for sale (Note 8)	-	-	(273,269)	-	-	-	-	(273,269)
Balance at end of year	-	-	81,071	-	-	-	373,744	454,815
<b>Net Book Value</b>	<b>₱1,575,063</b>	<b>₱6,213,108</b>	<b>₱23,778,954</b>	<b>₱63,919</b>	<b>₱398,142</b>	<b>₱94,024</b>	<b>₱3,915,353</b>	<b>₱36,038,563</b>





	2020 (As restated)							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
<b>Cost</b>								
Balance at beginning of year	₱1,177,004	₱8,033,011	₱23,024,374	₱66,048	₱199,444	₱153,047	₱426,124	₱33,079,052
Step acquisition of ISLASOL and SACASOL (Note 31)	283,450	384,724	1,264,699	896	180,884	5,143	–	2,119,796
Additions	25,683	32,929	581,841	26,541	33,922	49,253	5,702,253	6,452,422
Transfer to investment property (Note 12)	(283,860)	–	–	–	–	–	–	(283,860)
Transfer from right-of-use assets (Note 14)	–	12,685	–	–	–	–	12,142	24,827
Transfer from development costs	–	–	–	–	–	–	7,297	7,297
Transfer from noncurrent assets held for sale (Note 8)	–	–	3,547	–	–	–	–	3,547
Transfers from advances to contractors (Note 7)	–	–	–	–	–	–	14,593	14,593
Insurance claims	–	–	–	–	–	–	(35,282)	(35,282)
Disposals and retirement	–	(20,719)	–	(8,412)	–	(2,384)	–	(31,515)
Reclassification	–	(172,578)	304,776	1,876	(74,814)	(12,790)	(46,227)	243
Balance at end of year	1,202,277	8,270,052	25,179,237	86,949	339,436	192,269	6,080,900	41,351,120
<b>Accumulated depreciation</b>								
Balance at beginning of year	4,703	1,574,440	5,647,718	40,505	118,634	118,038	–	7,504,038
Depreciation (Note 24)	12,070	332,392	1,102,321	15,091	21,266	33,457	–	1,516,597
Disposals and retirement	–	(14,453)	–	(8,412)	–	(1,743)	–	(24,608)
Reclassifications	–	(198,943)	295,891	552	(38,047)	(59,453)	–	–
Balance at end of year	16,773	1,693,436	7,045,930	47,736	101,853	90,299	–	8,996,027
<b>Accumulated impairment loss</b>								
Balance at beginning of year	–	933	81,536	–	–	–	53,569	136,038
Provision for impairment loss (Note 24)	–	–	270,528	–	14,890	–	96,620	382,038
Reversals (Note 26)	–	(933)	–	–	–	–	–	(933)
Balance at end of year	–	–	352,064	–	14,890	–	150,189	517,143
<b>Net Book Value</b>	<b>₱1,185,504</b>	<b>₱6,576,616</b>	<b>₱17,781,243</b>	<b>₱39,213</b>	<b>₱222,693</b>	<b>₱101,970</b>	<b>₱5,930,711</b>	<b>₱31,837,950</b>



*Significant Additions During the Year*

In 2021, the Group invested significant capital expenditures related to the following projects:

- ₱1,186.19 million for its 160 MW Balaoi and Caunayan wind power project in Pagudpud, Ilocos Norte through its subsidiary, BWPC;
- ₱963.49 million for its 40-MW battery energy storage system (BESS) project in Alaminos, Pangasinan through its subsidiary, Giga Ace 4;
- ₱572.02 million for its 120 MW solar farm project in Alaminos, Laguna through its subsidiary, SolarAce1;
- ₱408.61 million for its 60 MW solar power project in Palauig, Zambales through its subsidiary, Gigasol 3;
- ₱158.10 million for its 4.375 MWdc Renewable Energy Laboratory Facility with Energy Storage System Project in Mariveles Bataan through its subsidiary, BSEI.
- ₱109.91 million for its purchase of parcels of land located at Barrio Poonbato, Botolan, Zambales through its subsidiary, BCHC; and,
- ₱68.84 million for its purchase of generator rotor for its Unit 2 122 MW thermal plant in Calaca, Batangas through its subsidiary, SLTEC.

In 2020, the Group invested significant capital expenditures related to the following projects:

- ₱3,321.33 million for its 120 MW solar farm project in Alaminos, Laguna through its subsidiary, SolarAce1;
- ₱464.75 million for its 150 MW diesel-fired power facility in Pililia, Rizal through its subsidiary, Ingrid.
- ₱1,657.69 million for its 60 MW solar power project in Palauig, Zambales through its subsidiary, Gigasol 3;
- ₱105.18 million for its 5 MW Solar Plant Project in Mariveles Bataan through its subsidiary, BSEI.
- Capital expenditures for One Subic Power amounting to ₱269.24 million which consists of crankshaft engine, air cooler, major parts for diesel engines.
- Capitalized costs for ACEN amounting to ₱100.63 million which consists of drydocking costs of PB101, cylinder head cover and installation costs of engine bearing.

In 2021 and 2020, the Group acquired assets with a total cost of ₱5,548.43 million and ₱6,452.42 million, respectively, excluding property, plant and equipment acquired through business combinations. The net book value of assets acquired through the business combination with SACASOL and ISLASOL amounted to ₱618.94 million and ₱1,500.86 million, respectively (see Note 31).

Non-cash component in the total additions amounted to ₱33.33 million and ₱192.96 million in 2021 and 2020, respectively (see Note 37).

*Disposals*

Assets (other than those classified as held for sale) with a net book value of ₱3.92 million and ₱6.91 million were disposed by the Group during 2021 and 2020, respectively. This resulted in a net gain of ₱1.10 million and net loss of ₱4.28 million in 2021 and 2020, respectively (see Note 26).

*Impairment Losses*

In 2021, provision for impairment include ₱77.86 million for ACEN PB 101 and 102, ₱219.53 million for BSEI's construction-in-progress, and ₱4.02 million other various construction-in-progress. Reversals during the year include ₱75.12 million for ACEN PB 102 and 103 and ₱14.89 million for BSEI's tools and miscellaneous assets which were subsequently reclassified to assets held for sale (see Notes 8 and 26).



In 2020, provision for impairment include ₱270.53 million for ACEN PB 102 and 103, while other provisions amounting to ₱96.16 million and ₱14.89 million for BSEI's construction-in-progress and tools and miscellaneous assets, respectively, and ₱0.46 million for Guimaras Wind's construction-in-progress of its Sibunag Wind Project.

The Bataan Project's impairment of assets is consistent with the Group's assessment as at December 31, 2021 and 2020, respectively (see Note 3).

*Mortgaged Property and Equipment*

Guimaras Wind's wind farm with carrying value of ₱3,702.37 million and ₱3,909.77 million as at December 31, 2021 and 2020, respectively, included under "Machinery and Equipment" account is mortgaged as security for the long-term loan. (see Note 19).

*Pledges of Shares, Assignment of Receivables and all Material Contracts*

As security for the timely payment, discharge, observance and performance of the secured obligations, ACEN, and APHPC, to the extent of their ownership interests in SLTEC, pledged shares owned by it, whether now owned or existing or hereafter acquired to the Security Trustee for the benefit of the Lenders and the Security Trustee.

In addition, SLTEC, and ACEN and/or APHPC, as the relevant Sponsor under the New Omnibus Agreement, have assigned, conveyed and transferred unto the Security Trustee, for the benefit of the Lenders and the Security Trustee, all of its respective rights, title and interest in, to and under the following: (i) all monies standing in the cash flow waterfall accounts, with respect to SLTEC; (ii) all project receivables, with respect to SLTEC; (iii) the proceeds of any asset and business continuity insurance obtained by SLTEC; (iv) any advances or subordinated loans, if any, granted by any of ACEN and APHPC to SLTEC; and (v) the proceeds, products and fruits of those provided under items (i) to (iv) hereof.

SLTEC, as continuing security for the timely payment and discharge of the secured obligations, has also assigned, conveyed and transferred to the Security Trustee all of its rights, title and interests in and to the Project Agreements to which it is a party. Project agreements include: (i) power purchase agreements; (ii) all fuel oil purchase agreements, together with corresponding performance guarantees and bonds having a total amount of at least ₱25.00 million per agreement; (iii) all operations and maintenance agreements, together with corresponding performance guarantees and bonds, for the operation and maintenance of the power plant; (iv) all asset and business continuity insurance obtained in relation to the power plant and its operation; (v) government approvals obtained by SLTEC in relation to the ownership, operation and maintenance of the power plant, except governmental approvals covered by excluded assets; and (vi) any and all other material contracts as may be agreed upon by SLTEC and the Lenders.

*Insurance Claims*

In 2020, SLTEC recognized a claim amounting to ₱35.28 million as compensation for the property damage covered by industrial all risk insurance. This was deducted from the construction-in progress.

Total depreciation charged to operations amounted to ₱1,495.08 million, ₱1,673.65 million and ₱958.83 million in 2021, 2020 and 2019, respectively. The amount charged to "General and administrative expenses" account amounted to ₱79.10 million, ₱41.58 million and ₱4.60 million in 2021, 2020 and 2019, respectively (see Note 24).

The Group has no significant property, plant and equipment which are temporarily idle as at December 31, 2021 and 2020.



The Group's fully depreciated property, plant and equipment which are still in use as at December 31, 2021 and 2020 amounted to ₱1,912.45 million and ₱1,769.08 million, respectively.

#### 14. Right-of-Use Assets and Lease Liabilities

The rollforward analysis of these accounts follows:

	2021							
	Right-of-Use Assets					Leasehold Rights	Total	Lease Liabilities
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Land and Office Building				
As at January 1, 2021	₱357,573	₱1,923,002	₱43,112	₱19,717	₱-	₱2,343,404	₱1,916,629	
New lease agreements	27,269	196,100	1,010,393	7,346	1,615	1,242,723	1,150,838	
Amortization expense (Notes 23 and 24)	(9,157)	(142,690)	(118,145)	(1,433)	(538)	(271,963)	-	
Transfers to Property, Plant, and Equipment (Note 13)	-	(672,133)	-	-	-	(672,133)	-	
Reclassifications	(221,251)	(8,771)	-	230,022	-	-	-	
Remeasurement due to lease modification	-	(8,114)	-	-	-	(8,114)	(31,119)	
Capitalized Amortization/ Interest Expense	(88)	(3,438)	-	(22,055)	-	(25,581)	1,780	
Deconsolidation (Note 9)	-	(468,444)	-	-	-	(468,444)	(78,051)	
Interest expense (Note 25)	-	-	-	-	-	-	164,416	
Payments	-	-	-	-	-	-	(450,271)	
Foreign exchange adjustments	-	-	-	(4,413)	-	(4,413)	22,030	
As at December 31, 2021	₱154,346	₱815,512	₱935,360	₱229,184	₱1,077	₱2,135,479	₱2,696,252	

	2020							
	Right-of-Use Assets					Leasehold Rights	Total	Lease Liabilities
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Land and Office Building				
As at January 1, 2020	₱376,269	₱522,786	₱31,742	₱12,184	₱8,769	₱951,750	₱981,538	
Acquired from SACASOL (Note 31)	-	588,380	-	-	-	588,380	523,006	
Acquired from ISLASOL (Note 31)	-	407,721	-	-	-	407,721	367,798	
New lease agreements	191	658,495	46,441	8,530	-	713,657	251,478	
Amortization expense (Note 24)	(18,887)	(121,264)	(22,386)	(997)	(8,769)	(172,303)	-	
Transfers to Property, Plant, and Equipment (Note 13)	-	(12,142)	(12,685)	-	-	(24,827)	-	
Lease termination	-	(4,864)	-	-	-	(4,864)	-	
Remeasurement due to lease modification	-	(116,110)	-	-	-	(116,110)	(116,110)	
Interest expense (Note 25)	-	-	-	-	-	-	171,097	
Payments	-	-	-	-	-	-	(239,767)	
Foreign exchange adjustments	-	-	-	-	-	-	(22,411)	
As at December 31, 2020	₱357,573	₱1,923,002	₱43,112	₱19,717	₱-	₱2,343,404	₱1,916,629	

The Group's Right-of-Use Assets arise from the lease agreements of the following entities:

- ACEN - rental of office space in 22<sup>nd</sup> Floor of Ayala Tower together with 8 parking slots and in 35<sup>th</sup> Floor of Ayala Triangle Gardens Tower 2 with 3 parking slots.
- ACES – rental of office in BGC PSE Tower with 7 parking slots.
- One Subic Power - facilities and lease agreement with SBMA for the Land in Subic including the 116 MW Diesel Powerplant.
- Guimaras Wind - lease commitments from various landowners in Guimaras for land, easement rights and rights of way use to connect to the grid.
- SACASOL - lease of land for its solar power facility and office building.
- MONTESOL - lease of land for its solar power facility.
- NorthWind - lease of land for its wind power facility (Phase I-II) in Bangui, Ilocos Norte and rental of office space with parking slots in 22<sup>nd</sup> Floor of Ayala Tower.



- Solarace1 - lease of land for the construction and operation of its solar power facility.
- MCV - lease of land as site for its water supply system.
- LCC - lease of land as site for its water supply system.
- ISLASOL - lease of land for its solar power facility.
- BCHC - lease of land for its solar power facility

SLTEC's lease agreement was terminated effective May 31, 2020.

In 2021, the Parent Company entered into a 10-year lease agreement with Ayala Land, Inc, a related party, for the use of its office unit and parking slot with a gross leasable area of approximately 4,905.80 sqm. The Parent Company recognized the related right-of-use asset and lease liability amounting to ₱1,024.86 million and ₱1,024.35 million, respectively, arising from this lease agreement, which are treated as non-cash items in the consolidated statement of cash flows (see Note 37).

For the year ended December 31, 2021 and 2020, the total cash outflow in respect of leases amounted to ₱450.27 million and ₱239.78 million, respectively. Interest expense in relation to lease liabilities in 2021, 2020 and 2019 amounted to ₱164.42 million, ₱171.10 million and ₱57.22 million, respectively, and is presented as part of "Interest and Other Finance Charges" in the consolidated statements of income (see Note 25).

In 2021, BCHC remeasured its lease liability due to annual increase of rental fee to annual inflation rate (CPI). ISLASOL recognizes the present value of the obligation to dismantle the plant and capitalizes the present value of this cost as part of the balance of the right-of-use assets, which are being depreciated and amortized on a straight-line basis over the shorter of their estimated useful life and lease term. These restoration activities include dismantling and removing structure, dismantling the operation facilities, closure of the plant restoration and revegetation of affected area. In this regard, ISLASOL established an obligation to recognize its estimated liability for asset retirement. For SACASOL and MONTESOL, the actual dismantlement and removal cost could vary substantially from this year estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment and/or actual time required to complete all dismantlement and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable. SACASOL and MONTESOL has remeasured its asset retirement obligation as of December 31, 2021 which is a deduction to ROU asset.

Moreover, the Group recognized amortization expense for its right-of-use asset amounting to ₱271.96 million, ₱172.30 million and ₱91.25 million and is presented as part of Depreciation and amortization in the consolidated statements of income in 2021, 2020 and 2019, respectively (see Notes 23 and 24).

There was no indication of impairment on the right-of-use asset of the Group as at December 31, 2021 and 2020.



## 15. Investment Properties

Investment properties include land which are held by the Group for long-term capital appreciation and future use as investment properties.

In 2021, ₱438.38 million were reclassified to property, plant and equipment as the properties were being used by the ACEN's subsidiaries, SCSE, Giga Ace 9, and SolarAce2 in the ongoing construction of power plant facilities.

As at December 31, 2021, the remaining balance in investment properties pertains to BCHC's land amounting to ₱13.09 million.

In 2021 and 2020, BCHC purchased a 1.92-hectare land located in Botolan, Zambales amounting to ₱109.91 million and a 1.79-hectare land in located in Binugao, Toril, Davao City amounting to ₱44.60 million, respectively. These are classified as investment properties as it will be held for the potential use of Joint Venture-Special Purpose Vehicle projects in building and operating power plants.

Movement in the account in 2020 included a reclassification from property, plant and equipment of a land owned by BCHC amounting to ₱283.86 million with the Group's intention to lease out.

## 16. Goodwill and Other Intangible Assets

Changes in goodwill and other intangible assets for the year ended December 31, 2021 and 2020 are as follows:

	2021				Total
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	
Cost:					
Balance at beginning of year	₱246,605	₱121,975	₱185,104	₱2,191,814	₱2,745,498
Additions/Cash calls	–	19,766	–	1,998	21,764
Reclass from PPE (Note 13)	–	–	243	–	243
Balance at end of year	246,605	141,741	185,347	2,193,812	2,767,505
Accumulated amortization:					
Balance at beginning of year	–	–	32,610	113,696	146,306
Amortization (Notes 23 and 24)	–	–	8,120	151,595	159,715
Reclass from PPE (Note 13)	–	–	27	–	27
Balance at end of year	–	–	40,757	265,291	306,048
Accumulated impairment:					
Balance at beginning of year	–	62,098	–	–	62,098
Impairment (Note 24)	–	23,379	–	–	23,379
Balance at end of year	–	85,477	–	–	85,477
Net book value	₱246,605	₱56,264	₱144,590	₱1,928,521	₱2,375,980



	2020 (As restated)				
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	Total
<b>Cost:</b>					
Balance at beginning of year	₱234,152	₱108,139	₱185,347	₱–	₱527,638
Step acquisition of ISLASOL	12,453	–	–	–	12,453
Step acquisition of SACASOL	–	–	–	2,191,814	2,191,814
Reclassification	–	–	(243)	–	(243)
Additions/Cash calls	–	13,836	–	–	13,836
Balance at end of year	246,605	121,975	185,104	2,191,814	2,745,498
<b>Accumulated amortization:</b>					
Balance at beginning of year	–	–	24,463	–	24,463
Amortization (Notes 23 and 24)	–	–	8,147	113,696	121,843
Balance at end of year	–	–	32,610	113,696	146,306
<b>Accumulated impairment:</b>					
Balance at beginning and end of year	–	62,098	–	–	62,098
Net book value	₱246,605	₱59,877	₱152,494	₱2,078,118	₱2,537,094

### Goodwill and Leasehold Rights

The leasehold rights and goodwill arose from Bulacan Power’s acquisition of the entire outstanding shares of stocks of One Subic Power in 2014. One Subic Power and Subic Bay Metropolitan Authority (“SBMA”) have an existing Facilities Lease Agreement (FLA) for a period of five (5) years up to July 19, 2020, as amended, with the option to extend subject to mutually acceptable terms and conditions.

On December 21, 2017, the SBMA Board approved and ratified the amendment of the Facilities Lease Agreement extending the lease term until July 19, 2030. On January 1, 2019, the leasehold rights were reclassified as right-of-use assets.

Solienda, Inc. (“Solienda”) holds leasehold rights on its contracts of lease with San Carlos Sun Power, Inc., San Carlos Biopower Inc. and SACASOL. As at December 31, 2021 and 2020, the carrying amount of the leasehold rights amounted to ₱137.24 million and ₱144.69 million, respectively.

Goodwill amounting to ₱12.45 million recognized in 2020 came from the acquisition of ISLASOL.

### Water Supply Contract

HDP holds a water supply contract with San Carlos Bioenergy, Inc with a remaining useful life of 16 years. The carrying amount as at December 31, 2021 and 2020 amounted to ₱7.35 million and ₱7.81 million respectively.

### Other Intangible Assets

Intangible assets amounting to ₱2,191.81 million arising from an identifiable FIT contract with remaining useful life of 13 years was recognized from the acquisition of SACASOL. The carrying amount as at December 31, 2021 and 2020 amounted to ₱1,928.52 million and ₱2,078.12 million, respectively.

### *Impairment Testing of Goodwill*

The Parent Company performs its impairment test annually and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the related CGU. The value in use calculation requires the Group to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.



*Key assumptions used in the value-in-use calculations*

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trend, target market analysis, government regulations and other economic factors.
- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest, depreciation and income tax expenses. It is the difference between operating revenues and operating expenses. EBITDA was adjusted for tax, depreciation, interest expenses and changes in net working capital and maintenance capital expenditures in arriving the free cash flow.
- Discount rates - represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

An increase of 100 basis points in the Group's pre-tax discount rate will not result in an impairment of goodwill.

Management used an appropriate discount rate for cash flows which is consistent with the valuation practice. The management used the weighted average cost of capital (WACC) wherein the source of the cost of equity and debt financing are weighted. The post-tax discount rates of 8.4% to 10.4% and 7.7% to 9.7% were used in 2021 and 2020. The Group used a capital structure of 46.3% and 53.7% debt/equity (DE) ratio based on industry-comparable weights and the growth rate used in extrapolating cash flows beyond the period covered by the Group's recent budget was 3% in 2021 and 2020.

Based on management's assessment, recoverable amount exceeded the carrying amount of the CGU. No impairment loss was recognized on goodwill as at December 31, 2021 and 2020.

Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	2021	2020
<i>Petroleum and gas:</i>		
SC 55 (Southwest Palawan)	<b>₱55,677</b>	₱36,639
SC 6 (Northwest Palawan)		
Block A	<b>23,966</b>	23,238
Block B	<b>4,892</b>	4,892
SC 50 Northwest Palawan	<b>11,719</b>	11,719
SC 52 (Cagayan Province)	<b>10,994</b>	10,994
<i>Geothermal - SC 8 (Mabini, Batangas)</i>	<b>34,493</b>	34,493
	<b>141,741</b>	121,975
Allowance for impairment loss	<b>(85,477)</b>	(62,098)
Net book value	<b>₱56,264</b>	₱59,877





Below is the rollforward analysis of the deferred exploration costs:

	2021	2020
Cost:		
Balances at beginning of year	<b>₱121,975</b>	₱108,139
Additions - cash calls	<b>19,766</b>	13,836
Balance at end of year	<b>141,741</b>	121,975
Allowance for a probable loss:		
Balances at beginning of year	<b>62,098</b>	62,098
Provision for probable loss	<b>23,379</b>	-
Balance at end of year	<b>85,477</b>	62,098
Net book value	<b>₱56,264</b>	₱59,877

The foregoing deferred exploration costs represent the Group's share in the expenditures incurred under petroleum SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

On January 27, 2021, the ACEX Executive Committee approved the ACEX's withdrawal from the SC 6 Block A consortium, from which, ACEX holds 7.78% participating interests. SC 6A does not have any commercial operations. Provision for probable loss was recognized for SC 6A amounting to ₱23.4 million. In the fourth quarter of 2021, SC 6A consortium paid its outstanding financial obligations to the DOE in full as required for the DOE's approval of the relinquishment of the service contract. Write-off of SC 6A will be done upon receipt of DOE approval.

Additions for the year for SC 55 pertains to the well engineering, drilling planning services and assessment.

No impairment was recognized for SC 55 as at December 31, 2021 and 2020 as there were no indicators for impairment

## 17. Other Noncurrent Assets

	2021	2020 (As restated)
Advances to suppliers	<b>₱2,531,010</b>	₱850,384
Development costs	<b>428,074</b>	309,395
Deposits	<b>165,164</b>	105,337
Derivative asset (Notes 7, 18 and 34)	-	35,046
Others	<b>40,979</b>	3,598
	<b>₱3,165,227</b>	₱1,303,760

Advances to suppliers consist of advance payments for capital expenditures which will be capitalized to property, plant and equipment once fully rendered by the suppliers.



Development costs include expenditures related to the development phase of power plant project which are stated at cost less any accumulated impairment losses. These include direct expenses that will eventually be capitalized as part of property, plant and equipment upon start of construction of the project. These costs are not depreciated or amortized until such time as the relevant assets are completed and available for use.

Deposits includes noncurrent portion of deposits to distribution utilities and noncurrent portion of the refundable security deposit with SBMA.

Derivative asset includes non-current portion of foreign exchange forward contracts.

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## 18. Accounts Payable and Other Current Liabilities

	2021	2020 (As restated)
Trade	<b>₱2,534,044</b>	₱1,183,743
Accrued expenses	<b>1,274,403</b>	641,683
Output VAT - net	<b>1,022,706</b>	946,529
Nontrade (Note 20)	<b>425,619</b>	2,729,529
Due to related parties (Note 29)	<b>286,870</b>	629,902
Derivative liability (Notes 7 and 34)	<b>241,744</b>	3,300
Accrued interest expenses	<b>196,177</b>	203,972
Retention payables	<b>136,075</b>	74,974
Accrued directors' and annual incentives (Note 29)	<b>23,352</b>	30,574
Contract liabilities	-	4,132
Others	<b>139,839</b>	41,852
	<b>₱6,280,829</b>	₱6,490,190

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on thirty (30) to sixty (60)-day terms.

Trade payables refer to liabilities to suppliers of electricity and fuel oil purchased by the Group.

Accrued expenses include insurance, sick and vacation leave accruals, station use and One Subic Power's variable rent for lease with SBMA and accruals for incentive pay and operating expense such as security fee, plant repairs and maintenance.

Nontrade payables include liabilities for various purchases such as additions to property, plant and equipment and spare parts. It also includes the payable for the purchase of additional 20% interest in SLTEC through the assignment of ACEIC to ACEN of the share purchase agreement executed by ACEIC and APHPC amounting to ₱2.04 billion which was paid in 2021.

Derivative liability pertains to foreign exchange forward contracts maturing within 12-month period (see Notes 7 and 34).

Retention payables pertain to amounts retained from liabilities to suppliers and contractors.



## 19. Loans

### Long-term loans

This account consists of:

	2021	2020 (As restated)
SLTEC long-term loans	<b>₱9,812,500</b>	₱10,587,500
ACEN long-term loans	<b>7,968,550</b>	8,128,347
NorthWind loan	<b>2,092,540</b>	2,233,530
Guimaras Wind term-loan facility	<b>1,280,524</b>	1,410,268
BWPC long-term loans	–	135,383
	<b>21,154,114</b>	22,495,028
Less unamortized debt issue costs	<b>211,893</b>	240,873
	<b>20,942,221</b>	22,254,155
Less current portion of long-term loans (net of unamortized debt issue costs)	<b>824,488</b>	707,782
Noncurrent portion	<b>₱20,117,733</b>	₱21,546,373

Movements in debt issue costs related to the long-term loans follow:

	2021	2020 (As restated)
As at beginning of year	<b>₱240,873</b>	257,071
Additions	<b>7,970</b>	28,500
Amortization/accretion (Note 25)	<b>(36,950)</b>	(44,698)
As at end of year	<b>₱211,893</b>	₱240,873

### SLTEC

On April 29, 2019, SLTEC entered into an Omnibus Loan and Security Agreement (the “New Omnibus Agreement”) with the following:

- a) BDO, SBC and Rizal Commercial Banking Corporation (“RCBC”) as the Lenders;
- b) AC Energy, ACEN, and APHC as the Sponsors;
- c) BDO Capital & Investment Corporation as the Mandated Lead Arranger and Sole Bookrunner;
- d) RCBC Capital Corporation and SB Capital Investment Corporation as the Lead Arrangers; and,
- e) Banco de Oro Unibank, Inc. - Trust and Investments Group as the Facility Agent, Security Trustee and Paying Agent

The New Omnibus Agreement covering a ₱11,000.00 million syndicated loan facility was entered into for the purpose of re-leveraging and optimizing the capital structure of SLTEC as permitted by law and other agreements to which SLTEC is a party and to fund its general corporate requirements. Tenor of the loan in 12 years from initial drawdown date.

SLTEC incurred deferred financing costs amounting to ₱188.70 million in connection with the credit facility obtained from creditor banks.

On May 7, 2019, SLTEC paid-off the outstanding loans payable from the old Omnibus Agreement amounting to ₱10,950.00 million using the proceeds from the New Omnibus Agreement with principal amount of ₱11,000.00 million received on the same date. SLTEC accounted for the



transaction as an extinguishment of a financial liability. The difference between the carrying amount of the old loan and the total consideration paid amounting to ₱78.10 million was charged to interest expense.

Consequently, SLTEC also paid prepayment penalties amounting to ₱25.36 million which was recorded as other financing charge. Furthermore, SLTEC paid additional gross receipts tax due to the pre-termination of the old loan of ₱161.18 million which was as other financing charge.

Details of the loan are as follows:

a) Interest

SLTEC shall pay the interest at the applicable interest rate on the unpaid principal amount of each advance on each interest payment date for the interest period then ending. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period. Interest rates range from 4.44% to 7.11% for the New Omnibus Agreement and 4.49% to 6.60% for the old Omnibus Agreement.

b) Repayment

The principal amount shall be paid in consecutive semi-annual installments on each of the repayment dates as specified in the New Omnibus Agreement, adjusted to coincide with the relevant interest payment date occurring in the same month (each, a “Repayment Date”) with a final repayment date falling on the last day of the initial term. Provided it is not in default in the payment of any sum due, SLTEC may, at its option, prepay the loan in part or in full on any Interest Payment Date together with accrued interest thereon up to and including the date immediately preceding the date of prepayment, subject to prepayment penalties ranging from nil to 1.25%.

*Loan Covenants.* SLTEC has complied with its contractual agreements and is compliant with the loan covenants as at reporting dates. As compliance with the debt covenants, SLTEC should maintain a minimum DSCR of 1.1 times, and a maximum Net debt to Equity ratio of 3 times.

Under the terms and conditions of the loan, the security trust indentures are the following: a) real estate mortgage and chattel mortgage on project assets; b) pledge on 66.67% of the voting shares of SLTEC; c) assignment of receivables; d) assignment of all material contracts, guarantees, insurance and; e) assignment of cash flow waterfall accounts.

On May 7, 2021, SLTEC made a partial Cash Sweep Prepayment of ₱500.00 million on its loan. The remaining principal balance of the loan is ₱9,950.00 million.

SLTEC, as the relevant Sponsor under the New Omnibus Agreement, had assigned, conveyed and transferred unto the Security Trustee, for the benefit of the Lenders and the Security Trustee, all of its respective rights, title and interest in, to and under the following:

- (i) all monies standing in the cash flow waterfall accounts, with respect to SLTEC;
- (ii) all project receivables, with respect to SLTEC;
- (iii) the proceeds of any asset and business continuity insurance obtained by SLTEC;
- (iv) any advances or subordinated loans, if any, granted by any of ACEIC, ACEN and APHPC to SLTEC; and
- (v) the proceeds, products and fruits of those provided under items (i) to (iv) hereof.



SLTEC, as continuing security for the timely payment and discharge of the secured obligations, has also assigned, conveyed and transferred to the Security Trustee all of its rights, title and interests in and to the Project Agreements to which it is a party. Project agreements include:

- (i) power purchase agreements;
- (ii) all fuel purchase agreements, together with corresponding performance guarantees and bonds having a total amount of at least 25.00 million per agreement;
- (iii) all operations and maintenance agreements, together with corresponding performance guarantees and bonds, for the operation and maintenance of the power plant;
- (iv) all asset and business continuity insurance obtained in relation to the power plant and its operation;
- (v) government approvals obtained by SLTEC in relation to the ownership, operation and maintenance of the power plant, except governmental approvals covered by excluded assets; and any and all other material contracts as may be agreed upon by SLTEC and the Lenders.

#### ACEN

The relevant terms of the long-term loans of the Parent Company are as follows:

Description	Interest Rate (per annum)	Terms	2021	2020
₱5.00 billion loan with Banco De Oro Unibank, Inc. (BDO)	5.0505% per annum for the first 5 years; repricing for the succeeding 5 years is the average of the 5-year BVAL, three (3) days prior to Repricing Date, plus a margin of ninety basis points per annum (0.90%), with the sum divided by 0.95	Availed on November 15, 2019, payable in semi-annual installment within 10 years with final repayment on November 14, 2029; contains negative pledge	<b>₱4,859,633</b>	₱4,901,881
₱7.00 billion loan with China Banking Corporation (CBC)	Fixed at a rate of 5.00% per annum which shall be payable at the end of the interest period of six months	Availed on July 10, 2020. First and second drawdown amounting to ₱500 million and ₱1,000 million have a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the eighteenth (18th) month from the initial drawdown date; contains negative pledge.	<b>1,490,093</b>	1,489,118
₱4.50 billion loan with Development Bank of the Philippines (DBP)	Availed as a Floating Rate Tranche, on each Interest Payment Date at a rate equivalent to the average of the 6-month BVAL for the 3 Banking Days immediately preceding the Drawdown Date at end of each applicable Interest Period thereafter plus a margin of 1.00% per annum or the BSP Lending Rate plus a margin of 0.25% per annum, whichever is higher	Availed on March 30, 2021, payable in semi-annual installments within 10 years to commence 6 months after Drawdown Date with final repayment on March 30, 2031; ; contains negative pledge.	<b>799,380</b>	-
₱1.18 billion loan with Security Bank Corporation (SBC)	Fixed at a rate of 6.50% per annum which shall be payable at the end of the interest period of six months	Availed on January 11, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 11, 2029; contains negative pledge	<b>766,504</b>	837,640

(Forward)



Description	Interest Rate (per annum)	Terms	2021	2020
₱1.18 billion loan with DBP	Fixed at a rate of 6.00% for the first 7 years; repricing for the last 5.5 years, the higher of 5-year PDST-R2 plus a spread of 1.625% or 6.25%	Availed on January 10, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 10, 2029; contains negative pledge	₱-	₱837,680
Carrying value (net of unamortized debt issue costs and embedded derivatives of ₱52.94 million and ₱62.03 million as at December 31, 2021 and 2020, respectively)			<b>₱7,915,610</b>	<b>₱8,066,319</b>

In 2021 and 2020, principal repayments made relative to ACEN's loans amounted to ₱964.80 million and ₱2,006.47 million, respectively. ACEN paid ₱11.25 million debt issue costs for the additional loans availed in 2021 (nil in 2020).

In accordance with the terms of the Fixed Rate Corporate Notes Facility Agreement, ACEN prepaid in full its ₱500 million corporate note with BDO on October 30, 2020 and its ₱1,500 million corporate note with CBC on December 14, 2020. ACEN was able to get consent from both lenders to allow prepayment before the 7<sup>th</sup> anniversary of each respective corporate note without premium or penalty.

*ACEN's Loan Agreement with Development Bank of the Philippines ("DBP")*

On March 19, 2021, the Parent Company entered into a new loan agreement with DBP for a maximum principal amount of ₱4.50 billion.

On March 30, 2021, ACEN prepaid in full its ₱1,175.00 million term loan facility with DBP. ACEN was granted consent by DBP for the prepayment of the loan without premium or penalty.

First drawdown on the facility was made on March 30, 2021 amounting to ₱805.00 million. The loan has a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the thirtieth (30<sup>th</sup>) month from the initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

The loan is subject to a floating interest rate that is repriced on every succeeding semi-annual period. ACEN has the option to convert the interest rate to fixed on any semi-annual payment date up to the second (2<sup>nd</sup>) anniversary from the initial drawdown on the facility. ACEN has the option to prepay the loan, wholly or partially, on any interest payment date during the term of the loan. The management assessed that the embedded derivatives are not for bifurcation because the interest floor rate is considered clearly and closely related with the loan and the exercise price of the prepayment option approximates the amortized cost of the loan.

*ACEN's Loan Agreement with China Banking Corporation ("CBC")*

On July 10, 2020, the Parent Company entered into a new loan agreement with CBC for a maximum principal amount of ₱7.00 billion. The ₱7.00 billion shall be released in a maximum of seven (7) advances.

First drawdown was made on July 15, 2020 amounting to ₱500.00 million and the second drawdown was on August 24, 2020 amounting to ₱1,000.00 million. Both loans have a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the eighteenth (18<sup>th</sup>) month from the initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.



The loan facility contains a prepayment provision which allows the Parent Company to make an optional prepayment, wholly or partially, starting the fifth (5<sup>th</sup>) anniversary of the initial drawdown date and on every interest payment date thereafter. The amount payable to CBC shall consist of the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any increase in applicable gross receipts tax (“GRT”) as a result of such prepayment, and any applicable prepayment premium as indicated in the loan agreement. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

*Loan covenants.* ACEN closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

ACEN was in compliance with loan covenants as at December 31, 2021. In 2020, ACEN was able to obtain waivers of compliance for the Debt Service Coverage Ratio, Debt-to-Equity ratio and Current ratio covenants on its legacy loans with SBC (₱1.18 billion) and DBP (₱1.18 billion) as required by the terms of each respective Lender’s loan agreement. The waivers granted on the covenants for ACEN are valid until the next succeeding testing date. These ratios are computed based on the annual consolidated audited financial statements of ACEN, and the next testing date will be sometime during the first quarter of 2022, based on the 2021 consolidated audited financial statements. ACEN classified the loans amounting to ₱1.68 billion as noncurrent as at December 31, 2020.

#### NorthWind

##### *Bank of the Philippines Islands (BPI)*

On May 29, 2020, NorthWind entered into an Omnibus Loan and Security Agreement with BPI for a long-term loan facility amounting to ₱2.30 billion. The proceeds of the loan were used to fully repay its senior loans. The loan shall be repaid in twenty-four (24) sculpted semi-annual amortizations as set forth in the agreement. The interest rate is fixed for the initial period of ten (10) years to be repriced after the 10th anniversary at a rate equivalent to (a) the 2-year base fixed rate plus a spread of 1.115%, or (b) 5.125% per annum, whichever is higher.

The loan facility contains a prepayment provision which allows NorthWind to make optional prepayment, wholly or partially, any time during the term of the loan. The amount payable to BPI shall be the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any additional taxes, including additional gross receipts tax (“GRT”) as a result of such prepayment, and prepayment penalty as indicated in the loan agreement. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

The loan facility is secured by NorthWind’s Land, Wind Turbine Generator, Building and Machinery and Equipment account under “Property, plant and equipment” with a carrying amount of ₱2,263.20 million and ₱2,279.57 million as at December 31, 2021 and 2020 (see Note 13).

Debt issuance costs are incidental costs incurred in obtaining the loan, which include documentary stamp tax (“DST”), transfer tax, chattel mortgage and real estate mortgage registration, professional fees and other out of the pocket expenses. In 2020, ₱15.78 million (nil in 2021), are presented as deduction to the loans payable account and will be amortized over the life of the loan using EIR method.

NorthWind closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration. NorthWind is required to maintain a minimum historical DSCR of 1.05 times. As at December 31, 2021 and 2020, NorthWind is compliant with its loan covenants.



### Guimaras Wind

On December 18, 2013, Guimaras Wind entered into a ₱4.30 billion Term Loan Facility with Security Bank Corporation (“SBC”) and Development Bank of the Philippines (“DBP”). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 272 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A’s interest is to be fixed at the higher of 10-year PDS Treasury Fixing (“PDST-F”) plus a spread of 1.625% or a minimum interest rate of 6.25% for the first 10 years, to be repriced at higher of existing rate or 5-year PDST-F plus a spread of 1.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or a minimum interest rate of 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. The Group did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines (“BAP”) dated January 8, 2015. Subsequently, the parties agreed to adopt PDST-R2 and BVAL rates as benchmark rate in lieu of PDST-F rates. BVAL rates were adopted starting October 29, 2018 when BAP launched its new set of reference rates to replace the current set of PDST Reference Rates, PDST-R1 and PDST-R2.

The loan facility also contains a prepayment provision which allows Guimaras Wind to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of (a) the principal amount of the loan being prepaid, or (b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corporation (“PDEX”) Market Page, Reuters and the PDS website ([www.pds.com.ph](http://www.pds.com.ph)) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, Guimaras Wind is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

On April 28, 2016, Guimaras Wind prepaid ₱150.50 million of its long-term debt in accordance with the terms of the Agreement as follows:

- Guimaras Wind shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by Guimaras Wind of any transmission line proceeds;
- Prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- The remaining thirty percent (30%) shall be transferred directly into Guimaras Wind controlled distribution account for further distribution to the Project Sponsor.

On December 20, 2016, the BOD resolved to amend the Omnibus Loan and Security Agreement (OLSA) to allow Guimaras Wind to prepay a portion of the long-term debt to SBC and DBP without penalties. On January 11, 2017, Guimaras Wind prepaid ₱2,350.00 million of its long-term debt.





Under the terms of the Agreement, ACEN, as the Project Sponsor, shall:

- Provide equity contributions equivalent to 30% of the project cost;
- Fund any cost overruns on the project and the required debt service reserve amount DSRA in the event of delays in obtaining FIT eligibility or Renewable Energy Payment Agreement; and,
- Redeem the loan in the event that Guimaras Wind defaults on the loan and titles to the project properties have not been issued to Guimaras Wind or notwithstanding such titles, lenders fail to acquire title to the project properties due to lack of annotation or third party claims.

The loan agreement provides loan disbursement schedule for the drawdown of the loan. Guimaras Wind made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at December 31, 2021:

Drawdown date	Tranche A (DBP)		Tranche B (SBC)	
	Gross Amount <sup>a</sup>	Carrying Value <sup>b</sup>	Gross Amount <sup>a</sup>	Carrying Value <sup>b</sup>
February 14, 2014	₱92,317	₱92,235	₱92,317	₱91,741
May 27, 2014	163,788	163,290	163,788	162,899
August 5, 2014	163,788	163,851	163,788	162,939
September 2, 2014	148,898	148,684	148,898	148,166
July 30, 2015	71,471	69,134	71,471	69,116
	₱640,262	₱637,194	₱640,262	₱634,861

<sup>a</sup>Net of prepayments made in 2016 and 2017

<sup>b</sup>Net of unamortized debt issue costs.

Guimaras Wind made the following payments with their corresponding carrying values:

Payment date	Tranche A (DBP)		Tranche B (SBC)	
	Gross Amount	Carrying value	Gross Amount	Carrying value
February 14, 2019	27,173	25,466	27,173	26,225
August 14, 2019	29,332	27,784	29,332	28,479
February 14, 2020	29,332	27,635	29,332	27,660
August 14, 2020	31,401	30,497	31,401	30,498
February 14, 2021	31,401	31,401	31,401	30,718
August 14, 2021	33,471	33,099	33,471	32,815
	₱182,110	₱175,882	₱182,110	₱176,395

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio ("DSCR") and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, Guimaras Wind must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. The funds in the debt service reserves can be used by Guimaras Wind provided that thirty (30) days prior to payment, the fund is replenished. Debt service reserves are included in the consolidated statement of financial position under "Cash and cash equivalents" (see Note 4).



The loan facility is secured by Guimaras Wind’s wind farm, included in “Machinery and equipment” account under “Property, plant and equipment” with carrying values amounting to ₱3,909.77 million and ₱4,106.00 million as at December 31, 2020 and 2019, respectively (see Note 9). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, ACEN entered into a Pledge Agreement covering the subscriptions of stocks of ACEN and its nominees.

*Loan Covenants.* Guimaras Wind was in compliance with the loan covenants as at December 31, 2021 and 2020. The compliance with the debt covenants is assessed annually by the lenders. Guimaras Wind shall maintain a minimum DSCR of 1.2x, a maximum Debt to equity ratio of 70:30. Guimaras Wind continues to take necessary measures to ensure compliance with loan covenants.

### BWPC

The outstanding loan balance to UPC Holdco amounted to ₱145.04 million as at December 31, 2020. The loan was used for the funding of the Balaoi and Caunayan Wind Power Project. BWPC availed loans from UPC Holdco amounting to ₱33.62 million and ₱17.28 million in 2021 and 2020, respectively. These loans are unsecured, due in five (5) years and bear interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount. Accrued interest expense for years ended December 31, 2021 and 2020 arising from the loans payable amounted to ₱53.14 million and ₱15.31 million. The outstanding interest payable amounted nil and ₱62.92 million as at December 31, 2021 and 2020 respectively.

In May 2021, the outstanding loan balance including interest payable was paid in full.

Total interest expense recognized on SLTEC’s, ACEN’s, NorthWind’s, Guimaras Wind’s and BWPC’s long-term loans amounted to ₱1,324.12 million, ₱1,398.52 million and ₱867.43 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 25).

Principal payments made relative to the Group’s long-term loans amounted to ₱2,188.81 million and ₱4,602.92 million for the year ended December 31, 2021 and 2020. The Group paid ₱7.97 million and ₱28.50 million debt issue costs for the relevant loans availed in for the current period 2021 and in 2020.

### Short-term loans

This account consists of:

	2021	2020 (As restated)
Balance at beginning of year	<b>₱4,635,000</b>	₱3,556
Availments	<b>3,000,000</b>	14,184,275
Loans assumed through business combination	–	395,388
Payments	<b>(7,635,000)</b>	(9,630,319)
Foreign exchange adjustments	–	(317,900)
Balance at end of year	<b>₱–</b>	<b>₱4,635,000</b>

The Parent Company has outstanding short-term loans availed on various dates in September, October and December of 2020 from BDO, SBC, RCBC and CBC amounting to ₱2,000.00 million, ₱800.00 million, ₱500.00 million and ₱1,335.00 million, respectively.



Below are the pertinent details of the loans from BDO, SBC, CBC and RCBC that were paid in full by the Parent Company on their respective maturity dates.

Bank	Date of Availment	Amount	Interest	Maturity
BDO	September 18, 2020	₱1,000,000,000	4.000%	March 17, 2021
SBC	September 18, 2020	₱800,000,000	3.750%	March 17, 2021
BDO	October 23, 2020	₱550,000,000	4.000%	March 31, 2021
BDO	October 28, 2020	₱450,000,000	4.000%	March 31, 2021
CBC	December 14, 2020	₱1,335,000,000	4.210%	March 12, 2021
RCBC	October 8, 2020	₱500,000,000	3.000%	April 6, 2021

In March 2021, Parent Company further availed a short-term loan from BDO and RCBC amounting to ₱1,000 million and a ₱2,000 million. These were fully paid on their maturity dates on March 26, 2021 and April 6, 2021.

As at December 31, 2021, all the outstanding short-term loans of the Parent Company were already paid.

In 2020, the Parent Company also availed short-term loans from Hongkong and Shanghai Banking Corporation (HSBC) amounting to ₱750.00 million which were also paid in the same year.

In 2020, ACRI availed short-term borrowings amounting to \$80 million (₱3,877.20 million), \$45 million (₱2,180.93 million) and \$50 million (₱2,423.25 million) from Sumitomo Mitsui Banking Corporation (SMBC), HSBC and Standard Chartered Bank (SCB), respectively. These were also paid in the same year for a total amount on \$175 million (₱8,481.38 million).

Total interest expense recognized on ACEN's short-term loans amounted to ₱52.73 million and ₱257.17 million for the year ended December 31, 2021 and 2020, respectively (see Note 25).

*Loans assumed through business combination*

Under a Deed of Assignment dated September 14, 2015, SACASOL assigned all its rights over its notes receivable from ISLASOL arising from the sale of Phases 2A and 2B solar power plant projects located in La Carlota City, Negros Occidental in the amount of ₱665.41 million to TLCTI Asia which was used to settle a portion of the liability of SACASOL.

On the same date, ISLASOL made various promissory notes with a total amount of ₱1,475.33 million payable to TLCTI Asia. ISLASOL may prepay the notes, in whole or in part, upon written notice to TLCTI Asia at least three (3) banking days prior to the date of payment. The promissory notes are noninterest-bearing and are payable subject to the terms of the Framework Agreement entered between PINAI and TLCTI Asia dated September 2, 2015.

On May 19, 2020, ISLASOL and TLCTI Asia signed a loan payment agreement where ISLASOL will pay its ₱2,140.73 million loan. TLCTI Asia shall use this payment to pay its subscription of ₱2,780.24 million. The excess over the amount shall be paid in full by TLCTI Asia. The application for increase in authorized capital stocks is still pending as at December 31, 2021. ISLASOL tendered full payment of the loan amount in 2020. Outstanding balance of the loan was nil as at December 31, 2020.



Notes payable

This account consists of:

	<b>2021</b>
Balance at beginning of year	<b>₱-</b>
Availments	<b>20,383,600</b>
Unamortized debt issue cost	<b>(114,939)</b>
Cumulative translation adjustment	<b>(73,607)</b>
Balance at end of year	<b>₱20,195,054</b>

*Medium Term Note (MTN) Programme*

On August 31, 2021, ACEN Finance established its MTN Programme with an aggregate amount of US\$1,500.00 million. The proceeds from each issue under the MTN Programme will be used for general corporate purposes, including but not limited to, working capital, funding investment activities, development of projects, refinancing and/or repayment of indebtedness and on-lending activities within the Group. Notes to be issued out of the MTN Programme designated as Green Bonds may be allocated towards the financing and/or refinancing of Eligible Green Projects in accordance with certain prescribed eligibility criteria described under ACEN's Green Bond Framework.

The Notes to be issued by ACEN Finance under its medium-term note Programme; may be distributed by way of private or public placement; and will be listed on the Singapore Exchange Securities Trading platform (SGX-ST).

As at December 31, 2021, ACEN Finance has issued US\$400.00 million senior guaranteed undated notes (the "Notes") under the MTN Programme.

*Senior guaranteed undated fixed-for-life notes under the MTN Programme*

On September 8, 2021, ACEN Finance issued US\$400.00 million (₱20,383.60 million) senior undated fixed-for-life (non-deferrable) Notes guaranteed by ACEN with a fixed coupon of 4.00% for life, with no step-up and no reset, priced at par. An amount equal to the net proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN's Green Bond Framework.

On September 9, 2021, the Notes were listed with the Singapore Exchange Securities Trading platform (SGX-ST).

The Philippine SEC confirmed that the Bonds comply with the requirements under the ASEAN Green Bonds Circular and qualify as an ASEAN Green Bond Issuance.

The net proceeds from the Bonds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects, in accordance with ACEN's Green Bond Framework (GBF), which sets out well-defined guidelines for the use of proceeds for renewable energy (RE) projects, with comprehensive monitoring and reporting commitments. These RE developments can be located in the Philippines and offshore.



*Redemption at the option of the issuer*

Subject to applicable law, ACEN Finance may redeem the Notes (in whole but not in part) on the First Redemption Date as specified in the applicable Pricing Supplement; or any Interest Payment Date falling after the First Redemption Date, by giving notice, at redemption price equal to the principal amount of the Notes plus any accrued but unpaid interest.

*Covenants*

For as long as the Notes remain outstanding, ACEN Finance and ACEN are required to comply with certain covenants including the creation and permission to subsist only the liens created in respect of the limited recourse project financing of any project company and maintain a maximum net debt to equity ratio of 2.5 to 1.0. These were complied with by the Group as at December 31, 2021.

Total interest expense and other financing charges recognized on notes payable amounted to US\$5.19 million (₱263.05 million) in 2021. ACEN Finance paid US\$2.46 million (₱125.43 million) debt issue costs for the notes payable availed during the year.

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**20. Other Noncurrent Liabilities**

	2021	2020 (As restated)
Trade payable	<b>₱1,238,581</b>	₱1,123,511
Due to related parties (Note 29)	<b>536,212</b>	85,925
Contract liabilities	<b>338,489</b>	161,125
Accrued interest expenses	<b>252,742</b>	–
Deposit payable	<b>174,581</b>	167,593
Asset retirement obligation	<b>168,626</b>	137,407
Nontrade payable	<b>2,598</b>	15,048
Others	<b>25,091</b>	4,439
	<b>₱2,736,920</b>	₱1,695,048

In 2014, the Group, PEMC, and other WESM participants signed a Multilateral Agreement pending the resolution of cases filed by WESM participants in the Supreme Court. On various dates in 2014 to 2016, ACEN recorded collections in relation to the Multilateral Agreement amounting to ₱1,123.51 million. In June 2016, the 24-month period of repayment prescribed; hence, the Group provided an allowance for doubtful accounts related to Multilateral Agreement amounting to ₱13.75 million. NorthWind also recorded collections amounting to ₱115.08 million in relation to the Multilateral Agreement. Collections are presented as “Trade payables” under “Other noncurrent liabilities” (see Note 5).

Contract liabilities consists of the deferred connection fee related to ISLASOL and the deferred rental income from ISLASOL, SACASOL, MSPDC and Solienda.

Accrued interest expenses mainly accounts for the interest on Green bonds issued during the year (see Note 19)

Deposit payables consist of security deposits from RES customers refundable at the end of the contract.



Asset retirement obligation are from the acquisitions of ISLASOL, SACASOL and MONTESOL.

Nontrade payable are payables from over remittance of business interruption claims and environmental laws compliance.

## 21. Equity

### Capital Stock

Following are the details of the Parent Company's capital stock:

	Number of Shares	
	2021	2020
Authorized capital stock - ₱1 par value	<b>48,400,000,000</b>	24,400,000,000
Issued shares:		
Balance at beginning of the year	<b>13,706,957,210</b>	7,521,774,922
Issuance of new shares	<b>24,631,569,964</b>	6,185,182,288
Balance at end of the year	<b>38,338,527,174</b>	13,706,957,210

The issued and outstanding shares as at December 31, 2021 and 2020 are held by 3,188 and 3,182 equity holders, respectively.

The following table presents the track record of registration of capital stock:

Year Approval	No. of shares Registered	No. of shares Issued	Par Value
Prior to 2005*	1,000,000,000	**840,601,987	₱0.01/1.00
2005	1,000,000,000	264,454,741	1.00
2007	–	552,528,364	1.00
2008	–	4,713,558	1.00
2009	–	304,419	1.00
2010	–	2,022,535	1.00
2011	2,200,000,000	1,165,237,923	1.00
2012	4,200,000,000	2,027,395,343	1.00
2013	–	6,603,887	1.00
2014	–	1,283,332	1.00
2016	–	20,751,819	1.00
2017	–	3,877,014	1.00
2019	–	2,632,000,000	1.00
2020	16,000,000,000	6,185,182,288	1.00
2021	24,000,000,000	24,631,569,964	1.00

\*On April 7, 1997, par value was increased from ₱0.01 to ₱1.00.

\*\*Equivalent number of shares at ₱1.00 par.

During the Annual Stockholders' Meeting held on April 19, 2021, the stockholders of the Parent Company, by the required vote, approved, among others, the following corporate actions:

- i) Amendment to the Seventh Article of the Articles of Incorporation:
  - a. to increase the ACS from ₱24.40 billion divided into 24.40 billion shares at par value of ₱1.00 per share, to ₱48.40 billion divided into 48.4 billion shares at par value of ₱1.00 per share; and
- ii) Issuance of 4 billion shares to Arran Investment Pte Ltd. (Arran)
- iii) Issuance of 1.58 billion primary common shares pursuant to the ACEN's FOO



- iv) Issuance of 16,685,800,533 common shares to ACEIC in exchange for ACEIC's International Renewable Energy Assets and Investments
- v) Waiver of the requirement to Conduct a Rights or Public Offering of Shares in Relation to the Issuance of 16,685,800,533 shares to ACEIC in Exchange for ACEIC's International Renewable Energy Assets and Investments
- vi) Stock Ownership Plan to qualified officers, employees and consultants of the Group, and to allocate 960 million common shares from the unsubscribed portion of the ACEN's ACS for the Stock Ownership Plan.

#### *Stock Rights Offering*

On November 11, 2020, the BOD of ACEN approved the pricing for, and volume of, the shares that will be issued pursuant to ACEN's stock rights offering (SRO). ACEN will issue 2,267,580,434 shares at ₱2.37, and at an entitlement ratio of 1.11 shares:1 offer share subject to requisite approval by the SEC of the details of the offer, including the offer price.

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under the Section 8 of the Code pursuant to Section 10.1 thereof.

On December 16, 2020, the PSE approved ACEN's application for the listing of additional shares of up to 2,267,580,434 common shares subject of the Rights Offer to all stockholders as of the Record Date of January 13, 2021 (the "Record Date"), at ₱2.37 per share, comprised of two rounds and a domestic institutional offer, as follows:

1. The First Round of the Offer consisting of a total of 2,267,580,434 Offer Shares, offered on a pre-emptive rights basis to eligible shareholders of ACEN as of a determined Record Date where holders of Common Shares as of the Record Date who are eligible to participate in the Rights Offer are: (i) holders located inside the Philippines and (ii) holders located outside the Philippines where it is legal to participate in the Rights Offer under the securities laws of such jurisdiction without requiring registration or the need to obtain regulatory approvals under such laws ("Eligible Shareholder"), and where each Eligible Shareholder may subscribe to one (1) Share for every 1.11 Common Shares held, as of the Record Date;
2. The Second Round of the Offer consisting of the unsubscribed Rights Shares from the First Round of the Rights Offer ("Additional Rights Shares"), which shall be offered to those shareholders that exercised their rights in the prior round and had simultaneously signified their intention to subscribe to any unsubscribed Rights Shares by tendering payment of the total Offer Price of all Rights Shares subscribed to, including all Rights Shares in excess of their entitlements; and
3. The Domestic Institutional Offer, where the Joint Lead Underwriters BPI Capital Corporation and China Bank Capital Corporation will firmly underwrite the Rights Offer in accordance with an underwriting agreement to ensure that any Offer Shares that, after the mandatory Second Round of the Rights Offer are either not taken up or subscribed to by Eligible Shareholders or not paid for by Eligible Shareholders will be fully subscribed, and that in case there are Rights Shares remaining after the mandatory Second Round of the Rights Offer, the remaining Rights Shares shall be sold by the Joint Lead Underwriters to qualified buyers, as defined in the 2015 Implementing Rules and Regulations of the Code ("SRC IRR") ("Institutional Investors"), at the same Offer Price as the Rights Shares (the "Institutional Offer"), and any shares herein not taken up by Institutional Investors shall be taken up by the Joint Lead Underwriters.

During the Rights Offer Period from January 18, 2021 to January 22, 2021, ACEN sold, by way of SRO, 2,094,898,876 shares and 172,681,558 shares in first round and second round allocation, respectively, which were subsequently listed with the PSE on January 29, 2021.



Transaction costs include documentary stamp taxes, SEC fees and other costs paid relevant to share issuance amounting to ₱24.13 million were charged to additional paid-in capital account.

#### *Arran's Private Placement*

On December 30, 2020, ACEN and ACEIC signed an Investment Agreement with Arran for the latter's investment into ACEN to acquire 17.5% ownership stake on the basis that ACEN's stock rights offering ("SRO") and follow-on offering ("FOO"), and the infusion by ACEIC of its international business into ACEN have been completed (see Note 32).

On March 18, 2021, Arran subscribed to 4 billion common shares of ACEN at a price of ₱2.97 per common share through a private placement (the "Private Placement"), for an aggregate value or consideration of ₱11.88 billion. The subscription price was offered by Arran pursuant to its binding offer on November 10, 2020, and which offer was approved by the BOD of ACEN during its meeting of November 11, 2020.

The Investment was implemented through a combination of subscription to four billion primary shares (via a private placement) and purchase of secondary shares from ACEIC, priced at ₱2.97 per share on a post-SRO basis and is subject to agreed price adjustments. The price for the private placement represents a 25% premium to the BOD-approved SRO price of ₱2.37 per share.

The closing of Arran's Private Placement is subject to contractual terms and conditions customary for transactions of a similar nature. Since the shares to be issued pursuant to the Private Placement will not exceed 35% of the resulting total subscribed capital stock, it is exempt from pre-emptive rights of existing stockholders pursuant to the second paragraph of Article Seventh of ACEN's Articles of Incorporation.

On December 10, 2021, ACEIC sold 2,689,521,681 ACEN shares to Arran pursuant to a special block sale to implement the provisions of the Investment Agreement dated December 30, 2020. The price per share (as adjusted pursuant to a pricing mechanism) was agreed upon in the Investment Agreement and is independent of future price movements.

As at December 31, 2021, Arran owns 17.46% of the ACEN's total outstanding shares of stock.

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱68.48 million were charged to additional paid-in capital account.

#### *Follow-On Offering*

On December 17, 2020, the BOD of ACEN approved the conduct of an FOO and delegated authority to the Executive Committee to determine the final issue price for the shares to be issued.

On February 4, 2021, acting on the authority delegated by the BOD, ACEN's Executive Committee approved an FOO price range of ₱6.00-₱6.50 per share for up to 2 billion common shares (primary).

On February 16, 2021, ACEN submitted a registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC.

On March 18, 2021, the BOD of ACEN approved the issuance of 1.58 billion primary shares for the FOO.





On April 29, 2021, the Executive Committee approved the offer price of ACEN's FOO at ₱6.50 per share. This price was determined based on a book-building process which saw significant participation from leading global long-term institutional investors, resulting in multiple times oversubscription.

On May 5, 2021, ACEN received approvals from the PSE and obtained permit to sell from the SEC.

During the retail offer period for the FOO on May 3, 2021 to May 7, 2021, ACEN completed up to 2.01 billion common shares priced at ₱6.50 per share, consisting of 1.58 billion primary shares, 330.24 million secondary shares offered by ACEIC and Bulacan Power (the "Selling Shareholders"), and an over-subscription of 100.00 million secondary shares sold by ACEIC.

About 80% of the base offer shares was offered to qualified institutional buyers. The remaining 20% was placed out to eligible trading participants of the PSE.

The primary shares were listed on the PSE on May 14, 2021.

Transaction costs include documentary stamp taxes, SEC fees and other costs paid relevant to share issuance amounting to ₱189.48 million were charged to additional paid-in capital account.

*Acquisition of ACEIC's offshore subsidiaries through share swap*

On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares at a subscription price of ₱5.15 per share, or an aggregate subscription price of ₱85,931,872,744.95 in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in ACE International (share swap transaction), which holds ACEIC's international renewable assets.

On June 7, 2021, the application for the increase from 24.4 billion shares to 48.4 billion shares in the ACS of ACEN was approved by the SEC. Consequently, the closing date of the share swap was on June 7, 2021.

The Parent Company has complied with all post-approval requirements for the listing of the shares subject of the share-for-share swap transaction as described above. The number of ACEN's listed common shares were accordingly adjusted on October 22, 2021 listing date.

*Acquisition of non-controlling interest in MSPDC*

On October 28, 2021, the Parent Company through BCHC, a wholly-owned subsidiary, acquired the 34.00% ownership interest of the minority stockholders of MSPDC at an aggregate amount ₱280.50 million. Effective October 31, 2021, MSPDC became a wholly-owned subsidiary of ACEN.

*Acquisition of non-controlling interest in NorthWind*

On October 18, 2021, the BOD of ACEN approved the acquisition of the 32.2% ownership interest of the minority stockholders of NorthWind (the "NW Minorities"). On November 12 and 15, 2021, the Share Purchase Agreement and Subscription Agreements, respectively, were signed by ACEN and the NW Minorities for a total of 90 million shares in ACEN at a price of ₱11.32 per share. Effective November 15, 2021, NorthWind became a wholly-owned subsidiary of ACEN.

The subscribed shares were issued to the above shareholders on November 29, 2021. ACEN is in the process of listing the primary shares to PSE as at year ended December 31, 2021.



#### Employee Stock Ownership Plan

At the Annual Stockholders' Meeting held on April 19, 2021, stockholders approved the allocation of 960 million common shares to the Employee Stock Ownership Plan (the "Plan") Plan out of the unsubscribed portion of the ACEN's capital stock, to be available to qualified employees upon achievement of the Group's goals and the determination of any variable compensation of grantee. This replaces ACEN's Stock Grants and Stock Options Plan which does not have any remaining life.

Under the Plan, qualified employees are awarded the option to subscribe to a specified number of ACEN shares based on discounted market price determined by the Personnel and Compensation Committee and are subjected to the Plan's vesting period. The subscription price is equal to the market price of the shares with a discount determined by the Personnel and Compensation Committee at the time of the grant of the option. Grants under the Plan are exercisable in three annual tranches. Any availment is payable within a maximum period of ten years.

The SEC granted the Plan's request for exemption from registration pursuant to Section 10.2 of the Securities Regulation Code (SRC) on March 4, 2022.

In 2021, stock options totaling 8,188,997 shares at a subscription price of ₱6.96 per share were granted under the Plan.

Total expense arising from the equity-settled share-based payment transaction (included under General and administrative expenses) amounted to ₱3.55 million. There were no grants and availments during 2020 and 2019.

#### Retained Earnings

Retained earnings represent the Group's accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries, joint venture and associates, which are not available for dividend declaration. Retained earnings not available for dividend declaration included in the Group's retained earnings to the extent of (a) the cost of treasury shares amounted to ₱28.66 million and ₱40.93 million as at December 31, 2021 and 2020, respectively, and (b) undistributed earnings of subsidiaries, associates and joint ventures included in the Group's retained earnings amounted to ₱28,628.17 million and ₱23,888.85 million as at December 31, 2021 and 2020, respectively.

#### Dividends

On March 18, 2021, the BOD of ACEN approved the declaration of cash dividends of six centavos (₱0.06) per share on the 19,960,037,644 issued and outstanding shares of the Parent Company, or a total dividend amount of ₱1,197,602,259, paid on April 19, 2021 to the shareholders on record as at April 5, 2021. ₱1,195,787,042 of the amounts declared was paid to the equity holders of the Parent Company.

On August 19, 2020, the BOD approved the declaration of cash dividends of four centavos (₱0.04) per share on the 13,692,457,210 issued and outstanding shares of the Parent Company, or a total dividend amount of ₱547,698,288, paid on September 17, 2020 to the shareholders on record as at September 3, 2020. ₱546,751,517 of the amounts declared was paid to the equity holders of the Parent Company.

#### Treasury Shares

Bulacan Power holds ACEN shares and are classified as treasury shares. During the year, Bulacan Power acquired 23,284,346 ACEN shares amounting to ₱55.18 million through its participation in SRO, of which, was part of the 30,248,617 ACEN shares amounting to ₱61.62 million reissued



subsequently through the secondary offer in FOO. The remaining 5,000 ACEN shares amounting to ₱5.84 million held by Bulacan Power were reissued on November 11, 2021.

On March 18, 2020, the BOD of the Parent Company approved a share buy-back program to support its share prices through the repurchase in the open market of up to ₱1.00 billion worth of common shares, of which, the cumulative number of shares repurchased is at 14.50 million for an aggregate repurchase price of ₱28.66 million.

In 2020, 16.70 million ACEN shares held by Bulacan Power amounting to ₱15.43 million were reissued.

#### Non-controlling Interest (NCI)

The rollforward of this account is as follows:

	2021	2020 (As restated)
Balance at beginning of year	<b>₱50,398,831</b>	₱39,371,962
Net income attributable to NCI	<b>2,415,063</b>	2,114,049
OCI attributable to NCI	<b>4,152</b>	-
Capital infusions	<b>1,988</b>	9,776,936
Capital redemption	<b>(20,386,275)</b>	-
Dividends	<b>(2,231,038)</b>	(1,961,062)
Acquisition of NCI	<b>(313,598)</b>	-
Cumulative translation adjustments	<b>61,653</b>	(2,398)
Additions through business combination	-	1,099,344
Balance at end of year	<b>₱29,950,776</b>	₱50,398,831

#### *Capital infusions*

In 2021, UPC IV infused ₱1.80 million for its subscription to Solarace4, while UPC II infused ₱0.19 million to BWPC.

On July 28, 2020, UPC Philippines HoldCo. IV B.V. ("UPC") signed a subscription agreement to Solarace4 for 0.18 million common shares and 1.62 million redeemable preferred B shares, both with ₱1.00 par value, with total subscription price of ₱1.80 million, to be issued out of Solarace4 increase in the ACS, of which, as at report date, is pending approval by the SEC.

In 2020, additional infusions totaling to US\$16.30 million (₱768.13 million) were made by UPC Renewables Australia Pty. Ltd. to UAC Energy Holdings Pty. Ltd. ("UACH") for the subscription of 25.20 million shares, while ACEFIL subscribed to additional redeemable preferred shares of ACEC for a total of \$146 million (₱9,008.81 million).

#### *Redemptions*

On August 31, 2021, the Directors and Officer of UACH approved to return surplus cash through payment of dividend and capital return to shareholders. The non-controlling interest redeemed \$16.31 million (₱830.98 million or AU\$25.20 million) of capital for the year ended December 31, 2021.

On September 7, 2021, the BOD of ACEC approved the redemption of various redeemable preferred shares amounting to \$400.00 million (₱19,507.79 million), of which are owned by ACEFIL, recognized as non-controlling interest.



In November 2021, pursuant to ACEN's acquisition of non-controlling interest in NorthWind (see Note 2), the NW Minorities have redeemed their NorthWind RPS held with redemption price of ₱47.51 million.

*Dividends*

On January 18, 2021, May 19, 2021, July 21, 2021 and October 27, 2021, the BOD of ACEC declared dividends to shareholders of its various redeemable preferred shares for a total of \$13.00 million (₱625.57 million), \$10.88 million (₱521.19 million), \$14.31 million (₱720.23 million) and \$5.52 million (₱280.12 million), respectively, as owned by ACEFIL.

On December 18, 2020, the BOD of ACEC declared dividends to shareholders of its various redeemable preferred shares for a total of \$38.03 million (₱1,827.94 million).

In 2021, the BOD of MSPDC approved three (3) declaration of cash dividends amounting to ₱15.00 million each, of which, ₱5.10 million was attributable to NCI. These were fully paid on March 6, 2021, June 28, 2021 and September 10, 2021.

In 2020, the BOD of MSPDC declared total cash dividends of ₱60.00 million, while the BOD of NorthWind declared cash dividends of ₱300.00 million. Both were fully paid in 2020.

Other Equity Reserves

	2021	2020 (As restated, Note 32)
Effect of common control business combinations (a)	<b>(₱53,276,727)</b>	₱31,004,460
Effect of purchase of SLTEC's 20.00% share (b)	<b>(2,229,587)</b>	(2,229,587)
Effect of purchase of NorthWind's 32.21% share (c)	<b>(723,974)</b>	-
Effect of purchase of MSPDC's 34.00% share (d)	<b>(261,728)</b>	-
Effect of purchase of ACEX shares	<b>(130,854)</b>	(130,854)
Effect of distribution of property dividends - ACEX shares	<b>1,107</b>	1,107
Other equity reserves from joint venture	<b>17,231</b>	17,231
	<b>(₱56,604,532)</b>	₱28,662,357

(a) This represents the impact of the share swap transactions with ACEIC to acquire the latter's ownership interest in various offshore and onshore entities in exchange for ACEN's issuance of additional primary shares via a tax-free exchange (see Notes 1 and 32).

Thru the share swap transaction, the Parent Company gains control of the 35% NCI in SLTEC.

(b) This represents the impact of the step business acquisition where ACEIC assigned to ACEN the purchase of the 20% interest in SLTEC thereby increasing ACEN's ownership in SLTEC to 65%.

(c) This represents the impact of the Group's acquisition of the 32.21% interest in NorthWind thereby making it a wholly-owned subsidiary (see Note2).

(d) This represents the impact of the Group's acquisition of the 34.00% interest in MSPDC thereby making it a wholly-owned subsidiary (see Note2).



## 22. Revenue from Sale of Electricity

The Group's revenue from different revenue streams are as follows:

	2021	2020 (As restated)	2019 (As restated)
Revenue from power supply contracts	<b>₱17,085,312</b>	₱13,612,505	₱13,217,501
Revenue from power generation and trading	<b>8,792,727</b>	6,670,798	2,879,048
	<b>₱25,878,039</b>	₱20,283,303	₱16,096,549

### Meralco Baseload PSA

On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of its baseload Power Supply Agreement (“PSA”). Under the PSA, ACEN will supply, at a fixed rate, 200 MW baseload capacity to MERALCO for ten (10) years from the issuance by the ERC of a provisional approval. Hearings were conducted on January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the baseload PSA between MERALCO and ACEN (the “PA Order”). Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor and not subject to any escalation rate.

On February 7, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate, application of the proposed escalation rate, and retroactive application of the rates.

On May 13, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration (“Order Granting the MR”). The ERC, in its Order Granting the MR, approved a rate of ₱4.2366/kWh at 100% plant capacity factor, allowed 60% of the approved rate to escalate in accordance with ACEN's escalation schedule, and allowed a retroactive recovery of approved rate from December 26, 2019, among others. The Parties have already agreed on the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱618.27 million (see Note 5).

### Meralco Mid-Merit PSA

On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of the mid-merit PSA. Under the PSA, ACEN will supply, at a fixed rate, 110 MW mid-merit capacity to MERALCO for five (5) years from the issuance by the ERC of a provisional approval. Hearings were conducted on December 3, 2019, January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the mid-merit PSA between MERALCO and ACEN. Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor.



On February 07, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate and retroactive application of the rates.

On June 1, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration. The ERC, in its Order Granting the MR, approved a rate of ₱4.8763/kWh at 60% plant capacity factor, and allowed a retroactive recovery of approved rate from January 30, 2020, among others. The parties have entered into an agreement for the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱158.50 million. As at April 29, 2021, the amount of ₱158.50 million has already been fully collected (see Note 5).

#### *FIT adjustment*

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020. The resolution was published in a newspaper of general circulation in the country on November 17, 2020.

The payment schedule which started in December 2020, follows a one billing month adjustment per payment date and billed sequentially starting for the January 2016 generation of 2015 entrants and onwards.

Renewable energy subsidiaries under the FIT system which include Guimaras Wind, MSEI, SACASOL, and NorthWind, accrued the retroactive net revenue adjustment amounting to ₱791.48 million. This will be recovered for a period of five (5) years.

NLR, a renewable energy producer and a joint venture through PhilWind, also accrued the retroactive net revenue adjustment amounting to ₱635.51 million.

On February 19, 2021, ERC clarified on its letter to National Transmission Corporation ("TransCo"), the Administrator of the FIT system, by specifying the timing and manner of billing the FIT Adjustment. Actual recovery of arrears shall be for a period of five (5) years. Billing for January 2016 generation period shall start in December 2020, and payment schedule shall start in January 2021, following the five-year recovery period. Moreover, pending the approval of the 2021 FIT-All rate and adjustment of FIT rates, the original approved FIT rates shall be used for the 2021 generation billing. Revenue in 2021 was based on 2020 approved FIT rates in the absence of the 2021 FIT rates. Currently, there's a moratorium on interest on the delayed payments. It is expected that the adjusted FIT rates applicable for 2021 will also be collected in arrears in accordance with the approval of the ERC.

#### Pre-termination fees

Revenues from power supply contract in 2020 include customer pre-termination fees amounting to ₱289.08 million, nil in 2021.



### 23. Costs of Sale of Electricity

	2021	2020 (As restated)	2019 (As restated)
Costs of purchased power	<b>₱12,505,904</b>	₱6,395,200	₱10,314,073
Fuel (Note 6)	<b>4,787,976</b>	3,070,817	2,655,407
Depreciation and amortization (Notes 13, 14 and 16)	<b>1,806,363</b>	1,737,839	981,824
Repairs and maintenance	<b>713,507</b>	671,619	538,944
Taxes and licenses	<b>482,929</b>	458,701	218,014
Salaries and directors' fees	<b>396,608</b>	313,639	171,918
Insurance	<b>392,496</b>	446,728	192,775
Contractor's fee	<b>153,965</b>	125,385	-
Transmission costs	<b>84,201</b>	38,879	63,317
Rent	<b>33,971</b>	23,334	13,611
Filing fees	<b>19,687</b>	17,398	1,337
Communication	<b>17,030</b>	14,789	-
Pension and other employee benefits (Note 28)	<b>15,087</b>	12,567	4,496
Transportation and travel	<b>10,397</b>	7,036	18
Others	<b>49,612</b>	86,607	146,796
	<b>₱21,469,733</b>	₱13,420,538	₱15,302,530

### 24. General and Administrative Expenses

	2021	2020 (As restated)	2019 (As restated)
Taxes and licenses	<b>₱752,485</b>	₱488,508	₱269,964
Management and professional fees	<b>712,720</b>	898,167	98,274
Salaries and directors' fees	<b>469,000</b>	588,812	182,874
Provision for impairment of property, plant and equipment (Notes 8 and 13)	<b>301,413</b>	382,038	-
Depreciation and amortization (Notes 13, 14 and 16)	<b>199,502</b>	72,904	55,921
Insurance, dues and subscriptions	<b>63,059</b>	22,366	14,455
Corporate social responsibilities	<b>45,273</b>	33,216	2,300
Building maintenance and repairs	<b>30,127</b>	33,554	13,647
Contractor's fee	<b>28,308</b>	14,201	5,220
Advertisements	<b>27,781</b>	4,932	2,782
Provision for probable losses on deferred exploration costs (Note 16)	<b>23,379</b>	-	34,493
Pension and other employee benefits (Note 28)	<b>21,512</b>	10,602	7,271
Transportation and travel	<b>17,258</b>	14,270	9,045
Rent	<b>13,111</b>	15,703	954

(Forward)



	2021	2020 (As restated)	2019 (As restated)
Utilities	₱7,489	₱4,951	₱-
Office supplies	5,450	4,408	8,201
Communication	5,215	12,298	5,223
Meeting and conferences	4,936	2,703	4,082
Provision for credit losses (Note 5)	873	-	12,059
Provision for impairment of investment in an associate (Note 9)	-	186,513	-
Incidental expenses	-	105,479	-
Provision for impairment of advances to contractors (Note 7)	-	49,884	-
Bank charges	-	-	57,922
Provision for inventory obsolescence (Note 6)	-	-	5,611
Provisions for claims and professional fees	-	-	5,000
Donation and contribution	-	-	2,652
Entertainment, amusement and recreation	-	-	777
Plug and abandonment	-	-	318
Others	56,658	72,156	28,934
	<b>₱2,785,549</b>	<b>₱3,017,665</b>	<b>₱827,980</b>

## 25. Interest and Other Finance Charges

	2021	2020 (As restated)	2019 (As restated)
Interest expense on:			
Long-term loans* (Note 19)	₱1,324,122	₱1,398,522	₱867,429
Lease obligations (Note 14)	164,416	171,097	57,215
Discount in accounts payable	72,533	68,591	-
Short-term loans (Note 19)	52,732	257,171	11,196
Amortization of debt issue cost (Note 19)	47,438	44,698	18,014
Other finance charges	33,139	48,007	8,986
	<b>₱1,694,380</b>	<b>₱1,988,086</b>	<b>₱962,840</b>

\*Net of accretion of interest expense of nil, ₱2.43 million, ₱1.82 million for the years ended December 31, 2021, 2020 and 2019, respectively, as an effect of amortization of embedded derivatives (see Note 19)





Discount in accounts payable pertains to the interest expense of ACEN's accounts payable to APHPC in relation to the 20% acquisition of SLTEC (see Note 18).

Other financing charges pertains to bank charges and interest expense on ARO Liability.

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**26. Other Income - Net**

	2021	2020 (As restated)	2019 (As restated)
Interest and other financial income	<b>₱4,376,158</b>	₱2,060,084	₱696,686
Foreign exchange gain (loss) - net	<b>420,811</b>	14,722	(338,955)
Guarantee fee income (Note 38)	<b>254,405</b>	105,304	8,119
Claims on insurance	<b>161,942</b>	260,385	236,306
Reversal of allowance for impairment of property, plant and equipment (Note 13)	<b>90,008</b>	933	-
Tax credits on real property taxes	<b>69,154</b>	-	-
Gain (loss) on derivatives - net (Note 7)	<b>41,802</b>	(3,414)	(6,850)
Gain on divestment of an associate (Note 9)	<b>37,635</b>	-	-
Gain on sale of inventories and by-product	<b>24,733</b>	15,354	12,765
Gain on reversal of impairment of advances to contractors (Note 7)	<b>22,447</b>	-	-
Gain on deconsolidation (Note 9)	<b>21,808</b>	-	-
Gain (loss) on sale of property, plant and equipment (Note 13)	<b>1,095</b>	(4,280)	294,725
Gain on sale of investments (Note 11)	-	867,067	1,375
Advisory fees	-	121,685	-
Gain on bargain purchase (Note 31)	-	49,970	-
Reversal of allowance for credit losses (Note 5)	-	32	-
Discount on long-term receivable (Note 17)	-	(18,611)	-
Gain on sale of noncurrent assets held for sale (Note 8)	-	-	14,289
Others	<b>201,642</b>	82,658	29,324
	<b>₱5,723,640</b>	₱3,551,889	₱947,784



Interest and Other Financial Income

Interest and other financial income arise from cash in banks and short-term deposits, investments in redeemable preferred shares of associates and joint ventures, and from debt replacement and development loans and advances extended to associates and joint ventures.

The details of interest and other financial income are as follows:

	2021	2020 (As restated)	2019 (As restated)
Interest income on:			
Cash in banks and short-term deposits (see Note 4)	<b>₱129,553</b>	₱253,968	₱228,148
Receivables and others (Notes 5 and 29)	<b>1,947,792</b>	711,416	47,244
Investment income (Note 10)	<b>2,298,813</b>	1,094,700	390,452
Net gains on financial assets at FVTPL	-	-	30,842
	<b>₱4,376,158</b>	₱2,060,084	₱696,686

Guarantee fee income arise from guarantee recoveries billed to affiliates (see Note 38).

Claims on insurance includes claim for business interruptions due to temporary shutdown of the powerplant, as covered by an industrial all-risk (IAR) insurance covering both property damage/repair (PD) and loss of profits due to business interruption (BI). The account also includes property damage claims from the Parent Company, Gigasol3 and NorthWind.

Tax credits on real property taxes were granted to ISLASOL by its local government unit for its machineries and buildings in La Carlota, Negros Occidental in 2021.

Gain (loss) on settlement of derivatives pertain to maturities of foreign exchange forward contracts entered by ACEN with various banks and settlement of coal hedge contracts (see Notes 7,18 and 34).

Gain on sale of by-product includes the gain on sale of fly-ash which is a by-product from coal of SLTEC. It also includes the gain on sale of scrap from the Parent Company and One Subic Power.

Advisory fees pertain to Macquarie's payment to the Parent Company when it availed a services agreement that facilitated the PINAI investment with ISLASOL, SACASOL, and PhilWind acquisitions.

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**27. Income Taxes**

a. Current income tax pertains to the following:

	2021	2020 (As restated)	2019 (As restated)
RCIT	<b>₱271,134</b>	₱319,876	₱161,027
MCIT	<b>26,555</b>	84,177	337
	<b>₱297,689</b>	₱404,053	₱161,364



- b. The components of the Group's net deferred income tax assets (liabilities) as at December 31 are as follows:

*Net deferred tax assets*

	2021	2020 (As restated)
<b>Income tax reported in consolidated statement of income</b>		
Deferred income tax assets:		
Lease liability	P460,512	P579,598
Accrued expenses	142,568	72,845
MCIT	88,800	13,102
NOLCO	88,062	63,170
Allowance for doubtful accounts and credit losses	31,333	36,356
Deferred revenue	28,107	31,400
Pension and other employee benefits	19,549	20,046
Unrealized forex loss	18,390	157
Allowance for probable losses on deferred exploration costs	11,372	13,646
Unamortized discount on long-term receivable	10,497	991
Allowance for impairment on property and equipment	3,814	69,458
Asset retirement obligation	3,396	20,764
Unamortized past service cost	2,664	6,273
Allowance for inventory obsolescence	1,741	146
Impairment of Input VAT	536	536
Others	4,361	97
	<b>915,702</b>	<b>928,585</b>
Deferred income tax liabilities:		
Right-of-use assets	319,241	352,842
Unrealized foreign exchange gain 408	16,674	97,799
Accrual of bonus	57,824	-
Unamortized debt issue costs	14,576	18,608
Unamortized interest cost on payable to APHPC	52	21,822
Accrual of trading revenues	-	848
Unrealized fair value gains on FVTPL	-	18
Others	186	-
	<b>408,553</b>	<b>491,937</b>
	<b>507,149</b>	<b>436,648</b>
<b>Income tax reported in consolidated statement of other comprehensive income</b>		
<i>Deferred tax asset:</i>		
Remeasurement loss on defined benefit obligation	5,134	3,242
Derivative liability on forward contracts	83	990
Unrealized fair value losses on financial assets at FVOCI	-	77
	<b>5,217</b>	<b>4,309</b>

(Forward)



	2021	2020 (As restated)
<i>Deferred tax liabilities -</i>		
Derivative asset on hedging	P-	P24,604
	-	24,604
	<b>5,217</b>	<b>(20,295)</b>
<b>Total deferred income tax assets - net</b>	<b>P512,366</b>	<b>P416,353</b>

Net deferred tax liabilities

	2021	2020 (As restated)
<b>Income tax reported in consolidated statement of income</b>		
Deferred income tax assets:		
Lease liability	P96,391	P30,889
Allowance for credit losses	181	8,872
Unrealized forex loss	17	449
Pension and other employee benefits	13	723
Fair value adjustments	-	92,025
Accrued expenses	-	2,440
Excess of cost over fair value of power plant	-	2,421
Inventory obsolescence	-	258
Others	13,092	631
	<b>109,694</b>	<b>138,708</b>
Deferred income tax liabilities:		
Right-of-use asset	169,626	133,690
Excess of fair value over cost of power plant	-	67,748
Unamortized capitalized borrowing costs	-	12,242
Unearned revenues	-	1,387
Unrealized forex gain	144	3,234
Others	14,346	3,904
	<b>184,116</b>	<b>222,205</b>
	<b>(74,422)</b>	<b>(83,497)</b>
<b>Income tax reported in consolidated statement of other comprehensive income</b>		
Unrealized fair value gains on FVOCI	-	(47,484)
<b>Total deferred income tax liabilities - net</b>	<b>(P74,422)</b>	<b>(P130,981)</b>

The Group's temporary differences and unused NOLCO for which no deferred income tax assets were recognized in the consolidated statement of financial position are as follows:

	2021	2020
Allowance for impairment loss on property and equipment	P3,969,107	P3,969,107
NOLCO	743,590	453,578
Accrued expenses	138,568	138,568
Allowance for probable losses	18,469	18,469
Allowance for credit losses	20,000	20,000
Excess MCIT	29,580	3,180
Forex loss	3,281	3,281



As at December 31, 2021 and 2020, aside from the recognition of deferred tax asset (DTA) from NOLCO amounting to ₱88.06 million and ₱63.17 million, respectively, DTAs on various deductible temporary differences and unused NOLCO have not been recognized as management believes it is not probable that sufficient future taxable income will be available against which the related deferred income tax assets can be used.

Temporary differences on asset retirement cost and PFRS 16 adoption are expected to reverse during the income tax holiday period of ISLASOL, SACASOL, and MONTESOL.

As at December 31, 2021 and 2020, NOLCO totaling ₱1,095.84 million and ₱664.15 million, respectively, can be claimed as deduction from regular taxable income and MCIT amounting to ₱3.19 million and ₱3.18 million, respectively, can be credited against future RCIT. The movement in NOLCO and MCIT is shown in the tables below:

Year	NOLCO					Expiry Date
	Beginning	Additions	Application	Expiration	Ending	
2016 <sup>(a)</sup>	₱129,030	₱116,549	(₱17,644)	(₱51,259)	₱176,676	2023
2017	176,676	470,941	–	(48,077)	599,540	2020
2018	599,540	1,449,379	–	(16,177)	2,032,742	2021
2019	2,032,742	1,080,806	–	(9,691)	3,103,857	2022
2020 <sup>(b)</sup>	3,103,857	620,811	(2,589,582)	(470,941)	664,145	2025
2021 <sup>(b)</sup>	664,145	431,693	–	–	1,095,838	2026

*(a) NOLCO from renewable entities which can be carried over for the next 7 consecutive taxable years per RE Act of 2008*

*(b) RR-15-20 Bayanihan Act 2: NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five(5) consecutive years*

Year	MCIT					Expiry Date
	Beginning	Additions	Application	Expiration	Ending	
2018	₱9,559	₱–	(₱20)	₱–	₱9,539	2021
2019	9,539	748	–	(351)	9,936	2022
2020	9,936	2,648	(8,325)	(1,079)	3,180	2023
2021	3,180	26,400	–	–	29,580	2024

The reconciliation between the effective income tax rates and the statutory income tax rates follows:

	2021	2020 (As restated)	2019 (As restated)
Applicable statutory income tax rates	25.00%	30.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Nondeductible expenses	4.33	0.88	2.21
Income of foreign subsidiary exempt from tax	(14.83)	(8.72)	(24.16)
Equity in net loss (income) of associates and joint ventures	(6.28)	(5.80)	(6.62)
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized and others	(3.71)	(5.32)	(0.75)
Net loss (income) under tax holiday	(1.52)	(0.65)	(3.71)
Impact of CREATE on effective tax rates	(0.75)	–	–

*(Forward)*



	2021	2020 (As restated)	2019 (As restated)
Financial income subject to final tax	<b>(0.39)</b>	(0.51)	(4.62)
Dividend income exempt from tax	<b>(0.04)</b>	–	(0.61)
<b>Effective income tax rates</b>	<b>1.82%</b>	9.88%	(8.26%)

- c. R.A. No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted.

The TRAIN changes the existing tax law and includes several provisions that generally affected businesses on a prospective basis. In particular, management assessed that amendment of Section 148 - Excise tax on manufactured oil and other fuels - which increases the excise tax rates of lubricating oil, diesel fuel oil and bunker fuel oil, among others that are used for the power plants, may have material impact to the operations of the Group. Management has considered the impact of TRAIN in managing the operation hours of its power plants.

- d. On April 8, 2019, SLTEC submitted to the Board of Investments (BOI) an Application for Extension of Income Tax Holiday of Unit 1. The period applied for extension is from April 24, 2019 to April 23, 2020. SLTEC used the cost of indigenous raw (local coal) criterion wherein the ratio of indigenous raw materials to total raw materials used should not be lower than fifty percent (50%).

On August 13, 2019, the BOI approved the extension, subject to the following conditions:

1. At the time of the actual availment of the ITH bonus year incentive, the derived ratio of the cost of indigenous raw materials shall be at least 50% of the raw materials cost wherein SLTEC complied with a ratio of 75:25; and
  2. SLTEC undertake Corporate Social Responsibilities (CSR) activities which shall be completed on the actual availment of the bonus year. The CSR activity shall be aligned with the priority programs/projects of the National Anti-Poverty Commission and/or other special laws such as R.A. 7942 or the Mining ACT and DOE Energy Regulation 1-94. Failure to complete the CSR activity shall mean forfeiture of the approved ITH bonus year. SLTEC undertook the required CSR activities in 2019.
- e. Guimaras Wind is a duly registered renewable energy developer under Renewable Energy (RE) Act of 2008, It is entitled to income tax holiday (ITH) for the first seven years of its commercial operations on all its registered activities starting 2015. Under the RE Act, Guimaras Wind can avail a corporate tax rate of 10% after the ITH period. Since Guimaras Wind will avail the 10% after the ITH, the deferred tax asset expected to be reversed after the ITH period were set up at 10%.
- f. ISLASOL is duly registered with the provisions of the Omnibus Investments Code of 1987 last March 29, 2017 which entitled the ISLASOL the incentive to avail ITH for seven years from March 2016, date of actual commercial operation under the administration of BOI. After 7 years of ITH, ISLASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.
- g. SACASOL is duly registered in accordance with the provisions of the Omnibus Investments Code of 1987 last April 7, 2016 which entitled the SACASOL the incentive to avail ITH for seven years from May 2014, date of actual commercial operations under administration of BOI.



After 7 years of ITH, SACASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

- h. MONTESOL is duly registered in accordance with the provisions of the Omnibus Investments Code of 1987 last October 15, 2015 which entitled the MONTESOL the incentive to avail ITH for seven years from March 2016, date of actual commercial operations under administration of BOI. After 7 years of ITH, SACASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

Applying the provisions of the CREATE Act, the Parent Company and certain subsidiaries of the Group were subjected to either a lower regular corporate income tax rate of 25% or a minimum corporate income tax rate of 1% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated RCIT and MCIT rates of the Group for CY2020 are 27.5% and 1.5%, respectively. This resulted in reduction of provision for current income tax by ₱32.96 million and of provision for deferred income tax by ₱25.36 million for the year ended December 31, 2020. These adjustments were recognized in the 2021 consolidated statement of income.

## 28. Pension and Other Employee Benefits

The Group has a funded, noncontributory defined benefit retirement plan covering all of its regular and full-time employees. The fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan. The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.

Pension and other employee benefits consist of:

	2021	2020
Pension liability	₱67,542	₱38,587
Vacation and sick leave accrual	14,912	14,183
	<b>82,454</b>	52,770
Less: current portion of vacation and sick leave accrual*	2,032	1,841
	<b>₱80,422</b>	₱50,929

\*Included in "Accrued expenses" under "Accounts payable and other current liabilities".

Pension and vacation and sick leave accrual included as part of pension and other employee benefits under "Cost of sale of electricity" and "General and administrative expenses" accounts in the consolidated statement of income, consist of the following:

	2021	2020	2019
Pension expense	₱30,274	₱21,360	₱19,160
Vacation and sick leave accrual (reversal)	6,325	1,809	(7,393)
	<b>₱36,599</b>	₱23,169	₱11,767



Net Defined Benefit Liability

Changes in net defined benefit liability of funded plan in 2021 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
As at January 1, 2021	<b>₱136,828</b>	<b>₱98,241</b>	<b>₱38,587</b>
Net transferred obligation	(170)	–	(170)
Pension expense in consolidated statement of income:			
Current service cost	73,717	–	73,717
Net interest	4,033	1,660	2,373
Past service cost and other adjustments	(7,003)	–	(7,003)
	<b>70,577</b>	<b>1,660</b>	<b>68,917</b>
Remeasurements in OCI:			
Experience adjustments	(2,210)	–	(2,210)
Actuarial changes arising from changes in financial assumptions	(21,817)	–	(21,817)
Return on plan assets (excluding amount included in net interest)	–	(6,590)	6,590
	<b>(24,027)</b>	<b>(6,590)</b>	<b>(17,437)</b>
Benefits paid	(9,172)	(4,049)	(5,123)
Contributions	–	17,402	(17,402)
As at December 31, 2021	<b>₱174,206</b>	<b>₱106,664</b>	<b>₱67,542</b>

Changes in net defined benefit liability of funded plan in 2020, as restated, are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
As at January 1, 2020	₱161,226	₱106,022	₱55,204
Pension expense in consolidated statement of income:			
Current service cost	18,947	–	18,947
Net interest	2,340	3,260	(920)
Settlement loss	3,333	–	3,333
	<b>24,620</b>	<b>3,260</b>	<b>21,360</b>
Remeasurements in OCI:			
Experience adjustments*	2,373	–	2,373
Changes in demographic assumption	(617)	–	(617)

(Forward)





	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Actuarial changes arising from changes in financial assumptions	(₱11,125)	₱-	(₱11,125)
Return on plan assets (excluding amount included in net interest)	-	(9,419)	9,419
	(9,369)	(9,419)	50
Benefits paid	(39,649)	(18,886)	(20,763)
Contributions	-	17,264	(17,264)
<b>As at December 31, 2020</b>	<b>₱136,828</b>	<b>₱98,241</b>	<b>₱38,587</b>

*\*Includes the current service cost of new hires amounting to ₱403,965, ₱77,572, and ₱52,403 from Bulacan Power, One Subic Power, and CIPP, respectively, as at December 31, 2020.*

The fair value of plan assets by each class as at December 31 follows:

	2021	2020
Investments	<b>₱106,693</b>	₱98,320
Receivables	<b>35</b>	-
Cash and cash equivalents	<b>1</b>	81
Liabilities	<b>(65)</b>	(160)
	<b>₱106,664</b>	₱98,241

Investments are diversified in government securities, mutual funds and UITFs that can be readily sold or redeemed and are assessed not to pose any concentration risk.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2021	2020
Discount rate	<b>5.11%</b>	4.63%
Salary increase rate	<b>5.25%</b>	5.14%

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



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

		2021		2020	
		Increase (Decrease) in Pension Liability		Increase (Decrease) in Pension Liability	
Discount rate	(Actual + 1.00%)	<b>6.11%</b>	<b>(P15,084)</b>	5.63%	(P11,613)
	(Actual – 1.00%)	<b>4.11%</b>	<b>20,491</b>	3.63%	13,806
Salary increase rate	(Actual + 1.00%)	<b>6.25%</b>	<b>P21,090</b>	6.14%	P14,335
	(Actual – 1.00%)	<b>4.25%</b>	<b>(15,889)</b>	4.14%	(12,291)

Management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The Group expects to contribute P35.39 million to the defined benefit pension plan in 2022.

There are no minimum funding standards in the Philippines.

The following table sets forth the expected future settlements by Plan of maturing defined benefit obligation as at December 31:

	2021	2020
Less than one year	<b>P29,393</b>	P15,578
More than one year to five years	<b>61,236</b>	63,575
More than five years to 10 years	<b>130,258</b>	64,341
More than 10 years to 15 years	<b>188,780</b>	96,482
More than 15 years to 20 years	<b>257,344</b>	127,815
More than 20 years	<b>861,992</b>	442,407

As at December 31, 2021 and 2020, the average duration of the expected benefit payments at the end of the reporting period ranges from 18.11 to 24.26 years and 16.30 to 25.08 years, respectively.

#### Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense (income) recognized in the consolidated statement of income and the amounts recognized in the consolidated statement of financial position.

	2021	2020	2019
Current service costs	<b>P5,639</b>	P4,114	P4,445
Interest costs	<b>636</b>	485	1,696
Actuarial loss (gain)	<b>50</b>	(2,790)	(13,534)
	<b>P6,325</b>	P1,809	P7,393



Changes in present value of the vacation and sick leave obligation are as follows:

	2021	2020
Balance at the beginning of year	₱14,183	₱22,734
Current service cost	5,639	4,114
Net interest	636	485
Actuarial gain	50	(2,790)
Benefits paid	(5,596)	(10,360)
Balance at the end of year	<b>₱14,912</b>	<b>₱14,183</b>

## 29. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

In the ordinary course of business, the Group transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. Outstanding balances at period-end are unsecured and are to be settled in cash throughout the financial year.

ACEN served as the guarantor for the US\$400.00 million senior undated fixed-for-life (non-deferrable) Notes with a fixed coupon of 4.00% for life, with no step-up and no reset, priced at par, issued by ACEN Finance on September 8, 2021, under its medium-term note (MTN) Programme. Proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN's Green Bond Framework (see Note 19).

The transactions and balances of accounts as at and for the year ended December 31, 2021 and 2020 with related parties are as follows:

### a. Transaction with ACEIC, the Parent Company

Nature	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
Development loans	₱-	₱-	₱-	₱9,596,286	₱-	Interest bearing, unsecured
Interest income / receivable	142,152	-	-	144,621	-	30-day, non-interest bearing
Management fee income	34,785	387,138	-	26,196	14,890	30-day, non-interest bearing
Management fees (expense)	456,026	462,602	38,664	(132,893)	(305,350)	30-day, non-interest bearing
SAP IT support services	-	8,744	-	-	(7,530)	30-day, non-interest bearing
Lease assignment	-	50,767	-	-	(50,666)	30-day, non-interest bearing
Due from related parties	-	-	-	110,373	110,373	Due and demandable
Due to related parties	-	6,809	-	-	(6,809)	Due and demandable

### Management Fees

The Parent Company and its subsidiaries Bulacan Power, CIPP and Guimaras Wind have management contracts with PHINMA, Inc. These Management Contracts were assigned to ACEIC on June 25, 2019 through the executed Deed of Assignment.



*Loans Receivable*

On May 14, 2021, ACEN and ACEIC entered into an uncommitted interest-bearing short-term loan facility. The interest-bearing loan has a total facility of US\$265.00 million and bears an interest rate equivalent to the sum of (a) applicable average 5-day USD 1-year LIBOR rate immediately prior to the actual drawing; and (b) 2.00% - 2.25%. The principal and interest are payable within one year from the drawdown date. First drawdown was made on May 17, 2021.

Total drawdowns amounted to US\$189.00 million (₱9,060.20 million) in 2021.

As at and for the year ending December 31, 2021, outstanding receivable from ACEIC is US\$189.00 million (₱9,596.28 million) while interest income amounted to US\$2.8million (₱144.62 million).

b. Development and Debt Replacement Loans Receivables

Nature	Related Party	Outstanding Balance		Terms
		2021	2020	
Development Loans				
	Greencore	<b>₱212,292</b>	₱-	Interest bearing, unsecured
	The Blue Circle (TBC)	<b>658,437</b>	467,775	Due on 2022, interest bearing
	UPC-AC Energy Solar Limited (UPC-ACE Solar)	<b>1,015,480</b>	744,558	Due on 2023, interest bearing
	Yoma Strategic Investments Ltd (Yoma)	<b>1,219,173</b>	1,153,683	Due on 2022, interest bearing
	UPC Renewables Australia Pty. Ltd.	-	1,092,894	Due on 2021, interest bearing
Debt Replacement Loans				
	Greencore	<b>2,078,400</b>	-	Interest bearing, unsecured
	BIM Wind Joint Stock Company (BIM Wind)	<b>4,325,183</b>	864,648	10 years, interest bearing
	BIMRE	<b>1,914,180</b>	1,666,849	12 months, interest bearing
	Asian Wind 1	<b>2,883,963</b>	2,728,445	Due on 2022, interest bearing
	VWEL	<b>3,637,879</b>	1,026,754	Due on 2022, interest bearing
	Asian Wind 2	<b>2,414,151</b>	996,603	25 years, interest bearing

*Receivables from Greencore (Joint venture)*

On February 4, 2021, ACEN signed an Omnibus Agreement with Greencore, ACE Endeavor and CSEC for the financing of the PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the “Solar Project”).

Under the Omnibus Agreement, ACEN will be extending a term loan facility to Greencore in the amount of up to ₱2.675 billion to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start up, testing, delivery, ownership, operation and maintenance of the power plant, which is expected to be operational in November 2021. The loan will be secured by (1) a real estate mortgage over Greencore’s real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of Greencore in favor of ACEN, and (3) the cashflows of the project.

*Receivables from TBC (Associate)*

In 2018, the Group and TBC entered into an interest-bearing loan agreement to fund the development costs for the pipeline projects of TBC. The development loan facility granted to TBC on April 26, 2018 with an initial aggregate principal amount of up to \$10 million which was further extended to \$20 million in February 2019. The loan receivable from an associate is a non-trade, interest-bearing loan, repayable in cash upon maturity on June 30, 2022.

Total drawdowns amounted to US\$3.2 million (₱162.48 million) in 2021 while principal payments totaling US\$12.14 million (₱583.14 million) were made in 2020.



*Receivables from UPC-ACE Solar (Joint venture)*

In 2019, the Group and UPC-ACE Solar entered into an interest-bearing loan agreement to fund the development and construction of renewable energy assets in Asia. The interest-bearing loan has a total facility of US\$20.00 million and bears an annual fixed interest. The principal and the related interest are payable on January 31, 2023.

Total drawdowns and principal payments made in 2021 and 2020 amounted to US\$13.3 million (₱679.29 million) and US\$8.80 million (₱306.29 million), respectively.

As at December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 20.00 million (₱1,015 million) and US\$15.50 million (₱744.56 million), respectively.

*Receivables from Yoma (Affiliate)*

In 2019, the Group and Yoma, signed a term sheet, which includes an interest-bearing loan for the development of Yoma Micro Power. The interest-bearing loan has a total facility of US\$25.00 million and bears an annual fixed interest and payable upon maturity. The loan is covered by a Guarantee Agreement between the Group (as "Lender") and Yoma (as "Guarantor"). The Guarantee Agreement stands as security for the prompt and complete payment, where the Guarantor irrevocably and unconditionally undertake that in case of default, the Guarantor shall pay the Lender the guaranteed obligations as if the Guarantor instead of the Borrower were expressed to be the principal obligor without any further proof or condition and without any investigation or enquiry. The loan is repayable upon maturity on June 30, 2022.

As at December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$24.01 million (₱1,219.17 million) and US\$24.02 million (₱1,153.63 million), respectively.

*Receivables from UPC Renewables Australia Pty. Ltd. (Joint venture)*

On December 9, 2020, the Group entered into a loan facility agreement with UPC Renewables Australia Pty for the implementation of the borrower's business plans amounting to US\$20.96 million. The principal and interests were paid during the year.

As at December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to nil and US\$22.75 million (₱1,092.89 million), respectively.

*Receivables from BIMRE (Joint venture)*

In 2020, the Group and BIMRE entered into an interest-bearing loan agreement to partially fund the construction of the incremental project expansion. The interest-bearing loan has a total facility of US\$40.00 million, bears an annual fixed interest and is payable 12 months from the drawdown date. First drawdown was made on June 9, 2020.

On January 4, 2021, the Group made another drawdown amounting to US\$3.00 million (₱144.06 million).

As at December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$37.70 million (₱1,921.15 million) and US\$34.70 million (₱1,666.85 million), respectively.



*Receivables from Asian Wind I (Joint venture)*

In 2020, the Group and Asian Wind 1 entered into an interest-bearing loan agreement to refinance the Preferred B Facility Agreement and to provide additional funding for the development, financing and construction of the Dai Phong Project. The interest-bearing loan has a total facility of US\$61.00 million and bears an annual fixed rate and payable 12 months from the commissioning date. On December 29, 2021, the debt replacement facility maturity date was amended to June 30, 2022. For this loan agreement, drawdown was made on May 20, 2020.

As at December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$56.80 million (₱2,883.96 million) and US\$56.80 million (₱2,728.45 million), respectively.

*Receivables from Vietnam Wind Energy Limited (Joint venture)*

In 2020, the Group and Vietnam Wind Energy entered into an interest-bearing loan facility to provide bridge financing and to partially fund the construction of the Soc Trang Wind projects. The interest bearing loan has a total facility of US\$19.00 million and bears an annual fixed rate payable from the first utilization date. The loan is repayable on earlier of June 30, 2021 or 5 days from issuance of certificate of registration for Debt Replacement from State Bank of Vietnam. On June 25, 2021, the facility agreement was amended to increase the aggregate principal amount to \$86.0 million and extend maturity date to December 31, 2021. On December 31, 2021, the loan facility was further amended to increase the principal aggregate amount to \$89.0 million and extend the maturity date to June 30, 2022.

Total drawdowns for the year ended December 31, 2021 amounted to US\$50.27 million (₱2,552.60 million).

As at December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 71.64 million (₱3,637.88 million) and US\$21.37 million (₱1,026.75 million), respectively.

*Receivables from Asian Wind 2 (Joint venture)*

On April 14, 2020, the Group entered into an interest-bearing loan agreement with Asian Wind Power 2 HK to make available a Preferred B Facility in an aggregated amount not exceeding US\$54.00 million (₱2,617.00 million) to finance the development and construction of Hong Phong 1 Project. The principal and interest are payable on earlier of 5 business days from the date of drawdown of Debt Replacement facility or 25th anniversary of drawdown date. First drawdown was made on September 8, 2020.

Total drawdowns made for the year ended December 31, 2021 amounted to US\$26.80 million (₱1,360.74 million).

As at December 31, 2021 and 2020, outstanding balance of the interest-bearing loan amounted to US\$ 44.85 million (₱2,285.36 million) and US\$20.75 million (₱996.60 million), respectively. Interest income amounted to US\$ 3.21 million (₱157.35 million), US\$ 3.21 million (₱157.35 million) and US\$ 0.03 million (₱1.39 million) in 2021, 2020 and 2019, respectively.



c. Interest Income and Receivable

Accrued interest income relates primarily to the dividend yields from the Group's investments in the redeemable preference shares and interest from loans extended to its related parties.

Related Party	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
AAR	<b>₱579,614</b>	₱224,102	₱107,860	<b>₱596,277</b>	₱127,869	30-day, non-interest bearing
AWP1	<b>379,669</b>	145,554	128,330	<b>363,006</b>	333,178	30-day, non-interest bearing
AWP2	<b>367,250</b>	83,383	–	<b>479,550</b>	96,767	30-day, non-interest bearing
BIMEH	<b>27,414</b>	26,713	14,160	<b>2,488</b>	40,852	30-day, non-interest bearing
BIMRE	<b>342,646</b>	132,037	112,550	<b>208,096</b>	55,768	30-day, non-interest bearing
BIM Wind	<b>308,590</b>	–	–	<b>140,212</b>	1,919	30-day, non-interest bearing
TBC	<b>56,572</b>	58,110	72,450	<b>74,101</b>	19,725	30-day, non-interest bearing
UPC Asia III	<b>201,669</b>	200,789	4,640	<b>55,789</b>	137,062	30-day, non-interest bearing
UPC ACE Solar	<b>205,636</b>	59,495	19,290	<b>276,126</b>	65,336	30-day, non-interest bearing
UPC-AC Energy Australia (HK) Ltd.	<b>600,597</b>	93,941	–	<b>494,156</b>	93,886	30-day, non-interest bearing
VWEL	<b>549,197</b>	138,140	–	<b>733,811</b>	160,412	30-day, non-interest bearing
Yoma	<b>48,324</b>	33,757	3,710	<b>84,490</b>	33,737	30-day, non-interest bearing
Greencore	<b>57,387</b>	–	–	<b>53,766</b>	–	30-day, non-interest bearing
	<b>3,724,565</b>	1,196,021	462,990	<b>3,561,868</b>	1,166,511	

Loan receivables from related parties bear interest ranging from 2.65% to 12.00% per annum.

d. Loans Payable

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
<b>Bank of the Philippines Island</b>						
Interest Expense/Interest Payable	<b>₱115,256</b>	₱–	₱–	<b>(₱9,533)</b>	(₱146,196)	30 days, unsecured
Long-term loans (Note 19)	–	–	–	<b>(2,079,133)</b>	(2,233,530)	12 years, interest bearing
<b>UPC Holdco II</b>						
Interest Expense/Interest Payable	–	15,308	–	–	(61,341)	30 days, unsecured
Long-term loans (Note 19)	–	–	–	–	(135,383)	5 years, interest bearing
	–	–	–	–	–	

e. Right of Use Assets / Lease Liabilities

The Group entered into lease agreements with Ayala Land, Inc, (ALI) and Fort Bonifacio Development Corporation (FBDC), affiliates, for the use of its office unit and parking spaces.

	Amortization / Interest Expense			ROU (Lease Liabilities)		Terms
	2021	2020	2019	2021	2020	
<b>ALI</b>						
Right of use Assets (Note 14)	<b>₱93,899</b>	₱13,998	₱3,645	<b>₱930,453</b>	₱21,617	10 years , unsecured
Lease Liabilities (Note 14)	<b>38,847</b>	1,270	454	<b>(990,107)</b>	(25,834)	10 years , unsecured
<b>FBDC</b>						
Right of use Assets (Note 14)	<b>9,227</b>	–	–	<b>11,500</b>	–	3 years , unsecured
Lease Liabilities (Note 14)	<b>435</b>	–	–	<b>(9,771)</b>	–	3 years , unsecured



f. Other Related Party Transactions

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
Management fee income	<b>₱53,160</b>	₱35,290	₱-	<b>₱25,860</b>	₱14,499	30-days, unsecured
Rental income	<b>16,737</b>	3,376	-	<b>1,674</b>	563	30-days, unsecured
Cost of sale of electricity	<b>472,004</b>	116,378	758,974	<b>(94,110)</b>	(128,447)	30-days, unsecured
Due from related parties	3,465	-	-	<b>168,386</b>	70,556	On demand, Unsecured
Due to related parties	-	-	-	<b>(596,079)</b>	(155,683)	On demand, Unsecured

Management fee income pertains to service fees billed by the Group to its related parties under common control and joint venture & associates for providing a full range of business process outsourcing services, such as, but not limited to, financial and general accounting/ bookkeeping services, human resources management, manpower related services and other related functions.

Rental income pertains to revenue from sublease agreement with Ingrid.

The Parent Company purchases the entire net electricity output of MGI.

The amount due from a related company pertains mostly from advances including those for project development or reimbursement of expenses. These are non-trade, interest-free, repayable on demand and to be settled in cash.

The amount due to a related parties pertains to advances, including those for development cost, utilities expense, professional services and other miscellaneous expenses. These are non-trade, interest-free, repayable on demand and to be settled in cash.

g. Receivables from Employees and Officers

Receivables from officers and employees amounting to ₱78.36 million and ₱16.60 million as at December 31, 2021 and 2020, respectively, pertain to housing, car, salary and other loans granted to Group's officers and employees.

h. Payable to Directors and Stockholders

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2021	2020	2019	2021	2020	
<b>Accrued director's and annual incentives (Note 18)</b>						
Directors' fee and annual incentives	<b>₱23,352</b>	₱30,574	₱8,993	<b>(₱23,352)</b>	(₱30,574)	On demand, Unsecured
<b>Due to stockholders (Note 33)</b>						
Cash dividends	<b>1,197</b>	547	89,718	<b>(16,585)</b>	(18,272)	On demand, Unsecured





i. Compensation of key management personnel

Compensation of key management personnel of the Group are as follows:

	2021	2020	2019
Short-term employee benefits	₱64,215	₱46,195	₱47,943
Post-employment benefits	2,691	2,532	4,405
	<b>₱66,906</b>	<b>₱48,727</b>	<b>₱52,348</b>

Identification, Review and Approval of Related Party Transactions

All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Group with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50.00 million or five percent (5%) of the Group's total consolidated assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

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**30. Earnings Per Share**

Basic and diluted EPS are computed as follows:

	2021	2020 (As restated)	2019 (As restated)
	(In Thousands, Except for Number of Shares and Per Share Amounts)		
(a) Net income (loss) attributable to equity holders of Parent Company	<b>₱5,250,972</b>	₱4,288,102	₱704,764
Common shares outstanding at beginning of year (Note 21)	<b>13,692,457,210</b>	7,521,774,922	4,889,774,922
Weighted average number of:			
Shares issued during the year	<b>15,719,838,696</b>	3,244,685,790	1,316,000,000
Shares buyback during the year	-	(10,428,664)	-
(b) Weighted average common shares outstanding	<b>29,412,295,906</b>	10,756,032,048	6,205,774,922
Basic/Diluted earnings (loss) per share (a/b)	<b>₱0.18</b>	₱0.40	₱0.11

On June 22, 2020, upon the SEC's approval of increase in ACS from 8.4 billion to 24.4 billion, 6,185,182,288 shares of ACEN were issued to ACEIC through the onshore share swap transaction.

On June 7, 2021, upon the SEC's approval of increase in ACS from 24.4 billion to 48.4 billion shares, 16,685,800,533 shares of ACEN were issued to ACEIC through the offshore share swap transaction (see Notes 1, 4 and 21).



The SRO enabled the then minority shareholders to increase their shareholdings on account of the dilution of their existing share ownership as a result of the ACEIC onshore share swap transaction (see Note 1 and 32).

For the years ended December 31, 2021 and 2020, the Parent Company does not have any material potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings per share is the same as basic earnings per share for the year ended December 31, 2021 and 2020.

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### 31. Business Combinations and Asset Acquisitions

#### 2020 Acquisitions

##### *Step acquisition of SACASOL*

On December 2, 2019, ACEN signed a share purchase agreement with the PINAI Investors, for the acquisition of PINAI's ownership interest in SACASOL.

On February 13, 2020, the PCC ruled that ACEN's acquisition of the PINAI Investors' ownership interest in SACASOL "will not likely result in substantial lessening of competition" and resolved "to take no further action with respect to the proposed Transaction..."

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in SACASOL and payment of the purchase price in the amount of ₱2,981.86 million by Giga Ace 2, Inc. ("Giga Ace 2") were completed. Giga Ace 2 is ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in SACASOL.

Subsequently, the purchase price was adjusted to ₱3,088.11 million based on the provisions of the share purchase agreement. ACEN now owns 100% of equity interest in SACASOL.

The transaction was accounted for using the acquisition method under PFRS 3. The fair values of the identifiable feed-in-tariff ("FIT") contract as intangible asset and property, plant and equipment were determined using the income approach. The fair value measurements are classified as level 3 for both with observable indirect level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

ACEN remeasured its previously held interest in SACASOL based on its acquisition date fair value which resulted in a remeasurement loss of ₱69.71 million (see Note 14).

SACASOL runs a 45-MW solar farm which is under the government's FIT regime. The Group's acquisition is in line with its strategy to expand its business operations in renewable energy ("RE") platform.



Following are the fair values of the identifiable assets and liabilities as at acquisition date:

<b>Assets</b>	
Cash and cash equivalents	₱232,560
Receivables <sup>(a)</sup>	113,812
Input value added tax	46,793
Other current assets	34,077
Property, plant and equipment (Note 9)	618,938
Right-of-use assets (Note 14)	588,380
Intangible assets (Note 13)	2,191,814
Deferred income tax assets - net	41,417
Other noncurrent assets	5,757
	<u>3,873,548</u>
<b>Liabilities</b>	
Accounts payable and other current liabilities	43,259
Current portion of lease liability	85,730
Income and withholding taxes payable	1,000
Lease liabilities - net of current portion	437,276
Other noncurrent liabilities	65,374
	<u>632,639</u>
Total identifiable net assets	3,240,909
Less: Cost of acquisition	3,088,109
Fair value of previously held interest	102,830
Gain on bargain purchase (Note 26)	<u>₱49,970</u>

<sup>(a)</sup> Gross contractual accounts receivable

The fair value of the receivables approximates their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The acquisition resulted in a gain on bargain purchase which is recognized under “Other income” account in the consolidated statement of income (see Note 26). SACASOL was sold at a discount since PINAI investors are keen to divest its investment in Solar Renewable Entities. Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱3,088,109
Less cash acquired with the subsidiary <sup>(a)</sup>	232,560
Net cash outflow	<u>₱2,855,549</u>

<sup>(a)</sup> Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2020, revenue contribution for the year ended December 31, 2020 would have been ₱842.07 million. Since this is a step acquisition, the incremental contribution to the net income attributable to ACEN for the nine-month period ended December 31, 2020 amounted to ₱365.07 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the incremental contribution to the net income attributable to ACEN would have amounted to ₱450.63 million.



*Step acquisition of ISLASOL*

On December 2, 2019, the following significant transactions were executed:

- ACEN and TLCTI Asia entered into Investment Agreement with the intention for them to own 66% and 34% voting interest, and 60% and 40% economic interest, respectively, in ISLASOL. The investment agreement details the series of undertakings, to wit:
  - acquisition by ACEN or its designee, as the case may be, of ISLASOL, in accordance with the terms and conditions of the share purchase agreement between the PINAI Investors and ACEN
  - creation by ISLASOL of a new class of shares (“Class E Redeemable Preferred Shares”) by increasing its ACS from ₱6,917 million to ₱8,000 million. Class E Redeemable Preferred Shares shall have the same features as the other redeemable preferred shares of ISLASOL (that are not Class D redeemable preferred shares) and shall have voting rights.
  - subscription by TLCTI Asia to ISLASOL’s Class E Redeemable Preferred Shares for a total subscription amount of ₱2,780 million, which includes a premium over par value amounting to ₱1,745 million. As at December 31, 2019, ISLASOL has outstanding notes payable to TLCTI Asia amounting to ₱2,140 million. This was settled in 2020.
- ACEN signed a share purchase agreement with the PINAI Investors for the acquisition of PINAI’s 98% ownership interest in ISLASOL.

TLCTI Asia and ISLASOL amended the original loan agreement entered into on September 14, 2015 under which TLCTI Asia agreed to provide ISLASOL financing of up to ₱2.140 billion. Under the amended loan agreement, the residual amount of ₱1.745 billion shall be payable by ISLASOL to TLCTI Asia only in the event that ISLASOL is able to raise additional equity funding through primary issuance of shares.

On February 26, 2020, the PCC approved ACEN’s acquisition of the PINAI Investors’ ownership interest in ISLASOL.

On March 23, 2020, the acquisition of the PINAI Investors’ ownership interest in ISLASOL and payment of the purchase price in the amount of ₱1,629.97 million by Giga Ace 3, Inc. (“Giga Ace 3”) were completed. Giga Ace 3 is ACEN’s wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors’ shares in ISLASOL. Subsequently, the purchase price was adjusted to ₱1,632.32 million, pursuant to the provisions of the share purchase agreement.

On March 30, 2020, a resolution to increase the ACS of ISLASOL was approved by its BOD and ratified by the stockholders.

On May 22, 2020, a subscription agreement was signed between TLCTI Asia and ISLASOL which finalizes the subscription of TLCTI Asia to the increase in ISLASOL’s ACS. On the same date, Giga Ace 3, TLCTI Asia and ISLASOL entered into a Shareholders’ Agreement which sets out the provisions of their ownership interest in ISLASOL.

On October 30, 2020, ISLASOL, VRC and TLCTI Asia entered into a letter of agreement on the extension of payment for the balance of subscription payable by TLCTI Asia in favor of ISLASOL in the amount of ₱405.97 million with an interest rate of 8% for any portion paid on or before February 28, 2021; and 10% for any portion paid after February 28, 2021. TLCTI Asia paid the balance of the subscription price on December 20, 2021.

As discussed in Note 3, the abovementioned series of transactions provided ACEN an economic interest of 60%, on fully diluted basis, post subscription of TLCTI Asia. The Parent Company assessed that although executed subsequent to the acquisition date (March 23, 2020), the subscription agreement between TLCTI Asia and ISLASOL dated May 22, 2020 was executed in contemplation



of the Investment Agreement, with an overall economic objective for the Parent Company and TLCTI Asia to have 60% and 40% economic interest, respectively.

The transaction was accounted for using the acquisition method under PFRS 3. The fair value of the property, plant and equipment was determined using the income approach. The fair value measurement is classified as level 3, with observable indirect level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

ACEN remeasured its previously held interest in ISLASOL based on its acquisition date fair value which resulted in a remeasurement loss of ₱26.06 million and considered in determining goodwill.

ISLASOL owns and operates an 80-MW solar farm in Negros Occidental. The Group's acquisition is in line with its strategy to expand its business operations in RE platform.

Following are the fair values of the identifiable assets and liabilities as at acquisition date:

<b>Assets</b>	
Cash and cash equivalents	₱461,012
Receivables <sup>(a)</sup>	1,106,301
Fuel and spare parts	10,558
Input value added tax	44,339
Other current assets	33,023
Property, plant and equipment (Note 9)	1,500,858
Right-of-use assets (Note 14)	407,721
Deferred income tax assets - net	117,512
Other noncurrent assets	2,627
	<u>₱3,683,951</u>
<b>Liabilities</b>	
Accounts payable and other current liabilities	₱50,868
Income and withholding taxes payable	21
Short-term loans	395,388
Current portion of lease liability	19,325
Lease liabilities - net of current portion	348,473
Other noncurrent liabilities	121,516
	<u>935,591</u>
Total identifiable net assets	2,748,360
Less: Cost of acquisition	1,632,324
Fair value of previously held interest	29,145
Non-controlling interest	1,099,344
Goodwill arising on acquisition (Note 16)	<u>₱12,453</u>

<sup>(a)</sup> Gross contractual accounts receivable

The non-controlling interest was measured at the proportionate share in ISLASOL's net assets measured as at acquisition date. Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under "Goodwill and other intangible assets" account in the consolidated statements of the financial position. None of the goodwill recognized is expected to be deductible for income tax purposes. Consideration transferred was paid in cash on transaction date.



Net cash outflow on acquisition is as follows:

Cash consideration	₱1,632,324
Less cash acquired with the subsidiary <sup>(a)</sup>	461,012
<b>Net cash outflow</b>	<b>₱1,171,312</b>

<sup>(a)</sup>Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2020, revenue contribution for the year ended December 31, 2020 would have been ₱280.38 million. Since this is a step acquisition, the decremental contribution to the net income attributable to ACEN for the nine-month period ended December 31, 2020 amounted to ₱87.24 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the decremental contribution to the net income attributable to ACEN would have amounted to ₱92.83 million.

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### 32. Business Combination of Entities under Common Control

#### *Acquisition of ACEIC's offshore subsidiaries through share swap*

During the regular meeting held on March 18, 2020, the BOD of ACEN approved the consolidation of ACEIC's international business and assets into ACEN via a tax free exchange, whereby ACEIC would transfer its shares of stock in AC Energy International, Inc. ("ACE International"), ACEIC's subsidiary, a holding company that owns ACEIC's international business and investments) to ACEN in exchange for the issuance to ACEIC of additional primary shares in ACEN (assets-for-shares swap), on terms to be determined by ACEN Executive Committee.

On April 1, 2020, ACEN's Executive Committee approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to ACEIC at an issue price of ₱2.97 per share in exchange for property consisting of 100% of ACEIC's shares in ACE International.

On March 18, 2021, the BOD of ACEN approved the property-for-share swap with ACEIC and the issuance of 16.686 billion primary shares to ACEIC in exchange for ACEIC's shares of stock in ACE International, for an issue price of ₱5.15 per ACEN share.

On the same date, the BOD of ACEN also approved and the amendment to the Articles of Incorporation to increase the number of shares exempt from the pre-emptive right of shareholders for issuance of shares in exchange for property needed for corporate purposes or in payment of previously contracted debt from 16 billion shares to 24 billion shares. This was subsequently approved by the stockholders of the Parent Company during the Annual Stockholders' Meeting held on April 19, 2021.

On April 26, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares at a subscription price of ₱5.15 per share, or an aggregate subscription price of ₱85,931,872,744.95 in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in ACE International (share swap transaction), which holds ACEIC's international renewable assets.

On June 7, 2021, the application for the increase from 24.4 billion shares to 48.4 billion shares in the ACS of ACEN was approved by the SEC. Consequently, the closing date of the share swap was on June 7, 2021.



Effective June 7, 2021, ACEN acquired the entities listed below through the share swap transaction with ACEIC. Shares involved common and redeemable preferred shares. As the transaction is outside the scope of PFRS 3, the acquisition was accounted for using the pooling-of-interests method. In applying the pooling-of-interests method, the assets and liabilities of acquired entities are taken into the merged business at their carrying values with restatement of comparative 2020 figures. Likewise, no goodwill was recognized in the business combination (see Note 2).

The transfer was via a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended (“NIRC”), as amended by Republic Act No. 10963 (TRAIN Law) and Republic Act No. 11534 (CREATE Law), for which a request for ruling is no longer required to be filed with the BIR to confirm that the share swap transaction qualifies as a tax-free exchange.

The following are details of the entities transferred to the Parent Company through share swap:

Name of Entities to be Transferred	Ownership of AC Energy and Infrastructure Corporation		ACEN's existing interest before share swap	ACEN's interest after share swap
	Direct	Indirect		
AC Energy International, Inc. (“ACE International”)	100.00	–	–	100.00
AC Energy Cayman (ACEC) <sup>(a)</sup>	–	100.00	–	100.00
ACE Investments HK Limited	–	100.00	–	100.00
AC Renewables International. Pte. Ltd. (ACRI)	–	100.00	–	100.00
ACEHI Netherlands B.V.	–	100.00	–	100.00
Star Energy Geothermal Salak-Darajat BV <sup>(b)</sup>	–	19.80	–	19.80
Star Energy Geothermal Salak Ltd <sup>(b)</sup>	–	19.80	–	19.80
Star Energy Geothermal Salak Pratama Ltd <sup>(b)</sup>	–	19.80	–	19.80
Star Energy Geothermal Darajat I Ltd <sup>(b)</sup>	–	19.80	–	19.80
Star Energy Geothermal Darajat II Ltd <sup>(b)</sup>	–	19.80	–	19.80
PT Star Energy Geothermal Suoh Sekincau <sup>(b)</sup>	–	18.81	–	18.81
PT Darajat Geothermal <sup>(b)</sup>	–	18.81	–	18.81
UPC Renewables Asia III Limited <sup>(b)(c)</sup>	–	51.00	–	51.00
UPC Sidrap Bayu Energi <sup>(b)(c)</sup>	–	36.72	–	36.72
UPC Sidrap (HK) Limited. <sup>(b)</sup>	–	11.00	–	11.00
UPC Sidrap Bayu Energi <sup>(b)(c)</sup>	–	2.31	–	2.31
AC Energy Vietnam Investments Pte Ltd.	–	100.00	–	100.00
BIM Wind Power Joint Stock Company <sup>(b)</sup>	–	30.00	–	30.00
AC Energy Vietnam Investments 2 Pte Ltd.	–	100.00	–	100.00
BIM Energy Joint Stock Company <sup>(b)(c)</sup>	–	30.00	–	30.00
BIM Renewable Energy Joint Stock Company <sup>(b)(c)</sup>	–	30.00	–	30.00
AMI AC Renewables Corp. <sup>(b)(c)</sup>	–	50.00	–	50.00
AMI Energy Khanh Hoa Joint Stock Company <sup>(b)</sup>	–	50.00	–	50.00
BMT Energy Renewable Joint Stock Company <sup>(b)</sup>	–	50.00	–	50.00
B&T Windfarm Joint Stock Company <sup>(b)</sup>	–	50.00	–	50.00
BT1 Windfarm Joint Stock Company	–	50.00	–	50.00
BT2 Windfarm Joint Stock Company	–	50.00	–	50.00
AC Energy Vietnam Investments 2 Pte Ltd.	–	100.00	–	100.00
Asian Wind Power 1 HK Ltd <sup>(b)</sup>	–	50.00	–	50.00
Dai Phong JSC <sup>(b)</sup>	–	50.00	–	50.00
Asian Wind Power 2 HK Ltd <sup>(b)</sup>	–	50.00	–	50.00
Hong Phong 1 <sup>(b)</sup>	–	50.00	–	50.00
Vietnam Wind Energy Limited <sup>(b)</sup>	–	50.00	–	50.00
SME Energy Joint Stock Company <sup>(b)</sup>	–	47.37	–	47.37
Wind Power Lac Hoa Co. Ltd. <sup>(b)</sup>	–	47.37	–	47.37
Wind Power Hoa Dong Co. Ltd. <sup>(b)</sup>	–	47.37	–	47.37
The Blue Circle <sup>(b)</sup>	–	25.00	–	25.00
Asian Wind Power 1 HK Ltd <sup>(b)</sup>	–	12.50	–	12.50
Dai Phong JSC <sup>(b)</sup>	–	12.50	–	12.50
Asian Wind Power 2 HK Ltd <sup>(b)</sup>	–	12.50	–	12.50
Hong Phong 1 <sup>(b)</sup>	–	12.50	–	12.50



Name of Entities to be Transferred	Ownership of AC Energy and Infrastructure Corporation		ACEN's existing interest before share swap	ACEN's interest after share swap
	Direct	Indirect		
UPC-AC Energy Australia (HK) Ltd <sup>(b)</sup>	-	50.00	-	50.00
UPC Australia (HK) Limited <sup>(b)</sup>	-	48.50	-	48.50
UPC-AC Renewables Australia Pty Ltd. <sup>(b)</sup>	-	48.50	-	48.50
UPC North East Tasmania Pty Ltd. <sup>(b)</sup>	-	48.50	-	48.50
UPC Axedale Solar Farm Pty Ltd. (b)	-	48.50	-	48.50
UPC Robbins Island Pty Ltd.(b)	-	38.80	-	38.80
UPC New England Solar Farm Hold Co. Pty Ltd. <sup>(b)</sup>	-	48.50	-	48.50
NESF Pty Ltd. <sup>(b)</sup>	-	48.50	-	48.50
New England Solar Project Trust <sup>(b)</sup>	-	48.50	-	48.50
NESF Finco Pty Ltd. <sup>(b)</sup>	-	48.50	-	48.50
UPC Stubbo Solar Farm Pty Ltd. <sup>(b)</sup>	-	48.50	-	48.50
UPC Valley of the Winds Pty <sup>(b)</sup>	-	48.50	-	48.50
UPC South Australia Pty Ltd. <sup>(b)</sup>	-	48.50	-	48.50
Rise Renewables Pty Ltd <sup>(b)</sup>	-	24.74	-	24.74
Baroota Hydro Project Pty Ltd <sup>(b)</sup>	-	24.74	-	24.74
AC Energy Australia Pte. Ltd.	-	100.00	-	100.00
UAC Energy Holdings Pty. Ltd. (“UACH”)	-	100.00	-	100.00
UAC Energy Subco Pty Ltd.	-	100.00	-	100.00
Arlington Mariveles Netherlands Holdings Cooperatie UA.	-	100.00	-	100.00
Arlington Mariveles Netherlands Holding B.V.	-	100.00	-	100.00
UPC AC Energy Solar Ltd. <sup>(b)</sup>	-	50.00	-	50.00
UPC AC Energy Solar Asia Ltd. <sup>(b)</sup>	-	50.00	-	50.00
UPC Solar India (HK) II Limited <sup>(b)</sup>	-	50.00	-	50.00
Paryapt Solar HoldCo Ltd <sup>(a)</sup>	-	50.00	-	50.00
Paryapt Solar Energy Pvt. Ltd. <sup>(b)</sup>	-	24.50	-	24.50
Sitara Solar HoldCo Ltd. <sup>(a)</sup>	-	50.00	-	50.00
Sitara Solar Energy Pvt. Ltd. <sup>(b)</sup>	-	24.50	-	24.50
UPC Solar India Pvt Ltd.	-	50.00	-	50.00
Calpine Subisco Solar Energy Pvt Ltd	-	50.00	-	50.00
Calpine Solar HoldCo Ltd	-	50.00	-	50.00
Calpine Solar Energy Pvt Ltd	-	50.00	-	50.00
Masaya Solar HoldCo Ltd.	-	50.00	-	50.00
Masaya Solar Energy Pvt. Ltd. <sup>(b)</sup>	-	24.50	-	24.50
AC Energy HK Ltd.	-	100.00	-	100.00
Masaya Solar Energy Pvt. Ltd. <sup>(b)</sup>	-	51.00	-	51.00
UPC-AC Energy Solar Pte. Ltd.	-	50.00	-	50.00
UPC-AC Energy Solar Asia Pte. Ltd.	-	50.00	-	50.00
UPC-AC Energy Solar India Pte. Ltd.	-	50.00	-	50.00
Calpine Solar HoldCo Pte. Ltd.	-	50.00	-	50.00
Calpine Subsico Solar Energy Pvt Ltd	-	50.00	-	50.00

a. 100% common shares held by ACRI while redeemable preferred shares are 100% owned by AC Energy Finance International Limited (“ACEFIL”), recognized as non-controlling interest.

b. These companies are accounted for as joint ventures and associates by ACEN.

c. Difference between voting interests and economic interests in these companies pertain to redeemable preference shares which are accounted for as a liability.





Details of ACEN's consolidated balances and the balances of Offshore Companies' assets and liabilities as at December 31, 2020 and January 1, 2020 which were consolidated to the Group are as follows:

	ACEN consolidated balances as at December 31, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at December 31, 2020	ACEN consolidated balances as at December 31, 2020 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	P5,135,474	P22,941,697	P28,077,171
Accounts and notes receivables	6,095,019	10,516,700	16,611,719
Fuel and spare parts	1,391,340	-	1,391,340
Financial assets at fair value through other comprehensive income (FVOCI)	-	12,620,756	12,620,756
Current portion of:			
Input value added tax (VAT)	430,139	8,599	438,738
Creditable withholding taxes	649,271	-	649,271
Other current assets	453,233	191	453,424
<b>Total Current Assets</b>	<b>14,154,476</b>	<b>46,087,943</b>	<b>60,242,419</b>
<b>Noncurrent Assets</b>			
Investments in:			
Financial asset at FVOCI	1,211	379,957	381,168
Associates and joint ventures	6,593,492	12,201,596	18,795,088
Other financial assets at amortized cost	-	15,297,105	15,297,105
Property, plant and equipment	31,837,939	11	31,837,950
Right-of-use assets	2,343,404	-	2,343,404
Investment properties	341,549	-	341,549
Accounts and notes receivables - net of current portion		6,540,288	6,540,288
Goodwill and other intangible assets	2,537,094	-	2,537,094
Deferred income tax assets - net	416,353	-	416,353
Net of current portion:			
Input VAT	1,177,802	-	1,177,802
Creditable withholding taxes	601,840	-	601,840
Other noncurrent assets	3,570,160	(2,266,400)	1,303,760
<b>Total Noncurrent Assets</b>	<b>49,420,844</b>	<b>32,152,557</b>	<b>81,573,401</b>
<b>TOTAL ASSETS</b>	<b>P63,575,320</b>	<b>P78,240,500</b>	<b>P141,815,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	P6,539,227	(P49,037)	P6,490,190
Short-term loans	9,438,600	(4,803,600)	4,635,000
Current portion of long-term loans	707,782	-	707,782
Current portion of lease liabilities	285,001	-	285,001
Income and withholding taxes payable	129,072	216,209	345,281
Due to stockholders	18,272	-	18,272
<b>Total Current Liabilities</b>	<b>17,117,954</b>	<b>(4,636,428)</b>	<b>12,481,526</b>
<b>Noncurrent Liabilities</b>			
Long term loans - net of current portion	21,682,924	(136,551)	21,546,373
Lease liabilities - net of current portion	1,631,628	-	1,631,628
Pension and other employee benefits	50,929	-	50,929
Deferred income tax liabilities - net	127,693	3,288	130,981
Other noncurrent liabilities	1,609,123	85,925	1,695,048
<b>Total Noncurrent Liabilities</b>	<b>25,102,297</b>	<b>(47,338)</b>	<b>25,054,959</b>
<b>Total Liabilities</b>	<b>42,220,251</b>	<b>(4,683,766)</b>	<b>37,536,485</b>

(Forward)



	ACEN consolidated balances as at December 31, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at December 31, 2020	ACEN consolidated balances as at December 31, 2020 (As restated)
<b>Equity</b>			
Capital stock	₱13,706,957	₱-	₱13,706,957
Additional paid-in capital	8,692,555	-	8,692,555
Other equity reserves	(7,541,223)	36,203,580	28,662,357
Unrealized fair value (loss) gain on equity instruments at FVOCI	(8,169)	151,794	143,625
Unrealized fair value gain on derivative instruments designated as hedges	57,409	-	57,409
Remeasurement loss on defined benefit plans	(6,999)	-	(6,999)
Accumulated share in other comprehensive loss of associates and joint ventures	(2,723)	(227,121)	(229,844)
Cumulative translation adjustments	-	(3,453,708)	(3,453,708)
Retained earnings	5,167,685	1,181,397	6,349,082
Treasury shares	(40,930)	-	(40,930)
Total equity attributable to equity holders of the Parent Company	20,024,562	33,855,942	53,880,504
Non-controlling interests	1,330,507	49,068,324	50,398,831
<b>Total Equity</b>	<b>21,355,069</b>	<b>82,924,266</b>	<b>104,279,335</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱63,575,320</b>	<b>₱78,240,500</b>	<b>₱141,815,820</b>

	ACEN consolidated balances as at January 1, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at January 1, 2020	ACEN consolidated balances as at January 1, 2020 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	₱9,593,248	₱30,037,048	₱39,630,296
Short-term investment	100,000	-	100,000
Accounts and notes receivables	3,122,386	4,294,826	7,417,212
Fuel and spare parts	938,459	-	938,459
Current portion of:			
Input value added tax (VAT)	186,337	4,479	190,816
Creditable withholding taxes	179,007	-	179,007
Other current assets	212,819	-	212,819
	14,332,256	34,336,353	48,668,609
Noncurrent assets held for sale	3,546	-	3,546
<b>Total Current Assets</b>	<b>14,335,802</b>	<b>34,336,353</b>	<b>48,672,155</b>
<b>Noncurrent Assets</b>			
Investments in:			
Financial asset at FVOCI	533,137	21,263,465	21,796,602
Associates and joint ventures	2,534,102	14,538,071	17,072,173
Other financial assets at amortized cost	-	3,374,290	3,374,290
Property, plant and equipment	25,438,929	48	25,438,977
Right-of-use assets	951,750	-	951,750
Investment properties	13,085	-	13,085
Accounts and notes receivables - net of current portion	-	2,389,231	2,389,231
Goodwill and other intangible assets	441,077	-	441,077
Deferred income tax assets - net	653,923	-	653,923

(Forward)



	ACEN consolidated balances as at January 1, 2020 (As previously reported)	Effect of the Offshore Companies' balances as at January 1, 2020	ACEN consolidated balances as at January 1, 2020 (As restated)
Net of current portion:			
Input VAT	₱372,917	₱-	₱372,917
Creditable withholding taxes	861,208	-	861,208
Other noncurrent assets	2,401,613	-	2,401,613
<b>Total Noncurrent Assets</b>	<b>34,201,741</b>	<b>41,565,105</b>	<b>75,766,846</b>
<b>TOTAL ASSETS</b>	<b>₱48,537,543</b>	<b>₱75,901,458</b>	<b>₱124,439,001</b>

#### LIABILITIES AND EQUITY

##### Current Liabilities

Accounts payable and other current liabilities	₱4,199,576	(₱134,979)	₱4,064,597
Short-term loans	3,556	-	3,556
Current portion of long-term loans	905,931	-	905,931
Current portion of lease liabilities	128,796	-	128,796
Income and withholding taxes payable	41,208	62,153	103,361
Due to stockholders	16,594	-	16,594
<b>Total Current Liabilities</b>	<b>5,295,661</b>	<b>(72,826)</b>	<b>5,222,835</b>

##### Noncurrent Liabilities

Long term loans - net of current portion	22,292,698	-	22,292,698
Lease liabilities - net of current portion	852,742	-	852,742
Pension and other employee benefits	71,034	-	71,034
Deferred income tax liabilities - net	350,487	-	350,487
Other noncurrent liabilities	3,289,902	-	3,289,902
<b>Total Noncurrent Liabilities</b>	<b>26,856,863</b>	<b>-</b>	<b>26,856,863</b>
<b>Total Liabilities</b>	<b>32,152,524</b>	<b>(72,826)</b>	<b>32,079,698</b>

##### Equity

Capital stock	7,521,775	-	7,521,775
Additional paid-in capital	83,768	-	83,768
Other equity reserves	5,366,480	36,203,580	41,570,060
Unrealized fair value (loss) gain on equity instruments at FVOCI	(96,584)	70,038	(26,546)
Unrealized fair value gain on derivative instruments designated as hedges	(14,742)	-	(14,742)
Remeasurement loss on defined benefit plans	9,254	-	9,254
Accumulated share in other comprehensive loss of associates and joint ventures	(2,107)	(166,047)	(168,154)
Cumulative translation adjustments	-	96,227	96,227
Retained earnings	3,296,295	647,109	3,943,403
Treasury shares	(27,704)	-	(27,704)
Total equity attributable to equity holders of the Parent Company	16,136,435	36,850,907	52,987,341
Non-controlling interests	248,584	39,123,377	39,371,962
<b>Total Equity</b>	<b>16,385,019</b>	<b>75,974,284</b>	<b>92,359,303</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱48,537,543</b>	<b>₱75,901,458</b>	<b>₱124,439,001</b>



Below is the consolidated statements of income for the years ended December 31, 2020 and 2019, after considering the retroactive impact of the share swap transaction with ACEIC's Offshore Companies:

	<b>Years Ended December 31</b>			
	2020 (As previously reported)	2020 (As restated)	2019 (As previously reported)	2019 (As restated)
<b>REVENUE</b>				
Revenue from sale of electricity	₱20,283,303	₱20,283,303	₱16,096,549	₱16,096,549
Rental income	86,623	86,622	3,115	3,116
Dividend income	-	14,034	14,741	15,746
Other revenues	69,525	104,276	-	11,298
	<u>20,439,451</u>	<u>20,488,235</u>	<u>16,114,405</u>	<u>16,126,709</u>
<b>COSTS AND EXPENSES</b>				
Costs of sale of electricity	13,420,539	13,420,538	15,302,530	15,302,530
General and administrative expenses	2,585,290	3,017,665	767,840	827,980
	<u>16,005,829</u>	<u>16,438,203</u>	<u>16,070,370</u>	<u>16,130,510</u>
<b>INTEREST AND OTHER FINANCE CHARGES</b>	(1,879,868)	(1,988,086)	(976,029)	(962,840)
<b>EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES</b>	898,513	1,490,192	206,985	739,073
<b>OTHER INCOME - NET</b>	908,028	3,551,889	736,249	947,784
<b>INCOME BEFORE INCOME TAX</b>	<u>4,360,295</u>	<u>7,104,027</u>	<u>11,240</u>	<u>720,216</u>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	197,666	404,053	99,250	161,364
Deferred	293,116	297,923	(220,883)	(220,884)
	<u>490,782</u>	<u>701,976</u>	<u>(121,633)</u>	<u>(59,520)</u>
<b>NET INCOME</b>	<u>₱3,869,513</u>	<u>₱6,402,051</u>	<u>₱132,873</u>	<u>₱779,736</u>
<b>Net Income (Loss) Attributable To:</b>				
Equity holders of the Parent Company	₱3,753,813	₱4,288,102	₱57,654	₱704,764
Non-controlling interests	115,700	2,114,049	75,219	74,972
	<u>₱3,869,513</u>	<u>₱6,402,151</u>	<u>₱132,873</u>	<u>₱779,736</u>

The share swap transaction provides that ACEN shall issue its own shares equivalent to 16,685,800,533 common shares at ₱5.15 per share as consideration in exchange for ACEIC's interest in the aforementioned entities, giving rise to additional paid-in capital presented in the equity of the Parent Company as follows:

Equity instruments issued	16,685,800,533
Par value per share	₱1.00
Total value of common shares issued	₱16,685,800,533
Transfer value at ₱5.15 per share	85,931,872,745
Gross additional paid-in capital	69,246,072,212
Transaction costs	(398,290,347)
<b>Additional paid-in capital</b>	<u>₱68,847,781,865</u>



Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱398.29 million were charged to additional paid-in capital account.

*Acquisition of ACEIC's onshore subsidiaries through share swap*

On October 9, 2019, the Parent Company and ACEIC executed a Deed of Assignment whereby ACEIC agreed to transfer and convey to the Parent Company all its rights and interest in the Onshore Companies for and in consideration for the issuance by the Parent Company of 6,185,182,288 common shares at ₱2.37 per common share or a total transfer value of ₱14,658.88 million in favor of ACEIC.

On November 13, 2019, the Parent Company and ACEIC executed an Amended and Restated Deed of Assignment amending the Deed of Assignment dated October 9, 2019, to reflect the correct number of common shares of ACEIC in SLTEC, ACTA Power, and MSPDC.

On November 22, 2019, ACEN filed with the SEC its application to increase its capital stock from ₱8.40 billion, consisting of 8.4 billion common shares, to ₱24.40 billion, consisting of 24.4 billion common shares.

On December 26, 2019, a Supplement to the Deed of Assignment was executed to incorporate specific regulatory requirements for the application for tax free exchange ruling and confirm the percentage of ownership in MONTESOL.

On May 14, 2020, ACEN and ACEIC agreed to further amend and restate the Amended Agreement to update Schedule 1 thereof, with the effectivity of said amendment to retract to the execution of the Original Deed on October 9, 2019 following the approval of the SEC of increases in the capital stocks of ACE Endeavor and ACE Renewables Philippines, Inc. (formerly Moorland Philippines Holdings, Inc) and to further integrate the provisions of the Supplement.

On June 22, 2020, the application for the increase in the capital stock of ACEN was approved by the SEC.

Effective July 1, 2019 (date when ACEN and the Onshore Companies became related parties under the common control of ACEIC), ACEN acquired the entities listed below through the share swap transaction with ACEIC. Shares involve common, founders and preferred shares. As the transaction is outside the scope of PFRS 3 (see Note 2), the acquisition was accounted for using the pooling-of-interests method. In applying the pooling-of-interests method, the assets and liabilities of acquired entities are taken into the merged business at their carrying values with restatement of comparative 2019 figures. Likewise, no goodwill was recognized in the business combination.

The transfer was via a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended ("NIRC"), for which a request for ruling was filed with the BIR on November 22, 2019.

On October 30, 2020, the BIR issued a ruling confirming that the share swap transaction qualifies as a tax-free exchange. The Parent Company has also obtained the Certificates Authorizing Registration ("CARs") covering the shares of the assets transferred. The Parent Company submitted to the SEC the corresponding stock certificates as proof of transfer following the issuance by the BIR of the CARs covering such shares, in compliance with SEC Memorandum Circular No. 14-2013. In compliance with the standard post-transaction submission of proof that the transfer values of the shares have been attained, the Parent Company also submitted a special audit report to the SEC.



The following are details of the entities transferred to the Parent Company through share swap:

Name of Entities Transferred	Ownership of ACEIC		ACEN's existing interest before share swap	ACEN's interest after share swap
	Direct	Indirect		
Monte Solar Energy, Inc.	96.00	4.00	–	100.00
ACE Endeavor, Inc.	94.00	6.00	–	100.00
Visayas Renewables Corp.	–	100.00	–	100.00
San Julio Land Development Corporation	–	100.00	–	100.00
LCC Bulk Water Supply, Inc.	–	100.00	–	100.00
MCV Bulk Water Supply Inc.	–	100.00	–	100.00
SCC Bulk Water Supply Inc.	–	100.00	–	100.00
HDP Bulk Water Supply Inc.	–	100.00	–	100.00
Ingrid2 Power Corp.	–	100.00	–	100.00
Ingrid3 Power Corp.	–	100.00	–	100.00
Solienda Inc.	–	100.00	–	100.00
Gigasol 2, Inc.	–	100.00	–	100.00
Gigasol 1, Inc.	–	100.00	–	100.00
Gigasol 3, Inc.	–	100.00	–	100.00
Gigawind1 Inc.	–	100.00	–	100.00
Gigawind2 Inc.	–	100.00	–	100.00
Solarace1 Energy Corp.	–	100.00	–	100.00
Solarace2 Energy Corp.	–	100.00	–	100.00
Solarace3 Energy Corp.	–	100.00	–	100.00
Solarace4 Energy Corp.	–	100.00	–	100.00
AC Subic Solar, Inc.	–	100.00	–	100.00
AC Laguna Solar, Inc.	–	100.00	–	100.00
AC La Mesa Solar, Inc.	–	100.00	–	100.00
Bataan Solar Energy, Inc.	–	100.00	–	100.00
Santa Cruz Solar Energy, Inc.	–	100.00	–	100.00
Pagudpud Wind Power Corporation	–	100.00	–	100.00
Bayog Wind Power Corp.	–	60.00	–	60.00
Negros Island Biomass Holdings, Inc. <sup>(a)</sup>	–	45.12	–	45.12
San Carlos Biopower, Inc.	–	4.51	–	4.51
South Negros Biopower, Inc.	–	4.51	–	4.51
North Negros Biopower, Inc.	–	3.95	–	3.95
ACE Renewables Philippines, Inc.	100.00	–	–	100.00
Manapla Sun Power Development Corporation	36.37	29.63	–	66.00
NorthWind Power Development Corporation	19.52	48.27	–	67.79
Viage Corporation	100.00	–	–	100.00
Ingrid Power Holdings, Inc.	100.00	–	–	100.00
South Luzon Thermal Energy Corporation	35.00	–	65.00	100.00
ACTA Power Corporation <sup>(b)</sup>	50.00	–	50.00	100.00
Philippine Wind Holdings Corporation <sup>(c)</sup>	42.74	–	–	42.74
Ilocos Wind Energy Holding Co. Inc.	–	100.00	–	100.00
North Luzon Renewable Energy Corp.	–	66.70	–	66.70

<sup>(a)</sup> NIBHI is accounted for as an investment in an associate (see Note 9)

<sup>(b)</sup> ACTA is consolidated as a subsidiary

<sup>(c)</sup> PhilWind is accounted for as an investment in a joint venture



Details of ACEN's consolidated balances and the balances of Onshore Companies' assets and liabilities as at December 31, 2019 which were consolidated to the Group are as follows:

	ACEN consolidated balances as at December 31, 2019 (As previously reported)	Effect of the Onshore Companies' balances as at December 31, 2019	ACEN consolidated balances as at December 31, 2019 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	₱8,581,663	₱1,011,585	₱9,593,248
Short-term investments	100,000	–	100,000
Receivables	2,728,419	393,967	3,122,386
Fuel and spare parts	855,275	83,184	938,459
Current portion of:			
Input VAT	148,318	38,019	186,337
Creditable withholding taxes	123,700	55,307	179,007
Other current assets	139,915	72,904	212,819
	12,677,290	1,654,966	14,332,256
Noncurrent assets held for sale	3,546	–	3,546
<b>Total Current Assets</b>	<b>12,680,836</b>	<b>1,654,966</b>	<b>14,335,802</b>
<b>Noncurrent Assets</b>			
Property, plant and equipment	21,564,260	3,874,669	25,438,929
Investments in associates and joint venture	723,165	1,810,937	2,534,102
Financial assets at fair value through other comprehensive income	1,251	531,886	533,137
Investment properties	13,085	–	13,085
Goodwill and other intangible assets	280,193	160,884	441,077
Right-of-use assets	524,936	426,814	951,750
Deferred income tax assets - net	612,546	41,377	653,923
Net of current portion:			
Input VAT	335,759	37,158	372,917
Creditable withholding taxes	860,026	1,182	861,208
Other noncurrent assets	2,124,748	276,865	2,401,613
<b>Total Noncurrent Assets</b>	<b>27,039,969</b>	<b>7,161,772</b>	<b>34,201,741</b>
<b>TOTAL ASSETS</b>	<b>₱39,720,805</b>	<b>₱8,816,738</b>	<b>₱48,537,543</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	₱3,787,713	₱411,863	₱4,199,576
Short-term loans	–	3,556	3,556
Current portion of long-term loans	593,847	312,084	905,931

**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts payable and other current liabilities	₱3,787,713	₱411,863	₱4,199,576
Short-term loans	–	3,556	3,556
Current portion of long-term loans	593,847	312,084	905,931

(Forward)



	ACEN consolidated balances as at December 31, 2019 (As previously reported)	Effect of the Onshore Companies' balances as at December 31, 2019	ACEN consolidated balances as at December 31, 2019 (As restated)
Current portion of lease liabilities	₱33,542	₱95,254	₱128,796
Income and withholding taxes payable	41,208	–	41,208
Due to stockholders	16,594	–	16,594
	4,472,904	822,757	5,295,661
<b>Noncurrent Liabilities</b>			
Long-term loans - net of current portion	20,192,081	2,100,617	22,292,698
Lease liability - net of current portion	526,029	326,713	852,742
Pension and other employee benefits	60,503	10,531	71,034
Deferred income tax liabilities - net	187,624	162,863	350,487
Other noncurrent liabilities	3,176,846	113,056	3,289,902
<b>Total Noncurrent Liabilities</b>	24,143,083	2,713,780	26,856,863
<b>Total Liabilities</b>	28,615,987	3,536,537	32,152,524
<b>Equity</b>			
Capital stock	7,521,775	–	7,521,775
Additional paid-in capital	83,768	–	83,768
Other equity reserves	(2,342,103)	7,708,583	5,366,480
Unrealized fair value losses on equity instruments at FVOCI	(8,129)	(88,455)	(96,584)
Unrealized fair value losses on derivative instrument designated under hedge accounting	(14,742)	–	(14,742)
Remeasurement gains (losses) on defined benefit plan	(7,034)	16,288	9,254
Accumulated share in other comprehensive loss of a joint venture and associates	(2,107)	–	(2,107)
Retained earnings	2,922,514	373,781	3,296,295
Treasury shares	(27,704)	–	(27,704)
Total equity attributable to equity holders of the Parent Company	8,126,238	8,010,197	16,136,435
Non-controlling interests	2,978,580	(2,729,996)	248,584
<b>Total Equity</b>	11,104,818	5,280,201	16,385,019
<b>TOTAL LIABILITIES AND EQUITY</b>	₱39,720,805	₱8,816,738	₱48,537,543





Below is the consolidated statement of income for the year ended December 31, 2019, after considering the retroactive impact of the share swap transaction with ACEIC's Onshore Companies.

	<b>Year Ended December 31, 2019</b>	
	(As previously reported)	(As restated)
<b>REVENUE</b>		
Revenue from sale of electricity	₱15,297,719	₱16,096,549
Dividend income	7,585	14,741
Rental income	1,359	3,115
	<u>15,306,663</u>	<u>16,114,405</u>
<b>COSTS AND EXPENSES</b>		
Costs of sale of electricity	₱15,014,799	₱15,302,530
General and administrative expenses	667,215	767,840
	<u>15,682,014</u>	<u>16,070,370</u>
<b>INTEREST AND OTHER FINANCE CHARGES</b>	(881,963)	(976,029)
<b>EQUITY IN NET INCOME (LOSS) OF ASSOCIATES AND A JOINT VENTURE</b>	(24,461)	206,985
<b>OTHER INCOME - NET</b>	716,053	736,249
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	(565,722)	11,240
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>		
Current	68,673	99,250
Deferred	(217,492)	(220,883)
	<u>(148,819)</u>	<u>(121,633)</u>
<b>NET INCOME (LOSS)</b>	<u>(₱416,903)</u>	<u>₱132,873</u>
<b>Net Income (Loss) Attributable To:</b>		
Equity holders of the Parent Company	(₱331,011)	₱57,654
Non-controlling interests	(85,892)	75,219
	<u>(₱416,903)</u>	<u>₱132,873</u>



The share swap transaction provides that ACEN shall issue its own shares equivalent to 6,185,182,288 common shares at ₱2.37 per share as consideration in exchange for ACEIC's interest in the aforementioned entities as at July 1, 2019, giving rise to additional paid-in capital presented in the equity of the Parent Company as follows:

Equity instruments issued	6,185,182,288
Par value per share	₱1
<hr/>	<hr/>
Total value of common shares issued	₱6,185,182,288
Transfer value at ₱2.37 per share	14,658,882,023
<hr/>	<hr/>
Gross additional paid-in capital	8,473,699,735
Transaction costs	(94,782,260)
<hr/>	<hr/>
Additional paid-in capital	₱8,378,917,475

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱94.78 million were charged to additional paid-in capital account.

As a result of the issuance of ACEN's shares, recognition of additional paid-in capital and updating of the transferred entities' assets and liabilities carrying values in June 2020, the other equity reserve initially recognized of ₱7,708.58 million credit decreased by ₱12,907.70 million resulting in ₱5,199.12 million debit (see Note 21).

The Deed of Assignment also gave ACEN the right to receive any dividends accruing to ACEI from the date of the assignment and are treated as price adjustment to the share swap transaction. In 2020, ACEN received cash amounting to ₱145.01 million and ₱13.46 million representing ACEI's dividend income from PhilWind and NorthWind, respectively. These were accounted for as increase in additional paid-in capital of ACEN.

The Parent Company acquired SLTEC's remaining NCI as it gained control of the 35% interest from the share swap transaction with ACEIC. This transaction has the following impact on the respective accounts: decrease in equity attributable to noncontrolling interest amounting to ₱2,962.80 million as at December 31, 2019 and contributed to net loss amounting to ₱79.00 million from July 1 to December 31, 2019. As at December 31, 2020, the other equity reserves attributable to the transfer of 35% interest in SLTEC amounted to ₱2,106.61 million.

#### *Acquisition of SLTEC*

The Parent Company gained control of SLTEC through purchase of APHPC's 20% interest in SLTEC. Pooling of interests was adopted for business combination involving entities under common control.

The carrying values of the identifiable assets and assumed liabilities arising as at July 1, 2019 (earliest period when the parties were under common control), the date the business combination was accounted for, follow:

<b>Assets</b>	
Cash and cash equivalents	₱1,967,463
Receivables - current portion	254,907
Inventories	611,090
Other current assets	526,920

*(Forward)*



<b>Assets</b>	
Property, plant and equipment	₱15,839,996
Receivables - net of current portion	91,453
Other noncurrent assets	304,977
	19,596,806
<b>Liabilities</b>	
Accounts payable and other current liabilities	798,933
Loans payable - current portion	254,047
Loans payable - net of current portion	10,560,408
Other noncurrent liabilities	635,424
	12,248,812
Total identifiable net assets	7,347,994
Less non-controlling interests	3,041,805
Net assets acquired	4,306,189
Cost of acquisition	(6,535,776)
Other equity reserves (Note 21)	(₱2,229,587)

From July 1 to December 31, 2019, SLTEC’s contribution to revenue and net loss amounted to ₱2,420.99 million and ₱225.72 million, respectively, where the revenue is fully eliminated since the sale was made solely to the Parent Company. If the business combination had taken place at the beginning of 2019, SLTEC’s contribution to revenue and net loss would have been ₱4,735.04 million and ₱458.24 million, respectively.

As discussed above, the Parent Company acquired SLTEC’s remaining NCI as it gained control of the 35% interest from the share swap transaction with ACEIC in June 2020. SLTEC became a wholly-owned subsidiary of ACEN.

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### 33. Significant Laws, Commitments and Contracts

#### Electric Power Industry Reform Act (“EPIRA”)

R.A. No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include, among others, the following:

- (1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Group, including its contracts with independent power producers, and electricity rates;
- (2) Creation of the WESM;
- (3) Open and non-discriminatory access to transmission and distribution systems;
- (4) Public listing of generation and distribution companies; and,
- (5) Cross-ownership restrictions and concentrations of ownership.

The Group has assessed that it is in compliance with the applicable provisions of the EPIRA and its IRR.

#### Retail Competition and Open Access (“RCOA”)

Upon meeting all conditions set forth in the EPIRA, the ERC promulgated the Transitory Rules for the RCOA, by virtue of ERC Resolution No. 16 Series of 2012.

Through RCOA, licensed Electricity Suppliers, such as the Group, are empowered to directly contract with Contestable Customers (bulk electricity users with an average demand of at least 1 MW). This major development in the Power Industry enabled the Group to grow.



#### Secondary Price Cap

Significant events in November and December 2013 resulted in a surge of electricity prices that affected the end-consumers, which led the ERC to impose a supplemental regulatory cap under the ERC Resolution 20, Series of 2014. The said resolution established a preemptive mitigating measure in the WESM meant to limit significant increases in the WESM prices.

This regulatory cap was made permanent and requires all trading participants in the WESM to comply. ACEN and its subsidiaries that sell to the WESM are subject to this cap.

#### Power Purchase Agreement / Contract to Purchase Generated Electricity

ACEN entered into contracts with MGI and third parties where the Parent Company will purchase the entire or a portion of the net electricity output of the power plants for a period ranging from three (3) to twenty (20) years at an agreed price, subject to certain adjustments.

#### Administration and Management Agreement (“AMA”)

Executed on October 4, 2019, ACEN and SLTEC entered into an Administration and Management Agreement (“AMA”) granting ACEN the exclusive right and obligation to administer and manage all of the net available output of SLTEC’s power plant and ACEN’s obligation to supply and deliver the necessary coal to generate electricity at an agreed price, subject to certain adjustments. The AMA is effective from August 26, 2019 and shall terminate on April 23, 2040 and February 20, 2041 for Unit 1 and Unit 2, respectively.

#### Power Administration and Management Agreement (“PAMA”)

ACEN entered into PAMAs with its subsidiaries Bulacan Power, CIPP and One Subic Power. Under the terms of the PAMA, ACEN will administer and manage the entire capacity and net output of the foregoing entities’ power plants and will pay for all electricity delivered by the power plant based on a formula as set forth in the PAMA and shall be payable monthly. The PAMAs with Bulacan Power and CIPP are valid for ten (10) years and are subject to regular review, while the PAMA with One

Subic Power is valid throughout the life of the related Facilities Lease Agreement with SBMA (see Note 1).

On January 12, 2018, the PAMAs of the Group with CIPP and Bulacan Power were amended, providing for certain capacity rates based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMAs became effective starting March 26, 2018 and are valid for ten (10) years subject to regular review.

On 25 September 2020, One Subic Power and ACEN executed Letter Agreement No. 01 which amended Article 5 (Supply of Electricity and Fees) of the PAMA.

#### Wind Energy Service Contracts

Guimaras Wind was awarded 12 wind service contract areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project (“SLWP”) which started delivering power to the grid on October 7, 2014 and declared commercial operations on December 27, 2014. Guimaras Wind sells its generated electricity to the WESM under the FIT System.



### Power Supply Agreement with MERALCO

#### *Baseload Demand*

On September 9, 2019, the bid submitted by ACEN was declared as one of the best bids of MERALCO's 1200 MW competitive selection process ("CSP"). The Parent Company will supply MERALCO a baseload demand of 200MW from December 26, 2019 until December 25, 2029 subject to the approval of the ERC. The Parent Company received a copy of the provisional ERC approval for the contract on January 31, 2020 and the final approval on May 13, 2020 for the baseload.

#### *Mid-merit Supply*

On September 11, 2019, the bid submitted by ACEN was declared as one of the best bids of MERALCO's 500 MW CSP. Under the contract, the Parent Company will supply MERALCO a baseload demand of 110MW from December 26, 2019 until December 25, 2024 subject to the approval of the ERC. The Parent Company received copies of the provisional and final ERC approvals for the contract on January 31, 2020 and June 1, 2020, respectively.

#### Other ESAs / CSEs with customers

ACEN signed contracts to supply the energy requirements of various bilateral and RES contestable customers with a duration ranging from one (1) to fifteen (15) years.

#### Ancillary Services Procurement Agreements ("ASPA") with NGCP

ACEN and certain subsidiaries executed ASPAs with the NGCP. Under the ASPA, the power plants will provide contingency and dispatchable reserves to NGCP to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the ERC. Pending ERC's issuance of a final approval, the provisional approval is extended every year.

#### Feed-in-Tariff ("FIT")

##### *San Lorenzo Wind*

On June 10, 2015, the San Lorenzo Wind project under Guimaras Wind was issued a Certificate of Endorsement ("COE") for FIT Eligibility by the DOE.

On December 1, 2015, Guimaras Wind received its COC from the ERC which entitles Guimaras Wind to recognize its FIT at an approved rate of ₱7.40, with a retroactive period beginning December 27, 2014, for a guaranteed period of twenty (20) years until December 26, 2034. Outstanding receivable under the FIT system amounted to ₱507.51 million and ₱498.63 million as at December 31, 2021 and 2020, respectively.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the SLWP's FIT Rate starting 2020 shall be ₱8.59/kWh.

##### *MONTESOL*

On June 13, 2016, the DOE, through its issuance of the COE, certified the MONTESOL's Solar Farm Project as an eligible project under the FIT system.

On December 28, 2016, MONTESOL received another provisional authority to operate by the ERC dated December 8, 2016 but this time, as a RE generation company, which allows MONTESOL to be entitled to a FIT rate of ₱8.69 for a period of twenty (20) years from March 11, 2016.



On February 6, 2017, MONTESOL received the COC from ERC and accordingly, measured its revenue from energy sales using FIT rate.

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020. MONTESOL accrued the retroactive net revenue adjustment based on the adjusted FIT rates for the years 2016 (₱8.69/kWh), 2017 (₱8.71/kWh), 2018 (₱9.04/kWh), 2019 (₱9.41/kWh) and 2020 (₱9.82/kWh).

#### *ISLASOL*

On October 3, 2014, the Board of Investments (“BOI”) approved ISLASOL’s registration as an RE developer of an 18 MW solar power plant (Phase2A) under Republic Act No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, otherwise known as the Renewable Energy Act of 2008 (the “RE Act”).

On October 7, 2014, the DOE issued the COE for FIT eligibility to endorse the 9MW Phase 1B solar power plant of ISLASOL as an eligible project under the FIT system pursuant to the provisions of the RE Act.

On November 4, 2015, the BOI approved ISLASOL’s registration as an RE developer of a 14MW solar power plant (Phase2B) and a 48MW solar power plant (Phase3) under the Act.

The 14MW and 48MW solar power plants have been completed in 2016 and started commercial operations in March 2016.

#### *SACASOL*

On January 7, 2014, the BOI approved the SACASOL’s registration as an RE developer of 22 Megawatt (MW) solar power plants (Phases 1A & 1B) under the Renewable Energy Act of 2008 (the Act).

On December 20, 2014, the BOI approved SACASOL’s registration as an RE developer of 23MW solar power plants (Phases 1C & 1D) under the Act.

Pursuant to Section 7 of the RE Act and Section 5 of its IRR, the ERC adopts and promulgates the FIT Rules. All RE plants shall be deemed eligible upon issuance by the ERC of a COC authorizing them to operate as FIT-eligible RE plants. Eligible RE plants shall be entitled to the appropriate FITs as established.

On June 4, 2014, the DOE issued the COE for FIT eligibility to endorse the 13MW Phase 1A solar power plant of SACASOL as an eligible project under the FIT system pursuant to the provisions of the RE Act.

On February 9, 2015, the ERC granted the COC to Phase 1A solar power plant with a capacity of 13MW, which entitles SACASOL to the FIT rate of ₱9.68/kWh from May 15, 2014 until May 14, 2034. On the same date, ERC granted the COC to Phase 1B solar power plant with a capacity of 9MW, which entitles SACASOL to the FIT rate of ₱9.68/kWh from August 16, 2014 to August 15, 2034.



On September 11, 2015, the DOE issued the COE for FIT eligibility to endorse the 23MW Phases 1C and 1D solar power plants of SACASOL as an eligible project under the FIT system pursuant to the provisions of the Act.

On May 4, 2016, ERC granted the COC to Phases 1C and 1D solar power plants with a capacity of 23MW, which entitles SACASOL to the FIT rate of ₱8.69/kWh from September 6, 2015 to September 5, 2035.

On May 26, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, SACASOL's FIT Rate starting 2020 shall be ₱11.28/kWh for Phase 1A and 1B and ₱10.12/kWh for Phase 1C and 1D solar power plants.

#### *NLR*

On December 11, 2014, the DOE, through its issuance of the COE, certified the NLR's wind farm project as an eligible project under the FIT system. On April 13, 2015, the ERC issued a COC, which entitles NLR to the FIT rate of ₱8.53 per kWh, as approved by the ERC from November 11, 2014 to November 10, 2034.

#### *NorthWind*

On July 31, 2007, NorthWind and the DOE entered into a Negotiated Commercial Contract ("NCC") covering the contract area located in Bangui, Ilocos Norte. As a holder of a valid and existing NCC, NorthWind is deemed provisionally registered as a RE Developer under RA 9513. The provisional authority shall subsist until the issuance by the DOE of a Certificate of Registration.

On February 26, 2013, the DOE granted NorthWind a Certificate of Registration under Wind Energy Service Contract No. 2012-07-058. The Certificate of Registration served as the basis for its application with the BOI for the grant of incentives under RA 9513. The approval grants an income tax holiday ("ITH") incentive of seven (7) years starting September 2014.

On October 10, 2014, the DOE granted NorthWind a COE for FIT Eligibility (COE-FIT No. 2014-10-001) for its Phase III expansion project. The endorsement was the basis for the ERC to issue a FIT COC on April 13, 2015.

The tariff on the generation of the original twenty (20) turbines (Phases I & II) is a FIT rate specific to the NorthWind of ₱5.76/kWh, as approved by the ERC in its decision dated June 30, 2014. In an Order dated November 7, 2017, the ERC granted NorthWind an increase of ₱0.20/kWh, in connection with a Motion for Partial Reconsideration of the Decision dated June 30, 2014, in ERC Case No. 2011-060RC filed by NorthWind on December 5, 2014, thereby increasing the FIT rate specific to Phases I & II from ₱5.76/kWh to ₱5.96/kWh.

The FIT rate specific to NorthWind is lower than the national FIT rate and is valid for twenty (20) years, less the actual years of operation as provided for under the FIT Rules.

The tariff on the six (6) turbines (Phase III) is at ₱8.53/kWh, subject to adjustments as may be approved by the ERC under the FIT rules. The FIT period on the six turbines shall be from October 10, 2014 to October 8, 2034.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, NPDC's rate starting 2020 shall be ₱6.52/kWh and ₱8.90/kWh for Phase I & 11 and Phase III, respectively.



### The RE Act and FIT rules

On January 30, 2009, the RE Act became effective.

As provided for in the Act, developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to the following incentives, among others:

- (a) ITH - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the national government;
- (b) Duty-free importation of RE Machinery, Equipment and Materials - Within the first ten (10) years from issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
- (c) Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
- (d) Net Operating Loss Carry Over (NOLCO) - the NOLCO of the RE developer incurred during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
- (e) Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the NIRC, as amended by Republic Act No. 9337;
- (f) Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
- (g) Zero Percent Value-Added Tax ("VAT") Rate - The sale of fuel or power generated from renewable sources of energy shall be subject to zero percent (0%) VAT;
- (h) Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the RE Act, shall be entitled to a cash generation-based incentive per kWh rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
- (i) Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
- (j) Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and customs duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the RE Act.

In addition, to accelerate the development of emerging RE resources, a FIT system for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass will be promulgated which shall include, but not limited to, the following:

- (a) Priority connections to the grid for electricity generated from emerging RE resources;
- (b) The priority purchase and transmission of, and payment for, such electricity by the grid system operators; and
- (c) The determination of the fixed tariff to be paid to electricity produced from each type of emerging RE resources and the mandated number of years for the application of these rates, which shall not be less than twelve (12) years.





The FIT to be set shall be applied to the emerging RE resource to be used in compliance with the renewable portfolio standard as provided for in the RE Act and in accordance with the rules to be promulgated by ERC in consultation with the National Renewable Energy Board.

RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). All certifications required to qualify RE developers to avail of the incentives provided for under the RE Act shall be issued by the DOE through the REMB upon registration.

On July 12, 2010, the ERC approved and issued the FIT Rules which provides for the rules and regulations for the determination of the FIT for emerging RE technologies such as biomass, solar, run-of-river hydropower, ocean and wind energy.

On December 16, 2013, the ERC approved Resolution No. 24 of 2013, A Resolution Adopting the Guidelines on the Collection of the Feed-In Tariff Allowance (FIT-All) and Disbursement of the FIT-All Fund.

#### Renewable Portfolio Standards

On December 22, 2017, the DOE issued a Department Circular Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas (the “RPS Rules”), which mandates electric power industry participants to source or produce a specified portion of their electricity requirements from eligible Renewable Energy (“RE”) resources in order to develop indigenous and environmentally friendly energy sources, and establish a minimum annual RPS requirement. Under the RPS Rules, the mandated participants include:

- a) Distribution Utilities for the captive customers;
- b) Retail Electricity Suppliers for contestable customers;
- c) Generating Companies to the extent of the demand of their directly-connected customers;
- d) Other entities as may be recommended by the National Renewable Energy Board (“NREB”) and approved by the DOE.

The RPS Rules include the establishment of a minimum annual RPS requirement which entails that the RE share of electricity coming from RE resources in the energy mix shall be based on an aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE. The RPS Rules also include a minimum annual incremental RE percentage required to be sourced from eligible RE resources shall be no less than 1% of its annual energy demand over the next 10 years.

For the purpose of compliance with the RPS Rules for On-Grid Areas, the eligible RE facilities utilizing the following technologies and resources, provided that these were commissioned after the effectivity of the RE Act in 2008, shall be allowed to attribute the Renewable Energy Certificates (“REC”)’s for the energy generated by the RE plant:

- a) Biomass;
- b) Waste-to-energy technology;
- c) Wind energy;
- d) Solar energy;
- e) Run-of-river hydroelectric power systems;
- f) Impounding hydroelectric power systems;
- g) Ocean energy;
- h) Hybrid systems as defined in the RE Act with respect to the RE component;
- i) Geothermal energy;
- j) Other RE technologies that may be later identified by the DOE.



The RPS Rules enable the creation of a RE Market where mandated participants comply with the minimum annual RPS requirement through the allocation, generation, purchase, or acquisition, generation from net metering arrangements, of REC's, where one certificate represents one MWh of generation produced from a registered eligible RE facility.

#### *Solar Energy Service Contract of MONTESOL*

On October 9, 2013, MONTESOL entered into Solar Energy Service Contract with DOE. Under the RE Act, the exclusive right to explore and develop a particular renewable energy area thereunder shall be through a Renewable Energy Service Contract. MONTESOL was appointed and constituted by DOE as the party having the exclusive right to explore, develop, and utilize the solar energy resources within the contract area. MONTESOL may pursue any additional investment or new investment within the contract area and shall be solely responsible for providing the necessary services, technology, equipment and financing for twenty-five (25) years.

#### Lease Commitments

##### *One Subic Power's Facilities Lease Agreement ("FLA") with SBMA*

One Subic Power has a lease contract with SBMA for a parcel of land and electric generating plant and facilities. The lease was originally entered on July 20, 2010 and was valid for five years. The agreement was amended on October 24, 2012 to extend the term of the lease to July 19, 2020 with an option to renew for another five years. On December 21, 2017, SBMA informed One Subic Power that its BOD has approved the amendments of the FLA extending the lease term until July 19, 2030. On April 3, 2018, the third amendments were signed and approved.

For the years ended December 31, 2021 and 2020, One Subic Power recognized finance charges on the lease liabilities amounting to ₱32.05 million and ₱34.47, respectively. "Finance charges" are part of "Interest and Other Finance Charges" account. One Subic Power also recognized variable rent expense amounting to ₱22.58 million and ₱16.82 million for the years ended December 31, 2020 and 2019, respectively. "Rent expense" is under "Cost of sale electricity".

##### *Guimaras Wind's Lease Agreement with Various Land Owners*

Guimaras Wind has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased assets, which indicates that the risks and rewards relates to the asset are retained with the land owners. These leases are classified as operating leases and have terms of twenty (20) to twenty-five (25) years. Guimaras Wind has also entered into various easements and right of way agreements for the Guimaras Wind Farm that will connect to the grid. These agreements convey to Guimaras Wind the right to control the use of the utility of the asset. Guimaras Wind's San Lorenzo Wind Power Project, with a carrying value of ₱3.70 billion and ₱3.91 billion and included under the "Machinery and equipment" account is mortgaged as security for its term loan as at December 31, 2021 and 2020, respectively.

For the years ended December 31, 2021, 2020 and 2019, Guimaras Wind recognized finance charges on the lease liabilities amounting to ₱17.88 million, ₱17.76 million and ₱30.83 million, respectively, included under "Interest and Other Finance Charges" account.

##### *Easements and Right of Way Agreements*

In 2014, Guimaras Wind also entered into various easements and right of way agreements with landowners in Guimaras for the erection of transmission lines that will connect the SLWP to the grid. One-off payments made by Guimaras Wind to various landowners to cover the 25-year easement and right of way agreements were recognized as prepaid rent in the consolidated statements of financial



position and amortized over the term of the lease. The amortization of the lease during the construction period was capitalized as part of the cost of the wind farm.

Guimaras Wind recognized rent expense of nil in 2021 and 2020, and ₱0.25 million in 2019, included in “Rent” account under “Cost of sale of electricity” (see Note 23).

The rent expense recognized for 2019 was from the short-term lease of Land Lot 1832-C-2 which expired on December 19, 2019.

*ACEN’s Agreement on Assignment of Contract of Lease*

On November 20, 2019, the Parent Company, ACEIC, Ayala Land, Inc. (ALI) and Ayalaland Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots effective September 1, 2019 to the Parent Company. The lease is until May 31, 2022. The lease is at a fixed monthly rate of ₱0.83 million and ₱0.01 million for the office unit and parking slots, respectively with an escalation rate of 5% every year, beginning on the second year.

*SLTEC’s Contract of Lease for Office Space*

On December 19, 2019, SLTEC notified the lessor of their intent to pre-terminate their office lease contract effective March 31, 2020. Due to government restrictions in relation to COVID-19, on March 27, 2020, SLTEC notified the lessor of its inability and impossibility to vacate by March 31, 2020, and the parties agreed to terminate the lease effective May 31, 2020. SLTEC remeasured the lease liability and ROU asset as a result of the termination of the contract (see Note 14).

*SACASOL’s Contract of Lease for Land Phases 1A & 1B*

On March 7, 2014, SACASOL entered into a lease agreement with San Julio Realty, Inc. (SJRI) for the lease of 35 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of the Phase 1A and Phase 1B solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area delineated for Phase 1A for a period of 25 years. The area delineated for Phase 1B shall be held for the remaining term of the agreement upon the receipt of notice by SACASOL.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period, respectively. The lease modification did not result in a separate lease.

*SACASOL’s Contract of Lease for Land - Phases 1C and 1D*

On October 21, 2014, SACASOL entered into a lease agreement with SJRI for the lease of 32.4214 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of Phases 1C and 1D solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area for a period of 25 years.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period. The lease modification did not result in a separate lease.

*ISLASOL’s Contract of Lease for Land - Phases 2A & 2B*

Part of ISLASOL’s acquisition of certain solar power plant projects from SACASOL is the lease agreement between SACASOL and Roberto J. Cuenca, Sr. (the Lessor) for the La Carlota A Project



The lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental was executed on June 5, 2014 as site for the construction and operations of Phases 2A and 2B solar power plant projects of ISLASOL. Upon issuance of the NTP to the contractor, ISLASOL shall hold the land area delineated for a period of 25 years therefrom.

*ISLASOL's Contract of Lease for Land - Phase 3*

On September 1, 2015, ISLASOL entered into a lease agreement with MSPDC (the Lessor) for the lease of approximately 638,193 sq.m. of land located in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental. The term of the lease shall be for a period of 25 years upon written notice served upon the Lessor by ISLASOL not earlier than one 1 year but not later than 3 months before the expiration of the original period of lease. Lease extension shall be in writing executed by both parties 3 months before the expiration of the original period of lease. ISLASOL has the sole option to extend the term of the lease.

*MONTESOL's Contract of Lease for Land*

On September 2, 2015, MONTESOL entered into a lease agreement with Montenegro Brothers Agricultural Corporation for 21.45 hectares of land located in Barrio Alanginlanan, Bais, Negros Oriental as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 25 years, with a monthly rental payment of P7.00 per square meter, exclusive of VAT, and subject to annual adjustment based on actual inflation rate covering subject period as published/ pronounced by the National Economic Development Authority or an equivalent agency. The period of lease may be extended, under the same terms and conditions, at the sole discretion of MONTESOL for up to another 25 years.

*Solarace1's Contract of Lease for Land*

On September 30, 2019, Solarace1 Energy Corp. ("Solarace1") entered into a lease agreement with ALI, Crimson Field Enterprises Inc., and Red Creek Properties Inc., for 106.59 hectares of land located in Barangay San Andres, Alaminos, Laguna as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 21 years, with a monthly rental payment of ₱15.45 per square meter, exclusive of VAT. The rental fee shall be subject to annual adjustment of whichever is higher between 3% per annum and the rate of increase of real property tax where the property is located. The period of lease may be extended, under the same terms and conditions, at the sole discretion of Solarace1 for up to another 21 years.

*NorthWind's Contract of Lease for Rental of Office Space*

In August 2017, NorthWind's Metro Manila Administrative Office transferred to Makati. A new contract of lease was signed on September 18, 2017 with 6750 Ayala Avenue Joint Venture (AAJV) for a period of 5 years by NLR, an affiliate of NorthWind.

An Agreement on the Assignment of Lease was signed between NLR and NorthWind on November 20, 2017. NLR assigned half of the lease premises of 123.8 sq. meters to NorthWind, with a monthly rental of ₱0.12 million subject to 5% annual escalation rate.

In January 2020, NorthWind assigned the contract of lease with 6750 AAJV to ACEN.

*Ingrid's Contract of Lease for Land*

In July 23, 2020 a Sublease Agreement was signed between Ingrid Power Holdings, Inc and ACEIC. to sublease a land with Tabangao Realty Inc (TRI) for an approximately 41,781.86 square meters of land located in in Brgy. Malaya, Pililla, Rizal as a site to develop, operate and maintain a 150MW modular diesel engine power plant primarily intended for the provision of ancillary services to the National Grid Corporation of the Philippines. The term of the sublease shall be for a period of 6 years, with a monthly rental payment of ₱25.00 per square meter, exclusive of VAT, subject to 3%



annual escalation rate. The period of lease may be extended, under the same terms and conditions to another 5 years.

*BCHC's Contract of Lease for Land*

In April 22, 2020 BCHC entered into a lease agreement with ACD Incorporated Inc. for 13.95 hectares of land located in Batangas II, Mariveles, Bataan as a site for the construction and operation of the Power Generating Facilities and its allied purposes. The term of the sublease shall be for a period of 25 years, with a monthly rental payment of ₱2.00 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BCHC for up to another 25 years.

On September 2, 2020, the property was subleased by BCHC to BSEI to develop, operate and maintain a 5MW RE Laboratory facility. The term of the sublease shall be for a period of 7 years, with a monthly rental payment of ₱2.10 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BSEI for up to another 25 years.

On November 20, 2020, an Agreement on the Deed of Assignment of Lease was signed between BCHC and AC Energy Inc. ACEI agreed to assign its rights and obligations for the land leased with Tabangao Realty Inc (TRI) entered in March 23, 2018 for an approximately 177,774 square meters situated in Brgy. Malaya, Pililla, Rizal.

Tower 2 lease agreement with Ayala Land, Inc.

The Parent Company entered into an agreement with Ayala Land, Inc. (the Lessor) for lease of office units at 34th, 35th, and 36th floors of Ayala Triangle Gardens Two Building and 69 Appurtenant parking slots starting January 18, 2021 for a period of 10 years. The lease agreement provides for a 5% annual escalation rate for the rental payments (See Note 14).

Loan facilities commitment

As at December 31, 2021, the Group through ACRI has outstanding commitments of \$207.1 million (\$127.9 million as at December 31, 2020) from the guarantees it provided to related parties.

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### 34. Financial Risk Management Objectives and Policies

Objectives and Investment Policies

The funds of the entities are held directly by the Group and are managed by the Corporate Finance and Treasury Group (“CFT”).

All cash investments of the Group are carried and governed by the following principles, stated in order of importance:

- Preservation of invested cash
- Liquidity of invested cash; and
- Yield on invested cash. Under no circumstance will yield trump the absolute requirement that the principal amount of investment be preserved and placed in liquid instruments

The CFT manages the funds of the Group and invests them in highly liquid instruments such as short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, and trust funds denominated in Philippine peso and U.S. dollar. It is responsible for the sound and prudent management of the Group’s financial assets that finance the Group’s operations and investments in enterprises.



CFT focuses on the following major risks that may affect its transactions:

- Foreign exchange risk
- Credit or counterparty risk
- Liquidity risk
- Interest rate risk

Corporate Planning and Investor Relations (“CPIR”) focuses on the following major risks that may affect its transactions:

- Market risk
- Equity price risk

Commercial Operations focuses on commodity price risk.

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Group.

### Risk Management Process

#### *Foreign Exchange Risk*

The Group defines foreign exchange risk as the risk of realizing reduced operating cash flows and/or increasing the volatility of future earnings from movements in foreign exchange. The risk is measured based on potential downside impact of market volatility to operating cash flows and target earnings.

Foreign exchange risk is generally managed in accordance with the Natural Hedge principle and further evaluated through:

- Continual monitoring of global and domestic political and economic environments that have impact on foreign exchange;
- Regular discussions with banks to get multiple perspectives on currency trends/forecasts; and
- Constant updating of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises.

In the event that a Natural Hedge is not apparent, the Group endeavors to actively manage its open foreign currency exposures through:

- Trading either by spot conversions; and
- Entering into derivative forward transactions on a deliverable or non-deliverable basis to protect values

The Group’s significant foreign currency-denominated financial assets and financial liabilities as at December 31, 2021 and 2020 are as follows:

	December 31, 2021		December 31, 2020 (As restated)	
	U.S. Dollar (US\$)	Sing (S\$)	U.S. Dollar (US\$)	Sing (S\$)
Financial Assets				
Cash and cash equivalents	\$303,150	S\$–	\$10,602	S\$–
Other receivables	677,566	–	–	–
	<b>\$980,716</b>	<b>S\$–</b>	<b>\$10,602</b>	<b>S\$–</b>
Financial Liabilities				
Accounts payable and other current liabilities	(18,516)	–	(4,860)	(24)
Notes payable and loans-term loans	(397,744)	–	–	–
	<b>(\$416,260)</b>	<b>(S\$–)</b>	<b>(\$4,860)</b>	<b>(S\$24)</b>
Net foreign currency-denominated assets (liabilities)	<b>\$564,456</b>	<b>S\$–</b>	<b>\$5,742</b>	<b>(S\$24)</b>
Peso equivalent	<b>₱28,657,431</b>	<b>₱–</b>	<b>₱275,846</b>	<b>(₱867)</b>



In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rates used were ₱50.77 to US\$1.00 as at December 31, 2021 and ₱48.04 to US\$1.00 and ₱36.12 to S\$1.00 as at December 31, 2020.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's profit before tax (due to the changes in the fair value of monetary assets and liabilities) in periods presented. The possible changes are based on the survey conducted by management among its banks. There is no impact on the Group's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives.

Pertinent Period	Increase (Decrease) in Foreign Exchange Rate	US\$	Sing (S\$)
December 31, 2021	<b>(₱0.50)</b>	<b>(₱282,228)</b>	₱-
	<b>(1.00)</b>	<b>(564,456)</b>	-
	<b>0.50</b>	<b>282,228</b>	-
	<b>1.00</b>	<b>564,456</b>	-
December 31, 2020 (As restated)	(₱0.50)	(₱2,871)	₱12
	(1.00)	(5,742)	24
	0.50	2,871	(12)
	1.00	5,742	24

For subsidiaries with functional currency in US\$, financial assets and liabilities are translated into Philippine peso, presentation currency of the Group using closing exchange rate prevailing at the reporting date, and respective income and expenses at the average rate for the period. These include the assets and liabilities of ACRI and its subsidiaries composed of dollar denominated investments in associates and joint ventures, accounts and other payables, and notes payable with US\$ functional currency, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and the respective income and expenses at the average rate for the period. Assets and liabilities of ACEC, ACE HK and ACEN Finance which are in US\$ functional currency was likewise translated to the Group's presentation currency.

The exchange difference arising on the translation are recognized in OCI under "Cumulative Translation Adjustments". See below for the carrying amounts.

	2021	
	Peso	US\$
Cash and cash equivalents	<b>₱15,153,410</b>	<b>\$298,448</b>
Receivables	<b>34,297,177</b>	<b>675,487</b>
Investments in:		
Associates and joint ventures	<b>41,569,737</b>	<b>818,721</b>
Other financial assets at amortized cost	<b>26,846,355</b>	<b>528,742</b>
Financial asset at FVTPL	<b>406,739</b>	<b>8,011</b>
	<b>118,273,418</b>	<b>2,329,409</b>
Accounts payable and other current liabilities	<b>(859,183)</b>	<b>(16,922)</b>
Notes payable	<b>(20,195,054)</b>	<b>(397,744)</b>
Net foreign currency position	<b>₱97,219,181</b>	<b>\$1,914,743</b>



	2020 (As restated)	
	Peso	US\$
Cash and cash equivalents	₱22,839,727	\$475,471
Receivables	13,841,336	288,145
Investments in:		
Associates and joint ventures	12,201,596	254,009
Other financial assets at amortized cost	28,297,818	589,096
	77,180,477	1,606,721
Accounts payable and other current liabilities	(202,544)	(4,217)
Net foreign currency position	₱76,977,933	\$1,602,504

The Philippine Peso - US Dollar exchange rate as at December 31, 2021 and 2020 used were ₱50.77 to US\$1.00 and ₱48.04 to US\$1.00.

The following are the sensitivity rates used in reporting foreign currency risk internally to key management personnel. The sensitivity rates represent management's assessment of the reasonably possible change in foreign exchange rates.

		Increase (decrease) in Peso per foreign currency	Effect on income before income tax
<b>December 31, 2021</b>	<b>USD</b>	<b>(\$0.50)</b>	<b>(₱1,118,686)</b>
		<b>(1.00)</b>	<b>(2,237,372)</b>
		<b>0.50</b>	<b>1,118,686</b>
		<b>1.00</b>	<b>2,237,372</b>
December 31, 2020	USD	(\$0.50)	(₱801,252)
(As Restated)		(1.00)	(1,602,504)
		0.50	801,252
		1.00	1,602,504

#### *Credit or Counterparty Risk*

The Group defines Credit or Counterparty Risk as the risk of sustaining a loss resulting from a counterparty's default to a transaction entered with the Group.

Credit or counterparty risk is managed through the following:

- Investments are coursed through or transacted with duly accredited domestic and foreign banks subject to investment limits per counterparty as approved by the Board.
- Discussions are done on every major investment by CFT before it is executed subject to the Group's Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and CFT Finance Managers supervise major transaction executions.
- Market and portfolio reviews are done at least once a week and as often as necessary should market conditions require. Monthly reports are given to the CFO with updates in between these reports as needed.
- A custodian bank for Philippine peso instruments and foreign currency instruments has been appointed based on its track record on such service and the bank's financial competence.





With respect to credit risk arising from the receivables of the Group, its exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2021					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade and other receivables						
<i>Current:</i>						
Trade receivables	₱470,270	₱3,315,917	₱2,130	₱1,679,530	₱82,980	₱5,550,827
Due from related parties	18,724,341	7,918	216,715	6,629,151	10,560	25,588,685
Others	609,083	207,906	627,037	809,039	84,608	2,337,673
<i>Noncurrent</i>						
Trade receivables	–	1,313,647	–	589,634	6,753	1,910,034
Due from related parties	8,484,028	–	–	–	–	8,484,028
Receivables from third parties	2,210,103	–	29,577	564,325	6,998	2,811,003
	<b>₱30,497,825</b>	<b>₱4,845,388</b>	<b>₱875,459</b>	<b>₱10,271,679</b>	<b>₱191,899</b>	<b>₱46,682,250</b>

	2020 (As restated)					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade and other receivables						
<i>Current:</i>						
Trade receivables	₱3,896,023	₱–	₱–	₱685,056	₱80,991	₱4,662,070
Due from related parties	9,158,284	2,158	–	217,807	–	9,378,249
Others	1,457,649	146,875	235,454	812,412	85,983	2,738,373
<i>Noncurrent</i>						
Trade receivables	810,021	–	–	1,106,706	13,752	1,930,479
Due from related parties	2,741,428	–	–	–	–	2,741,428
Receivables from third parties	1,812,366	–	–	69,768	–	1,882,134
	<b>₱19,875,771</b>	<b>₱149,033</b>	<b>₱235,454</b>	<b>₱2,891,748</b>	<b>₱180,726</b>	<b>₱23,332,733</b>

The Group uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Customers with excellent paying habits
Class B	Customers with good paying habits
Class C	Unsecured accounts

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, short-term investments, financial assets at FVOCI and derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group's assessments of the credit quality of its financial assets are as follows:

- Cash and cash equivalents, short-term investments and derivative assets were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.
- Listed and unlisted financial assets at FVOCI were assessed as high grade since these are investments in instruments that have a recognized foreign or local third-party rating or instruments which carry guaranty or collateral.

There are no significant concentrations of credit risk within the Group.



*Maximum exposure to credit risk of financial assets not subject to impairment*

The gross carrying amount of financial assets not subject to impairment also represents the Group's maximum exposure to credit risk which mainly pertains to financial assets at FVOCI amounting to ₱354.87 million and ₱13,001.92 million as at December 31, 2021 and December 31, 2020.

*Maximum exposure to credit risk of financial assets subject to impairment*

The gross carrying amount of financial assets subject to impairment are as follows:

	2021	2020 (As restated)
<i>Financial Assets at Amortized Cost (Portfolio 1)</i>		
Cash and cash equivalents	<b>₱26,445,429</b>	₱28,077,171
Under "Receivables" account		
Current:		
Trade receivables	<b>5,550,827</b>	4,662,070
Due from related parties	<b>25,588,685</b>	9,378,249
Others	<b>2,337,633</b>	2,738,375
Noncurrent:		
Trade receivables	<b>1,910,035</b>	1,930,478
Due from related parties	<b>8,484,028</b>	2,741,428
Receivables from third parties	<b>2,210,103</b>	1,882,134
Other financial assets at amortized cost	<b>26,085,959</b>	15,297,105
Under "Other Noncurrent Assets" account		
Deposits	<b>165,164</b>	105,337
	<b>₱99,378,763</b>	₱66,812,347

The Group's maximum exposure to credit risk are as follows:

Grade	2021				Total
	12-month Stage 1	Lifetime ECL			
		Stage 2	Stage 3	Simplified Approach	
High	<b>₱34,297,803</b>	<b>₱-</b>	<b>₱-</b>	<b>₱26,743</b>	<b>₱34,324,546</b>
Standard	<b>183</b>	-	-	-	<b>183</b>
Substandard	-	-	-	-	-
Default	-	-	-	<b>621</b>	<b>621</b>
Gross carrying amount	<b>34,297,986</b>	-	-	<b>27,364</b>	<b>34,325,350</b>
Less loss allowance	<b>181,599</b>	-	-	-	<b>181,599</b>
Carrying amount	<b>₱34,116,387</b>	<b>₱-</b>	<b>₱-</b>	<b>₱27,364</b>	<b>₱34,506,949</b>

Grade	2020 (As restated)				Total
	12-month Stage 1	Lifetime ECL			
		Stage 2	Stage 3	Simplified Approach	
High	₱28,075,433	<b>₱-</b>	<b>₱-</b>	₱6,592,548	₱34,667,981
Standard	-	-	-	-	-
Substandard	-	-	-	-	-
Default	-	-	-	13,752	13,752
Gross carrying amount	28,075,433	-	-	6,606,300	34,681,733
Less loss allowance	-	-	-	180,726	180,726
Carrying amount	₱28,075,433	<b>₱-</b>	<b>₱-</b>	₱6,800,778	₱34,876,211



### Liquidity Risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is managed through:

- Asset and Liability Management principle. Short-term assets are used to fund short-term liabilities while major investments, capital expenditures and long-term assets are funded by long-term liabilities.
- Detailed cash flow forecasting and continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Group.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Group's plans. Average duration of investments does not exceed one (1) year.
- Setting up working capital lines to address unforeseen cash requirements that may cause pressure to liquidity.

	2021					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱2,163,882	₱76,624	₱293,538	₱1,238,581	₱-	₱3,772,625
Retention payable	-	-	136,075	-	-	136,075
Accrued expenses <sup>a</sup>	644,535	128,384	501,485	-	-	1,274,403
Accrued interest	169,053	27,124	101,236	252,742	-	550,155
Due to related parties	276,322	5,573	4,975	536,212	-	823,082
Others	18,270	987	120,582	-	-	139,839
Derivative Liability	-	-	241,744	-	-	241,744
Short-term loans	-	-	-	-	-	-
Due to stockholders	16,585	-	-	-	-	16,585
Lease liabilities <sup>b</sup>	-	112,360	226,672	1,401,896	3,566,932	5,307,860
Long-term loans <sup>c</sup>	-	230,879	1,774,699	8,374,528	18,727,675	29,107,782
Notes payable	-	-	-	20,195,054	-	20,195,054
Other noncurrent liabilities <sup>d</sup>	-	-	-	2,392,953	4,333,333	6,726,286
	<b>₱3,288,647</b>	<b>₱581,931</b>	<b>₱3,401,006</b>	<b>₱34,391,966</b>	<b>₱26,627,940</b>	<b>₱68,291,490</b>

<sup>a</sup> Excluding current portion of vacation and sick leave accruals.

<sup>b</sup> Gross contractual payments.

<sup>c</sup> Including contractual interest payments.

<sup>d</sup> Excluding contract liabilities.

	2020 (As restated)					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱504,520	₱956,567	₱2,452,185	₱-	₱-	₱3,913,272
Accrued expenses <sup>a</sup>	20,441	287,762	333,480	-	-	641,683
Accrued interest	-	193,201	10,771	-	-	203,972
Due to related parties	-	131,265	498,637	-	-	629,902
Retention payable	-	-	74,974	-	-	74,974
Derivative liability	-	3,300	-	-	-	3,300
Others	-	800	41,051	-	-	41,851
Short-term loans	-	3,549,370	1,085,630	-	-	4,635,000
Due to stockholders	-	18,272	-	-	-	18,272
Lease liabilities <sup>b</sup>	-	62,605	174,583	903,641	3,154,948	4,295,777
Long-term loans <sup>c</sup>	-	266,765	1,720,907	8,597,483	80,163,617	90,748,772
Other noncurrent liabilities <sup>d</sup>	-	-	-	324,486	1,209,437	1,533,923
	<b>₱524,961</b>	<b>₱5,469,907</b>	<b>₱6,392,218</b>	<b>₱9,825,610</b>	<b>₱84,528,002</b>	<b>₱106,740,698</b>

<sup>a</sup> Excluding current portion of vacation and sick leave accruals.

<sup>b</sup> Gross contractual payments.

<sup>c</sup> Including contractual interest payments.

<sup>d</sup> Excluding contract liabilities.



As at December 31, 2021 and 2020, the profile of financial assets used to manage the Group's liquidity risk is as follows:

	2021				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
Loans and receivables:					
<i>Current:</i>					
Cash and cash equivalents	₱26,445,429	₱-	₱-	₱-	₱26,445,429
Short-term investments	68,310	-	-	-	68,310
Accounts and Notes Receivables:					
Accounts Receivables	5,481,520	1,124,498	-	-	6,606,018
Notes Receivables	24,278,081	-	-	-	24,278,081
Interest Receivables	2,425,198	-	-	-	2,425,198
<i>Noncurrent:</i>					
Receivables:					
Accounts Receivables	-	-	-	2,093,042	2,093,042
Notes Receivables	-	-	-	9,586,187	9,586,187
Interest Receivables	-	-	-	1,512,085	1,512,085
Derivative assets	-	241,744	-	-	241,744
Other financial assets at amortized cost	-	-	-	26,085,959	26,085,959
Financial assets at FVOCI:					
Quoted	-	-	-	353,678	353,678
Unquoted	-	-	-	1,190	1,190
	<b>₱58,698,538</b>	<b>₱1,366,242</b>	<b>₱-</b>	<b>₱39,632,141</b>	<b>₱99,696,921</b>

	2020 (As restated)				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
Loans and receivables:					
<i>Current:</i>					
Cash and cash equivalents	₱28,077,171	₱-	₱-	₱-	₱28,077,171
Receivables:					
Accounts Receivables	1,169,722	3,920,394	660,372	-	5,750,488
Notes Receivables	10,082,520	-	-	-	10,082,520
Interest Receivables	778,711	-	-	-	778,711
<i>Noncurrent:</i>					
Receivables					
Accounts Receivables	-	-	-	1,933,892	1,933,892
Notes Receivables	-	-	-	4,100,427	4,100,427
Interest Receivables	-	-	-	505,969	505,969
Derivative assets	-	46,968	-	-	46,968
Other financial assets at amortized cost	-	-	-	15,297,105	15,297,105
Financial assets at FVOCI:					
Quoted	-	-	-	379,978	379,978
Unquoted	-	-	-	1,190	1,190
	<b>₱40,108,124</b>	<b>₱3,967,362</b>	<b>₱660,372</b>	<b>₱22,218,561</b>	<b>₱66,954,419</b>

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2021 and 2020, the Group has fixed rate financial instruments measured at fair value.

The Group's exposure to interest rate risk relates primarily to long-term debt obligations that bear floating interest rate. The Group generally mitigates risk of changes in market interest rates by constantly monitoring fluctuations of interest rates and maintaining a mix of fixed and floating interest-bearing loans. Specific interest rate risk policies are as follows:



### ACEN

In 2019, the Parent Company availed a ₱5.00 billion loan with BDO with a term of ten (10) years payable in semi-annual installments. The loan has a fixed interest rate for the first five (5) years and is subject to be repriced for the succeeding five (5) years.

On July 10, 2020, the Parent Company entered into a term loan agreement with CBC amounting to ₱7.00 billion. The loan has a term of ten (10) years with an option to choose the pricing structure prior to each drawdown. As at December 31, 2020, the Parent Company has drawn ₱1.50 billion and is subject to a fixed interest rate of 5% for ten (10) years with no repricing. The undrawn portion of the term loan facility amounting to ₱5.50 billion is still subject to interest rate risk depending on the pricing structure to be selected once drawdown is made.

On March 19, 2021, the Parent Company entered into a term loan agreement with DBP amounting to ₱4.50 billion. The loan has a term of ten (10) years with an option for a floater or fixed interest rate. As at December 31, 2021, the Parent Company has drawn ₱805 million and is subject to a floating interest rate, subject to repricing on every semi-annual payment date. The undrawn portion of the term loan facility amounting to ₱3.695 billion is still subject to interest rate risk depending on the then benchmark rate plus spread.

### Guimaras Wind

Guimaras Wind entered into a ₱4.30 billion peso-denominated Term Loan Facility that will be used to partially finance the 54MW San Lorenzo Wind Farm. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of fifteen (15) years with semi-annual interest payments starting on the date on which the loan is made. The interest of Tranche A bears a fixed rate for the first ten (10) years and is subject to an interest rate repricing on the last five (5) years.

On April 28, 2016, the Group prepaid a portion of its long-term debt in accordance with the terms of the Agreement as follows:

- the Group shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by the Group of any transmission line proceeds;
- prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- the remaining thirty percent (30%) shall be transferred directly into the Group controlled distribution account for further distribution to the Project Sponsor.

### SLTEC

On April 29, 2019 SLTEC entered into an Omnibus Loan and Security Agreement (the “New Omnibus Agreement”) with the following:

- BDO Unibank, Inc. (BDO), Security Bank Corporation (SBC) and Rizal Commercial Banking Corporation (RCBC) as the Lenders;
- ACEI, ACEN, and APHPC as the Sponsors;
- BDO Capital & Investment Corporation as the Mandated Lead Arranger and Sole Bookrunner;
- RCBC Capital Corporation and SB Capital Investment Corporation as the Lead Arrangers; and,
- BDO Unibank, Inc. - Trust and Investments Group as the Facility Agent, Security Trustee and Paying Agent

The New Omnibus Agreement covering a ₱11,000.00 million syndicated loan facility was entered into for the purpose of re-leveraging and optimizing the capital structure of SLTEC as permitted by law and other agreements to which SLTEC is a party and to fund its general corporate requirements. Tenor of the loan is 12 years from initial drawdown date and is subject to interest rates ranging from



4.44% to 7.11%. SLTEC shall pay the interest at the applicable interest rate on the unpaid principal amount of each advance on each interest payment date for the interest period then ending. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period.

#### NorthWind

On May 29, 2020, NorthWind entered into an Omnibus Loan and Security Agreement with BPI for a long-term loan facility amounting to ₱2.30 billion. The proceeds of the loan were used to fully repay its senior loans. The loan shall be repaid in twenty-four (24) sculpted semi-annual amortizations as set forth in the agreement. The interest rate is fixed for the initial period of ten (10) years to be repriced after the 10th anniversary at a rate equivalent to (a) the 2-year base fixed rate plus a spread of 1.115%, or (b) 5.125% per annum, whichever is higher.

#### BWPC

The outstanding loan balance to UPC Holdco amounting to nil million and ₱145.04 million as at December 31, 2021 and 2020, respectively, was used for the funding of the Balaoi and Caunayan Wind Power Project. BWPC availed loans from UPC Holdco amounting to ₱33.62 million and ₱17.28 million in 2021 and 2020, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount.

In May 2021, outstanding loan balance including the interest payable were paid in full.

#### *Market Risk*

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rates and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

#### *Equity Price Risk*

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVOCI.

#### *Commodity Price Risk*

##### Cash flow hedges

The Group defines Commodity Price Risk as the risk of realizing reduced profit margins and/or increasing the volatility of future earnings that are affected by the pricing variability and uncertainty in coal and fuel supply and any associated foreign exchange risk. The risk is measured based on potential downside impact of market volatility to target earnings.

To manage Commodity Price Risk, the Group develops a Coal and Fuel Hedging Strategy aimed to:

- Manage the risk associated with unexpected increase in coal and fuel prices which affect the target Profit & Loss of the Group
- Determine the Hedge Item and appropriate Hedging Instrument to use, including but not limited to price, amount and tenor of the hedge to reduce the risk to an acceptable level
- Reduce Mark-to-Market impact of hedges by qualifying the hedging transaction for hedge accounting



Only the Group's Chief Executive Officer and Chief Finance Officer are authorized to make coal and bunker fuel oil hedging decisions for the Group. All executed hedges go through a stringent approval process to justify the tenor, price and volume of the hedge to be undertaken.

Monitoring and assessment of the hedge effectiveness and Coal and Fuel Hedging Strategy are reviewed quarterly during the Group's Finance Committee ("FINCOM"). Continuation, addition, reduction and termination of existing hedges are decided by the FINCOM and any material change in permissible hedging instrument, counterparties and limits are elevated to the BOD for approval.

The Group purchases coal and bunker fuel oil on an ongoing basis for its operating activities in the thermal energy power generators, composed of SLTEC and other diesel power plants (CIPP, One Subic Power, Bulacan Power). The increased volatility in coal and fuel oil price over time led to entering in commodity swap contracts. The forecasted volumes are determined based on each plant's projected operating capacity, plant availability, required monthly consumption and storage capacity.

These contracts are expected to reduce the volatility attributable to price fluctuations. Hedging the price volatility of forecast coal and bunker fuel oil purchases is in accordance with the risk management strategy outlined by the Board.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity swap contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group is holding the following foreign exchange and commodity swap contracts:

	Maturity						Total
	< 1 month	1-3 months	4-6 months	7-9 months	10-12 months	>12 months	
<b>As at December 31, 2021</b>							
<i>Foreign exchange forward contracts</i>							
Notional amount (\$000)	\$-	\$360	\$270	\$181	\$273	\$-	\$1,084
Average forward rate (\$/₱)	-	48.23	48.38	48.37	48.72	-	
<b>As at December 31, 2020</b>							
<b>(As restated)</b>							
<i>Foreign exchange forward contracts</i>							
Notional amount (\$000)	\$-	\$100,000	\$-	\$-	\$-	\$-	\$100,000
Average forward rate (\$/₱)	-	48.24	-	-	-	-	
<i>Commodity swap contracts - Coal</i>							
Notional amount (in Metric Tons)	27,500	-	49,500	49,500	49,500	145,500	321,500
Notional amount (in \$000)	\$144	\$-	\$272	\$291	\$258	\$742	\$1,707
Average hedged rate (\$ per Metric ton)	\$74.45	\$-	\$75.41	\$74.73	\$75.28	\$73.29	\$-



There were no additional fuel and coal commodity swap contracts entered into and the remaining coal contracts in 2021 were all settled as at December 31, 2021. The Group had fuel oil hedges entered in 2020 which were all settled also as at December 31, 2020.

The impact of the hedging instruments on the consolidated statements of financial position are as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
<b>As at December 31, 2021</b>				
Foreign exchange forward contracts	\$1,084	₱241,744	Other current assets;	₱241,744
<b>As at December 31, 2020 (As restated)</b>				
Foreign exchange forward contracts	\$100,000	(₱3,300)	Accounts payable and other current liabilities	(₱3,300)
Commodity swap contracts - Coal	1,707	82,014	Other current and noncurrent assets	72,151

The impact of hedged items on the consolidated statements of financial position are as follows:

	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve	Cost of hedging reserve
<b>As at December 30, 2021</b>			
Highly probable forecast purchases	(₱47,029)	₱6,228	₱-
Highly probable forecast purchases	241,744	-	-
<b>As at December 31, 2020 (As restated)</b>			
Coal purchases	₱72,151	₱57,409	₱-
Highly probable forecast sale	(3,300)	-	-

The effect of the cash flow hedge in the consolidated statements of comprehensive income are as follows:

	Total hedging gain/(loss) recognized in OCI	Ineffectiveness recognized in profit or loss	Line item in consolidated statements of comprehensive income	Cost of hedging recognized in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
<b>As at December 31, 2021</b>						
Foreign exchange forward contracts	₱-	₱241,744	Other income (expense)	₱-	₱-	₱-
Foreign exchange forward contracts	(47,029)	-	Unrealized fair value gains on derivative instruments designated as hedges	-	-	-
<b>As at December 31, 2020 (As restated)</b>						
Foreign exchange forward contracts	₱-	(₱3,300)	Other income (expense)	₱-	₱-	₱-
Commodity swap contracts - Coal	72,151	-	Unrealized fair value gains on derivative instruments designated as hedges	-	-	-





### Monitoring of Risk Management Process

Risk management is regarded as a core competency, thus review of processes and approval processes including periodic audit are practiced and observed as follows:

- Enterprise risk assessments are refreshed on an annual basis. Risk assessments at the plant level are also conducted for operational risks. Insurance coverage is also reviewed annually by the Insurance Committee.
- Monthly Treasury meetings are scheduled where approved strategies, limits, mixes are challenged and rechallenged based on current and forecasted developments on the financial and political events.
- Monthly management reports are submitted to the Operations Management Committee that includes updates from the various business and functional units, including market updates. This includes updates on financials, leverage, operations, health and safety, human resources, sustainability, and other risk areas.
- Annual planning sessions are conducted to set the targets for the Group, and these are revisited at midyear to review the progress and risks related to the accomplishment of these targets.
- Annual teambuilding sessions are organized as a venue for the review of personal goals, corporate goals and professional development.
- One on one coaching sessions are scheduled to assist, train and advise personnel.
- Periodic review of Treasury risk profile and control procedures.
- Periodic specialized audit is performed to ensure active risk oversight.

### *Capital Management*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or acquire long-term debts.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity.

Debt consists of short-term and long-term debts of the Group. Net debt includes short-term and long-term debts less cash and cash equivalents, short-term investments and restricted cash. The Group considers its total equity as capital.

	2021	2020 (As restated)
Short-term debt (Note 19)	P-	P4,635,000
Long-term debt (Note 19)	<b>41,137,275</b>	22,254,155
Total debt	<b>41,137,275</b>	26,889,155
Less:		
Cash and cash equivalent (Note 4)	<b>26,388,448</b>	27,864,929
Short-term investments	<b>68,310</b>	-
Restricted cash (Note 4)	<b>56,981</b>	212,242
Net debt	<b>14,623,536</b>	(1,188,016)
Total equity	<b>117,968,762</b>	104,279,335
Debt to equity	<b>34.87%</b>	25.79%
Net debt to equity	<b>12.40%</b>	(1.14%)

The Group closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keep the compliance of these covenants into consideration. The Group is not subject to externally imposed capital requirements.



### 35. Fair Values

The table below presents the carrying values and fair values of the Group's financial assets and financial liabilities, by category and by class, as at December 31, 2021 and 2020:

	2021			
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Financial assets at FVTPL	P406,739	P-	P406,739	P-
Financial assets at FVOCI	354,868	21	354,847	-
Other financial assets at amortized cost	26,085,959	-	-	25,515,486
Derivative asset*	241,744	-	241,744	-
Refundable deposits**	165,164	-	-	167,953
Trade receivables***	2,052,268	-	-	2,081,941
Receivables from third parties****	75,752	-	-	75,752
	<b>P29,382,494</b>	<b>P21</b>	<b>P1,003,330</b>	<b>P27,841,132</b>
<b>Liabilities</b>				
Notes payable	P20,195,054	P-	P-	P20,447,789
Long-term debt	20,942,221	-	-	20,906,144
Deposit payables and other liabilities*****	174,581	-	-	203,399
Derivative liability	241,744	-	241,744	-
Lease liabilities	2,696,252	-	-	3,369,737
	<b>P44,249,852</b>	<b>P-</b>	<b>P241,744</b>	<b>P44,927,069</b>

\* Included under "Other current assets" account.

\*\* Included under "Other noncurrent assets" account.

\*\*\* Included under "Receivables" and "Other noncurrent assets" accounts and pertain to FIT adjustments and multilateral agreement with PEMC

\*\*\*\* Included under "Receivables"

\*\*\*\*\* Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.

	2020 (As restated)			
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Financial assets at FVOCI	P13,001,924	P21	P13,001,903	P-
Other financial assets at amortized cost	15,297,105	-	-	16,363,101
Derivative asset*	82,014	-	82,014	-
Refundable deposits**	105,337	-	-	105,337
Trade receivables***	2,008,697	-	-	1,942,804
Receivables from third parties****	65,519	-	-	65,519
	<b>P30,560,596</b>	<b>P21</b>	<b>P13,083,917</b>	<b>P17,410,765</b>
<b>Liabilities</b>				
Long-term debt	P22,254,155	P-	P-	P22,800,565
Short-term loans	4,635,000	-	-	4,635,000
Deposit payables and other liabilities*****	167,593	-	-	167,793
Derivative liability	3,300	-	3,300	-
	<b>P27,060,048</b>	<b>P-</b>	<b>P3,300</b>	<b>P27,603,358</b>

\* Included under "Other current assets" account.

\*\* Included under "Other noncurrent assets" account.

\*\*\* Included under "Receivables" and "Other noncurrent assets" accounts and pertain to FIT adjustments and multilateral agreement with PEMC

\*\*\*\* Included under "Receivables" and "Other noncurrent assets" accounts.

\*\*\*\*\* Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.



The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

*Cash and Cash Equivalents, Short-term Investment, Receivables, Accounts Payable and Other Current Liabilities and Due to Stockholders*

The carrying amounts of cash and cash equivalents, short-term investment, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

*Financial Asset at FVTPL and FVOCI*

Quoted market prices have been used to determine the fair values of quoted financial assets at FVOCI.

For unquoted financial assets at FVTPL and FVOCI, management uses the discounted cash flow technique in estimating the fair value of the financial instruments. Based on the financial performance and financial position of the investee entity which is a related party investment company, management estimates the amount and timing of the future cash inflow arising from redemption of preferred shares.

*Other Financial Assets at Amortized Cost*

This includes investments in redeemable preferred shares and convertible loans. The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread.

*Noncurrent trade receivables, Receivables from third parties, Refundable Deposits, Deposits Payable and Other Liabilities*

Estimated fair value is based on present value of future cash flows discounted using the prevailing BVAL rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

*Long-Term Loans*

The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows ranged from 4.40% to 7.10% and 3.11% to 6.25% as at December 31, 2021 and 2020, respectively.

*Notes Payable*

The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows is 4.40% as at December 31, 2021.



*Derivative asset and liability*

The fair value of the derivative asset and liability is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for risks existing at the end of each reporting period.

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### 36. Operating Segments

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The scope of the operating segments has been modified following the changes in the organization due to various acquisitions (see Notes 1, 2 and 32).

- Parent and Others - represents operations of the Parent Company (excluding Retail Electricity Supply (RES) / Commercial Operations) and ACE Shared Services, Inc.
- Philippines, which includes:
  1. RES or Commercial Operations;
  2. Petroleum and exploration;
  3. Renewables - generation, transmission, distribution and supply of electricity using renewable sources such as solar, wind and geothermal resources;
  4. Thermal - generation, transmission, distribution and supply of electricity using conventional way of energy generation.
  5. Project development expenses incurred by ACE Endeavor and SPVs; and
  6. Leasing, bulk water supply
- International - represents the operations of ACRI, which is the holding company for all offshore investments. This includes earnings from the international investments, as well as project development expenses for the various power projects in the pipeline, ACE International, ACEC and ACE HK.

The comparative segment information for the year ended December 31, 2020 and 2019 have been restated.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

Revenue earned from a single external customer amounted to ₱7,023 million and ₱8,545 million in 2021 and 2020, respectively, which accounted for more than 10% of the consolidated revenues from external customers, arise from sales in the Philippine Segment.



Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results are shown net of transfers between operating segments. Those transfers are eliminated in consolidation.

The following tables regarding operating segments present revenue and income information for the years ended December 31, 2021, 2020 and 2019 and assets and liabilities as at December 31, 2021, 2020, and 2019:

	For the year ended December 31, 2021			
	Philippines	International	Parent and Others	Consolidated
<b>Revenues</b>				
Revenue from sale of electricity	₱25,878,039	₱–	₱–	₱25,878,039
Rental income	61,466	–	–	61,466
Dividend income	–	11,725	–	11,725
Other revenues	20,316	46,685	63,210	130,211
	<b>25,959,821</b>	<b>58,410</b>	<b>63,210</b>	<b>26,081,441</b>
<b>Costs and expenses</b>				
Costs of sale of electricity	21,469,733	–	–	21,469,733
General and administrative expenses	1,836,059	600,785	348,705	2,785,549
	<b>23,305,792</b>	<b>600,785</b>	<b>348,705</b>	<b>24,255,282</b>
Interest and other finance charges	(812,861)	(320,170)	(561,350)	(1,694,381)
Equity in net income of associates and joint ventures	1,126,943	825,810	–	1,952,753
Other income - net	401,132	4,937,000	385,508	5,723,640
<b>Net income (loss) before income tax</b>	<b>3,369,243</b>	<b>4,900,265</b>	<b>(461,337)</b>	<b>7,808,171</b>
Provision for (benefit from) income tax	277,183	37,625	(172,671)	142,137
<b>Segment net income (loss)</b>	<b>₱3,092,060</b>	<b>₱4,862,640</b>	<b>(₱288,666)</b>	<b>₱7,666,034</b>
Other disclosures				
Depreciation and amortization	1,856,163	51	149,651	2,005,865
Capital expenditures	5,005,192	256	723,308	5,728,755
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	301,413	–	–	301,413
<b>As at December 31, 2021</b>				
Operating assets	₱64,282,801	₱90,206,146	₱16,672,440	₱171,161,387
Operating liabilities	₱18,064,751	₱21,165,040	₱13,962,834	₱53,192,625
Other disclosures:				
Investments in associates and joint ventures	₱7,762,008	₱13,596,293	₱–	₱21,358,301
Pension & other employment benefits	48,499	–	31,923	80,422



For the year ended December 31, 2020 (As restated)				
	Philippines	International	Parent and Others	Consolidated
<b>Revenues</b>				
Revenue from sale of electricity	₱20,283,303	₱–	₱–	₱20,283,303
Rental income	86,623	–	–	86,623
Dividend income	–	14,034	–	14,034
Other revenues	68,985	34,812	480	104,277
	20,438,911	48,846	480	20,488,237
<b>Costs and expenses</b>				
Costs of sale of electricity	13,420,539	–	–	13,420,539
General and administrative expenses	2,233,968	183,037	600,661	3,017,666
	15,654,507	183,037	600,661	16,438,205
Interest and other finance charges	(1,079,410)	(166,076)	(742,600)	(1,988,086)
Equity in net income of associates and joint ventures	898,513	591,679	–	1,490,192
Other income (expense) - net	250,603	2,962,795	338,491	3,551,889
<b>Net income (loss) before income tax</b>	4,854,110	3,254,207	(1,004,290)	7,104,027
Provision for (benefit from) income tax	980,369	29,147	(307,639)	701,877
<b>Segment net income (loss)</b>	<b>₱3,873,742</b>	<b>₱3,225,060</b>	<b>(₱696,651)</b>	<b>₱6,402,150</b>
Other disclosures:				
Depreciation and amortization	1,781,180	36	29,527	1,810,743
Capital expenditures	6,161,117	–	98,344	6,259,461
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	161,393	–	270,529	431,922

As at December 31, 2020 (As restated)				
Operating assets	₱59,958,203	₱78,534,519	₱3,323,098	₱141,815,820
Operating liabilities	₱16,265,006	₱595,696	₱20,675,783	₱37,536,485
Other disclosures:				
Investments in associates and joint ventures	₱6,618,590	₱12,176,499	₱–	₱18,795,089
Pension & other employment benefits	31,617	–	19,312	50,929

For the year ended December 31, 2019 (As restated)				
	Philippines	International	Parent and Others	Consolidated
<b>Revenues</b>				
Revenue from sale of electricity	₱16,096,549	₱–	₱–	₱16,096,549
Rental income	1,757	–	1,359	3,116
Dividend income	7,157	1,004	7,585	15,746
Other revenues	–	11,298	–	11,298
	16,105,463	12,302	8,944	16,126,709
<b>Costs and expenses</b>				
Costs of sale of electricity	15,302,530	–	–	15,302,530
General and administrative expenses	100,626	60,139	667,215	827,980
	15,403,156	60,139	667,215	16,130,510

(Forward)



For the year ended December 31, 2019 (As restated)				
	Philippines	International	Parent and Others	Consolidated
Interest and other finance charges	(P94,066)	P13,189	(P881,963)	(P962,840)
Equity in net income of associates and joint ventures	231,445	532,089	(24,461)	739,073
Other income (expense) - net	20,196	211,535	716,053	947,784
<b>Net income (loss) before income tax</b>	<b>859,882</b>	<b>708,976</b>	<b>(848,642)</b>	<b>720,216</b>
Provision for (benefit from) income tax	81,025	62,114	(202,659)	(59,520)
<b>Segment net income (loss)</b>	<b>P778,857</b>	<b>P646,862</b>	<b>(P645,983)</b>	<b>P779,736</b>

Other disclosures:				
Depreciation and amortization	145,261	18	892,466	1,037,745
Capital expenditures	77,956	–	418,514	496,470
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	–	–	–	–

As at December 31, 2019 (As restated)				
Operating assets	P8,816,737	P75,901,458	P39,720,805	P124,439,000
Operating liabilities	P3,381,860	P122,174	P28,575,663	P32,079,697

Other disclosures:				
Investments in associates and joint ventures	P1,810,936	P14,538,071	P723,165	P17,072,172
Pension & other employment benefits	–	–	71,034	71,034

#### Adjustments and Eliminations

Interest on parent loans and other financial income, including fair value gains and losses on financial assets, are not allocated to individual segments as the underlying instruments are managed on a group basis. Likewise, certain operating expenses and finance-related charges are managed on a group basis and are not allocated to operating segments. Allocable operating expenses have been allocated as applicable.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditures consist of additions to property, plant and equipment. Investments and advances consist of investments and cash advances to the Group's associates and joint ventures.

Other income - Net includes interest and other financial income from investments in redeemable preferred shares of associates and joint ventures and from development loans and advances to these associates and joint ventures, guarantee fee income, reversal of allowance for impairment of advances to contractors and impairment of investments in joint venture, tax credits on real property taxes, gain (loss) on derivatives, gain on sale of by-product, claims on insurance, foreign exchange gain (loss), gain (loss) on sale of property, plant and equipment, mark-to market gains, fees on advisory services, and other miscellaneous income (expense) which are allocated to operating segments.



### 37. Supplemental Cash Flows Information

The non-cash investing activities of the Group for the year ended December 31, 2021 and 2020 are as follow:

	2021	2020 (As restated)
Non-cash additions to property, plant and equipment	₱33,334	₱192,961
Set-up of ROU assets from new lease agreements	1,242,723	713,657
Reclassifications to (from):		
Property, plant and equipment	670,393	(283,860)
Noncurrent assets held for sale	283,168	(3,546)
Other current assets	35,046	(14,593)
Goodwill and other intangible assets	216	–
Creditable withholding taxes	(188,201)	388,502
Investment properties	(438,375)	–
Right-of-use assets	(672,133)	(24,827)
Financial assets at FVOCI	–	20,358,370
Investments in other financial assets at amortized cost	–	4,506,738
Other noncurrent assets	–	(2,122,616)
Acquired through business combinations:		
Property, plant and equipment	–	2,119,796
Right-of-use assets	–	996,101
Other noncurrent assets	–	8,383

Movements in the Group's liabilities from financing activities for the year ended December 31, 2021 and 2020 are as follows:

	January 1, 2021 (As restated)	Availments/ Proceeds	Payments	Others	December 31, 2021
Current portion of:					
Short-term loans	₱4,635,000	₱3,000,000	(₱7,635,000)	₱–	₱–
Long-term loans	707,782	–	(2,188,811)	2,305,517	824,488
Lease liabilities	285,001	–	(450,271)	702,220	536,950
Interest payable	203,972	–	(1,165,047)	1,409,994	448,919
Due to stockholders	18,272	–	(3,428,512)	3,426,825	16,585
Noncurrent portion of:					
Notes payable	–	20,383,600	–	(188,546)	20,195,054
Long-term loans	21,546,373	848,276	–	(2,276,916)	20,117,733
Lease liabilities	1,631,628	–	–	527,674	2,159,302
Other noncurrent liabilities	1,695,048	1,016,196	–	25,676	2,736,920
Total liabilities from financing activities	₱30,723,076	₱25,248,072	(₱14,867,641)	₱5,932,444	₱47,035,951





	January 1, 2020 (As restated)	Availments/ Proceeds	Payments	Others	December 31, 2020 (As restated)
Current portion of:					
Short-term loans	₱3,556	₱14,184,275	(₱9,630,319)	₱77,488	₱4,635,000
Long-term loans	905,930	–	(4,602,920)	4,404,772	707,782
Lease liabilities	128,796	–	(239,767)	395,972	285,001
Interest payable	170,849	–	(1,682,101)	1,715,224	203,972
Dividends payable	–	–	(2,507,813)	2,507,813	–
Due from stockholders	16,594	–	–	1,678	18,272
Noncurrent portion of:					
Long-term loans	22,292,699	3,807,614	–	(4,553,940)	21,546,373
Lease liabilities	852,742	–	–	778,886	1,631,628
Other noncurrent liabilities	3,289,903	27,263	–	(1,622,118)	1,695,048
Total liabilities from financing activities	₱27,661,069	₱18,019,152	(₱18,662,920)	₱3,705,775	₱30,723,076

2020 restatement eliminated ₱5.12 billion proceeds of ACEN short-term loans from ACRI, and BWPC long-term loans from ACE International with carrying amount of ₱136.55 million.

### 38. Provisions and Contingencies

#### Tax assessments:

- a. On August 20, 2014, ACEN distributed cash and property dividends in the form of shares in ACEX after securing SEC’s approval of the registration and receipt of CAR from the BIR.

On October 22, 2014, ACEN received from the BIR a Formal Letter of Demand (“FLD”), assessing ACEN for a total donor’s tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

On November 21, 2014, ACEN and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

- 1) The dividend distribution is a distribution of profits by ACEN to its stockholders and not a “disposition” as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of ACEN;
- 2) ACEN did not realize any gain or increase its wealth as a result of the dividend distribution; and,
- 3) There was no donative intent on the part of ACEN.

On May 27, 2015, ACEN received from the BIR a Final Decision on Disputed Assessment (“FDDA”) denying the protest. On June 25, 2015, ACEN filed with the Court of Tax Appeals (“CTA”) a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment.

In its decision dated September 28, 2018, the CTA Third Division granted ACEN’s petition and ordered the cancellation and withdrawal of the FLD (the “CTA Third Division Decision”). On January 18, 2019, the CTA denied the Commissioner of Internal Revenue’s (“CIR”) motion for reconsideration (“CTA Resolution”). On February 22, 2019, the CIR filed a petition for review with the CTA *en banc* seeking the reversal of the CTA Third Division’s Decision and CTA Resolution. On July 21, 2020, the CTA *en banc* upheld the CTA Third Division Decision and denied the CIR’s petition. The CIR filed a motion for reconsideration dated August 26, 2020. In



response, ACEN filed its Comment/ Opposition. As at March 8, 2022, the CIR's motion for reconsideration has not been resolved by the CTA *en banc*.

- b. NLR is a party to several cases involving the assessment and collection by the Provincial Treasurer of Ilocos Norte of real property tax ("RPT") on the wind turbine generators, civil works, equipment, machinery, and transmission lines of NLR located in the municipalities of Pagudpud, Bacarra, Burgos, Pasuquin, and Bangui. NLR was assessed RPT at a rate of two percent (2%) or an aggregate amount of ₱411.01 million for years 2015 to 2019. NLR paid under protest the RPT thereon and filed a protest questioning the imposition of 2% tax rate on its RE facilities, and the penalty assessed for the RPT for the year 2015. Under Section 15 (c) of the RE Act, realty and other taxes on civil works, equipment, machinery, and other improvements of a Registered RE Developer actually and exclusively used for RE facilities shall not exceed 1.5% of their original cost less accumulated normal depreciation or net book value.

In 2017, the Central Board Assessment Appeals ("CBAA") ruled in favor of NLR stating that NLR can recover the RPT paid in year 2015 to 2016 and the penalty paid in 2015 totaling ₱50.96 million. In a decision dated February 26, 2020, the CTA *en banc* upheld the CBAA ruling and ruled in favor of NLR. On March 16, 2021, the CTA *en banc* issued a resolution granting NLR's Motion for Entry of Judgment. On July 26, 2021, the CTA *en banc* released the actual Entry of Judgment affirming the favorable decision of the CBAA dated 10 October 2017. As at December 31, 2021, the said CBAA decision is already final and executory.

As at March 8, 2022, the 2017 to 2021 RPT protest, regarding an aggregate amount of ₱369.37 million, are still pending decision with the Local Boards of Assessment Appeals of Ilocos Norte.

#### Claims for tax refund

- a. On August 15, 2016, Guimaras Wind filed with the BIR a letter and application for tax credits or refund for Guimaras Wind's excess and unutilized input VAT for the period July 1, 2014 to June 30, 2015 amounting to ₱335.76 million attributable to Guimaras Wind's zero-rated sales. On December 19, 2016, Guimaras Wind received a letter from the BIR denying the administrative claim for refund of excess and unutilized input VAT for the period July 1, 2014 to December 31, 2014. On January 11, 2017, Guimaras Wind filed with the CTA a Petition for Review. In 2018, Guimaras Wind and the BIR presented their evidence and arguments. On January 9, 2020, Guimaras Wind received a copy of the Decision of the CTA.

In its Decision, the CTA partially granted Guimaras Wind's Petition for Review and ordered the BIR to refund or issue a tax credit certificate in favor of Guimaras Wind in the reduced amount of ₱16.15 million. The CTA ruled that Guimaras Wind was able to prove compliance with the essential elements for the grant of VAT zero-rating under Section 15(g), RE Act beginning June 1, 2015, which are as follows:

1. The seller (Guimaras Wind) is an RE Developer of renewable energy facilities;
2. It sells fuel or power generated from renewable sources of energy, such as wind;
3. The said seller is a "generation company," i.e., a person or entity authorized by the ERC to operate facilities used in the generation of electricity; and
4. Such authority is embodied in a COC issued by the ERC which must be secured before the actual commercial operations of the generation facility.

However, the CTA held that Guimaras Wind was not able to prove compliance with the 3<sup>rd</sup> and 4<sup>th</sup> essential elements to qualify for VAT zero-rating prior to June 1, 2015. The CTA considered the condition fulfilled only upon the issuance of the COC by the ERC in favor of Guimaras Wind



on June 1, 2015. Hence, Guimaras Wind's generated sales from its power generation activities which were considered by the CTA to be subject to zero percent (0%) VAT were only those made during the period June 1, 2015 to June 30, 2015.

On January 24, 2020, Guimaras Wind filed its motion for reconsideration where it presented that the sale of power through renewable sources of energy by VAT-registered persons shall be subject to 0% VAT per the NIRC and RE Act and that the COC issued by the ERC merely confirms the status of Guimaras Wind as a Generation Company. Nowhere in Section 108(B)(7), Tax Code, Section 15(g) Renewable Energy Act of 2008, and its IRR can the requirement be found that a VAT-registered person must secure a COC, or any document for that matter, before its sale can be considered subject to zero percent VAT. Rather, this provision requires that: (a) there is a sale of power or fuel; (b) the power or fuel is generated through renewable sources of energy; (c) the sale is done by a VAT-registered person; and (d) the sale was done in the Philippines. For as long as it is sufficiently established that all of the above-mentioned requirements are complied with, then there should be no question that the sale of power is subject to zero percent VAT.

On January 29, 2020, the BIR also filed a motion for reconsideration praying that the Court reconsider its January 3, 2020 Decision and deny the entirety of Guimaras Wind's claim for refund.

On July 1, 2020, Guimaras Wind received the CTA Third Division's Resolution denying Guimaras Wind's motion for reconsideration for lack of merit. Guimaras Wind filed its appeal on August 20, 2020 with the CTA Third Division.

On September 23, 2020, the CTA Third Division denied CIR's Motion for Partial Reconsideration and affirmed its earlier decision partially granting Guimaras Wind's claim for refund in the amount of ₱16.15 million. On October 30, 2020, the CIR filed an appeal with the CTA *en banc* which was consolidated with the Petition for Review which Guimaras Wind filed on August 20, 2020.

Meanwhile, on September 4, 2020, Guimaras Wind filed a Motion to Amend Petitioner's Name from PHINMA Renewable Energy Corporation to Guimaras Wind Corporation which motion was granted by the CTA *en banc* on September 18, 2020.

Pursuant to a Resolution promulgated by the CTA *en banc* on February 23, 2021, the consolidated cases are now submitted for decision.

- b. In 2018, SACASOL filed a Petition for Review with the CTA regarding the disallowed claim of 2014 and 2015 input VAT amounting to ₱62.64 million. On February 3, 2020, SACASOL filed a Memorandum with the CTA on the pending case. No decision has been received from the CTA as at report date.
- c. In March 2018, NLR filed a claim with the BIR for the conversion of its unutilized Input VAT for the taxable period from 1<sup>st</sup> quarter to 4<sup>th</sup> quarter of 2016 amounting to ₱9.28 million into tax credit certificates, of which, ₱8.32 million was disallowed by the BIR. Related impairment loss of the same amount was recognized in 2019 for the disallowed input VAT.

In 2018, NLR converted into tax credit certificates the amount of ₱0.96 million out of the ₱9.28 million.



On July 25, 2020, NLR filed an appeal with the CTA questioning the BIR's denial of the conversion. The CTA denied NLR's appeal through its decision dated 19 February 2021. NLR filed a motion for reconsideration on March 16, 2021 and is awaiting for the CTA's decision.

NLR's allowance for input VAT impairment amounted to ₱19.31 million for both years ended December 31, 2020 and 2019.

- d. On June 18, 2018, ISLASOL filed an appeal before the Local Board of Assessment Appeals (LBAA) of La Carlota when its request to the Office of the City Treasurer of La Carlota (the "Treasurer") to reduce the tax rate of the RPT from 2.5% to 1.5% as provided under section 15 (c) of Republic Act No. 9153 or the Renewable Energy Act of 2008 (RE Law) was denied. On February 15, 2021, the LBAA issued a Resolution setting aside and annulling the Treasurer's letter of denial of the ISLASOL's request, directing the Treasurer to recompute the RPT due and apply the maximum special RPT tax rate of 1.5% less accumulated normal depreciation or net book value and ordering the Treasurer to refund to ISLASOL the amount of RPT paid for year 2017 in excess of the maximum specialty tax rate of 1.5%. On March 29, 2021, ISLASOL submitted a Letter of Intent to the Treasurer availing Tax Credit Certification for its RPT overpayment and requesting application of the Tax Credit Certificate to future RPT assessments of ISLASOL. On June 15, 2021, City Treasurer of La Carlota issued a Certificate of tax credit amounting to ₱69.15 million covering the overpayment from 2017 to 2020.

#### Power Barge 102 Oil Spill

ACEN's Power Barge ("PB") 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil in the afternoon of July 3, 2020. Based on the investigation, an explosion in one of the barge's fuel tanks ruptured the hull of the barge which resulted in the oil spill. Bulacan Power, the operator and maintenance services provider of PB 102, immediately activated containment protocols. With the assistance of the Philippine Coast Guard ("PCG") and industry and community partners, the leakage was substantially contained within the same day. After containment, ACEN, through Bulacan Power, and the PCG immediately started recovery of the spilled fuel oil with recovery capacity being accelerated with the deployment of additional oil skimming equipment. ACEN also engaged Harbor Star Shipping Services, Inc. ("Harbor Star"), a leading maritime services provider, to complete the clean-up of both the waters and the coastline.

ACEN notified the insurers of PB 102 about the incident, and discussions are ongoing in this regard. As at March 8, 2022, the Group has incurred ₱16.22 million in fuel loss, community assistance oil containment and recovery expenses, net of insurance proceeds. The Group will continue to take measures to mitigate the environmental impact of the spill and to fully cooperate with authorities to address all relevant concerns.

On July 28, 2020, the Parent Company received a Resolution dated July 27, 2020 issued by the Department of Environment and Natural Resources - Environmental Management Bureau ("DENR-EMB") Region VI, in relation to Notice of Violation No. 20-NOVW-0630-164, for possible violation of Section 27(a) of DENR Administrative Order 2005-10, the Implementing Rules and Regulations of the Philippine Clean Water Act of 2004 (Republic Act or "RA No. 9275"), in connection with the oil spill involving PB 102 which occurred on July 3, 2020.

Possible payment of fines to be determined by the Pollution Adjudication Board (PAB), are in the range of (1) ₱10,000 to ₱200,000 per day from the time of the incident (July 3, 2020) until full recovery of the discharged fuel (July 13, 2020), for alleged violation of RA 9275; and (2) ₱50,000 to ₱1,000,000 or imprisonment of not less than one (1) year but not more than six (6) years, or both, for alleged violation of Section 4 of PD 979.



The Parent Company has contested this Resolution and filed a Motion for Reconsideration (MR). A technical conference was conducted by PAB on December 2, 2021 where the Parent Company manifested the pending MR. The Parent Company was then required by PAB to submit its Position Paper on an *ad cautelam* basis.

The Parent Company has received claims for compensation for property damages, loss of livelihood, and disturbance compensation from claimants in Iloilo and Guimaras which were allegedly affected by the oil spill. The claims undergo validation before they are paid.

#### Compliance with Must Offer Rule

On October 4, 2018, CIPP, One Subic Power, Bulacan Power and the Parent Company received a letter from PEMC for pending investigation of trading intervals covering periods from 2014 to 2018. The scope of the investigation covers possible non-compliance with the Must Offer Rule (MOR) and with the Real-Time Dispatch (RTD) or System Operator Instructions. As at March 8, 2022, the investigations are still ongoing.

#### Refund of Market Transaction Fee from PEMC

On July 9, 2020, the ERC issued its Decision on ERC Case 2015-160 RC ordering PEMC to refund the over collection in the Market Transaction Fee (MTF) in 2016 and 2017. The ERC determined the over collection by getting the variance between the MTF collected in 2016 and 2017, and the ERC-Approved Budget of PEMC for the same period. The total refund was determined at ₱433.20 million which shall be apportioned among all the Luzon and Visayas participants. The ERC has directed PEMC to implement the refund over twelve (12) months beginning the next billing month upon receipt of the relevant Decision.

The PEMC filed a motion for reconsideration with the ERC. In an Order promulgated on June 11, 2021, the ERC resolved to deny the motion for reconsideration filed by the PEMC and directed PEMC to submit its plan of action for the refund scheme. The Group monitors PEMC's action relative to the ERC's Decision and Order.

#### ACRI Guarantee Agreements

In, 2021, the Group entered into various guarantee agreements with the banks for a total of \$48.5 million (2020: \$39.8 million) for projects in India and Vietnam, of which \$48.5 million (2020: \$36.1 million) is outstanding as of year-end. The purpose of the guarantee is to secure various module and supply agreements of the projects.

Also, in 2021, the Group entered into various guarantee agreements with the bank for a total of INR 718.2 million (\$9.5 million) as the guarantor for various solar projects in India, of which \$5.5 million is outstanding as at December 31, 2021.

On January 15, 2021, the Group entered into a guarantee agreement with the bank for a total of AUD 260 million (\$185.5 million) to guarantee the obligation of New England Solar Project to the project lender. As at December 31, 2021, total amount drawn from the loan was AUD98.98 million (\$70.64 million). The group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance

In 2020, the Group entered into various guarantee agreements with BT1 Windfarm JSC (“BT1 Wind”) and BT2 Windfarm JSC (“BT2 Wind”) to provide a Parent Company Guarantee (PCG) in favour of the contractors as security for the obligations of BT1 Wind and BT2 Wind. As at December 31, 2021, the guarantee has been released upon achievement of commercial operations date of the projects.



On September 30, 2020, the Group signed an agreement with the bank to guarantee BT1 Windfarm's payment obligation to the project lender on its loan amounting to \$118.28 million. As at December 31, 2021, total amount drawn from the facility was \$110.98 million. The group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance

On October 12, 2018, the Group has entered into a guarantee agreement with the bank for a total of \$37 million to guarantee the obligation of AMI Khan Hoa Solar project to the project lender. Subsequently on October 3, 2020, loan amounting to \$33.71 million was drawn by AMI Khan Hoa. The group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

For the years ended December 31, 2021, 2020 and 2019, the Group recognized corresponding guarantee fee income amounting to \$5.18 million (₱254.41 million), \$2.19 million (₱105.30 million) and to \$0.16 million (₱8.12 million), respectively (see Note 26).

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### 39. Events After the Reporting Period

Below are the events after the reporting period which are treated as non-adjusting events as at December 31, 2021.

#### *Amendment of Administration and Management Agreement with SLTEC*

On January 21, 2022, the BOD of ACEN approved the amendment to the Administration and Management Agreement with SLTEC to include, among others, the provision of operations and maintenance services by ACEN to SLTEC.

#### *Sale of Power Barge 101*

January 21, 2022, ACEN and MORE Power Barge, Inc. executed the Deed of Absolute Sale and Assignment implementing the sale of Power Barge 101, amounting to ₱126 million, inclusive of VAT.

#### *ACEN and UPC Renewables to construct their largest solar project in India*

On January 30, 2022, ACEN and UPC Solar Asia Pacific, commenced construction of their 300 MWac (420 MWp) Masaya Solar farm. Through their joint venture company, UPC-AC Energy Solar.

The Masaya Solar project is located in the Khandwa District, State of Madhya Pradesh, and is set to produce 691 GWh of renewable energy per year while avoiding approximately 635,720 MT of CO2 emissions annually. Once completed, the Masaya Solar farm will be UPC-AC Energy Solar's third and largest solar project in India to date.

UPC-AC Energy Solar is in the process of securing a 20-year loan from the State Bank of India to fund the project with an estimated project cost of US\$220 million under a 75:25 debt-to-equity financing scheme, with the joint venture supplying electricity at INR 2.71 per kWh fixed over a 25-year period under a power supply agreement with the Solar Energy Corporation of India.

#### *ACEN to acquire 49% interest in Vietnam solar platform of Super Energy Corporation*

On January 31, 2022, ACEN through its wholly-owned subsidiary, AC Energy Vietnam Investments Pte. Ltd. ("ACEV") and Super Energy Corporation Public Company Limited ("SUPER"), through its subsidiary, Super Energy Group (Hong Kong) Co., Limited ("Super HK"), have signed an agreement to form a strategic partnership to develop, own and operate renewable energy projects across ASEAN.



ACEV signed a share purchase agreement (with conditions precedent) to acquire a 49% interest of Solar NT, owned by Super HK. SUPER is a premier Thai renewable energy developer and investor. The transaction will be via secondary shares acquisition for a total consideration of US\$ 165 million.

Post-restructuring, Solar NT will own and operate nine solar power plants across Vietnam with a total capacity of approximately 837 megawatts.

The transaction is the beginning of a strategic partnership between ACEN and SUPER which will continue to expand their renewable footprints in Vietnam as well as exploring other Southeast Asian markets.

*Subscription by ACEN to shares in BCHC*

On February 14, 2022, ACEN signed a subscription agreement with BCHC for the subscription by ACEN to 3,015,000 common shares and 16,985,000 redeemable preferred shares (RPS), subject to the necessary regulatory approval by the SEC of the increase in ACS of BCHC. The additional capital will be used by BCHC to purchase real property required for various potential power projects.

*ACEN powers up country's first hybrid solar and storage project*

On February 23, 2022, the Group's Battery energy storage system through Giga Ace 4 has started operations. The pilot 40 MW (2x20 MW) energy storage project located in Alaminos, Laguna, adjacent to SolarAce1's operating 120 MW Alaminos Solar Farm

*Sale of Power Barge 102*

On February 23, 2022, ACEN and SPC Island Power Corporation executed the Deed of Absolute Sale and Assignment implementing the sale of PB 102. Conditions precedent to closing of the transaction is the approval of PSALM to the assignment of the Lease Agreement covering the mooring site of PB 102.

*Declaration and payment of cash dividends to stockholders*

On March 8, 2022, ACEN's BOD approved the declaration of cash dividends of ₱0.06 per share on the 38,315,838,177 outstanding shares of ACEN, to be paid on April 19, 2022 to the shareholders on record as of April 5, 2022.



AC ENERGY CORPORATION  
AND SUBSIDIARIES  
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AND SUPPLEMENTARY SCHEDULES  
FORM 17-A, ITEM 7

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*\*These schedules are either not required, not applicable or the information required to be presented is included in the Company’s consolidated financial statements or notes to consolidated financial statements.*




## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders  
AC Energy Corporation  
35th Floor, Ayala Triangle Gardens Tower 2  
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of AC Energy Corporation (formerly AC Energy Philippines, Inc.) and subsidiaries, as at December 31, 2021 and 2020 and January 1, 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated March 8, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Benjamin N. Villacorte

Partner

CPA Certificate No. 111562

Tax Identification No. 242-917-987

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1539-AR-1 (Group A)

March 26, 2019, valid until March 25, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-120-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854386, January 3, 2022, Makati City

March 8, 2022



## Attachment I

## AC ENERGY CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets  
December 31, 2021

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial assets at FVTPL		₱406,738,633	₱406,738,633	₱-
Financial assets at FVOCI				
Tagaytay Midlands Golf Club, Inc.	1	600,000	600,000	-
Puerto Azul Golf & Country Club, Inc.	1	150,000	150,000	-
Capitol Hills Golf & Country Club, Inc.	1	150,000	150,000	-
Philam Tower Club	1	100,000	100,000	-
Camp John Hay	1	190,000	190,000	-
A. Soriano	179	1,073	1,073	-
PLDT Inc.		19,500	19,500	-
UPC Sidrap HK Limited		353,657,847	353,657,847	-
		354,868,420	354,868,420	-
Financial Assets at Amortized Cost				
Redeemable preferred shares and subscription deposits				
Investment in UPC Asia III		1,110,141,018	1,091,534,448	201,851,267
Investment in AAR		6,317,222,141	6,276,756,742	580,139,611
Investment in BIMRE		1,238,208,520	1,278,658,959	156,614,858
Investment in BIME		216,053,019	224,173,944	27,439,212
Investment in UPC Solar		1,599,381,000	1,538,671,000	125,538,676
BIM Wind		2,285,477,070	2,178,068,303	60,310,691
Convertible loans				
Investment in UPC Australia		9,047,961,158	8,821,090,643	600,198,123
Investment in Vietnam Wind Energy Limited		1,929,412,000	1,825,368,000	242,267,559
Investment in Asian Wind Power 1 HK Ltd		1,247,771,050	1,243,961,371	170,716,526
Investment in Asian Wind Power 2 HK Ltd		1,094,332,022	1,037,202,713	133,736,516
		26,085,958,998	25,515,486,123	2,298,813,040
Loans and Receivables				
Cash and Cash Equivalents		26,445,428,891	26,445,428,891	129,552,968
Short-term investments		68,310,124	68,310,124	-
Trade and Other Receivables		46,500,611,427	46,500,641,102	244,454,918
Long-term Receivables		2,247,256,542	2,247,256,542	1,703,337,147
		75,261,606,985	75,261,636,659	2,077,345,033
Derivative Assets		241,743,868	241,743,868	-
		<b>₱102,350,916,903</b>	<b>₱101,780,473,702</b>	<b>₱4,376,158,073</b>

Attachment I

**AC ENERGY CORPORATION AND SUBSIDIARIES**

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

**December 31, 2021**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
<b>Not Applicable:</b> The Company has no amounts receivable from directors, officers, employees, related parties and principal stockholders as at December 31, 2021 equal to or above the established threshold of the Rule.							

## Attachment I

**AC ENERGY CORPORATION AND SUBSIDIARIES****Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements  
December 31, 2021**

Name and Designation of Debtor	Balance at Beginning of Period, As Restated	Additions	Deductions		Current	Non-Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
Subsidiaries:							
SolarAce1, Inc.	₱2,011,751,526	₱338,873,353	(₱2,349,152,443)	₱-	₱1,472,436	₱-	₱1,472,436
Gigasol3, Inc.	1,940,821,911	2,252,337,746	(4,190,951,003)	-	2,208,654	-	2,208,654
One Subic Power Generation Corporation	681,147,701	43,354,084	(723,624,939)	-	876,846	-	876,846
Ingrid Power Holdings, Inc.	299,415,873	36,662,344	-	-	336,078,217	-	336,078,217
Giga Ace 4, Inc.	285,991,031	145,612,344	(255,010,125)	-	176,593,250	-	176,593,250
Gigasol2, Inc.	95,116,531	100,239,292	(95,391,479)	-	99,964,344	-	99,964,344
ACE Endeavor, Inc.	93,247,515	681,777,965	(774,034,167)	-	991,313	-	991,313
Bulacan Power Generation Corporation	90,387,372	7,079,051	(95,687,685)	-	1,778,738	-	1,778,738
South Luzon Thermal Energy Corporation	76,040,253	2,174,375,460	(2,189,874,881)	-	60,540,832	-	60,540,832
Palawan55 Exploration and Production Corporation	44,260,870	4,913,479	(418,200)	-	48,756,149	-	48,756,149
Buendia Christiana Holdings Corp.	43,402,283	511,656,031	-	-	555,058,314	-	555,058,314
Pagudpud Wind Power Corp.	40,696,730	88,750,212	(129,330,042)	-	116,900	-	116,900
CIP II Power Corporation	34,078,317	2,869,880	(35,378,629)	-	1,569,568	-	1,569,568
Guimaras Wind Corporation	26,328,407	172,404,555	(184,902,524)	-	13,830,438	-	13,830,438
Sta Cruz Solar Energy, Inc.	20,308,318	678,572,061	(168,821,790)	-	530,058,589	-	530,058,589
GigaWind1, Inc.	10,439,798	18,179,731	(6,160,939)	-	22,458,590	-	22,458,590
Negros Island Solar Power, Inc.	5,736,157	1,660,825	(7,107,474)	-	289,508	-	289,508
Monte Solar Energy, Inc..	3,894,803	-	(5,266,120)	-	(1,371,317)	-	(1,371,317)
San Carlos Solar Energy, Inc.	2,594,618	51,041,675	(3,965,934)	-	49,670,359	-	49,670,359
Bataan Solar Energy Inc	971,749	161,433,350	(14,303,620)	-	148,101,479	-	148,101,479
ACE Enexor, Inc.	118,000	625,011	(111,775)	-	631,236	-	631,236
Others	2,751,201	997,597,932	(873,517,675)	-	126,831,458	-	126,831,458
	<b>₱5,809,500,964</b>	<b>₱8,470,016,381</b>	<b>(₱12,103,011,444)</b>	<b>₱-</b>	<b>₱2,176,505,901</b>	<b>₱-</b>	<b>₱2,176,505,901</b>

Attachment I

**AC ENERGY CORPORATION AND SUBSIDIARIES**  
**Schedule D. Long-Term Debt**  
**December 31, 2021**

	Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet	Amount shown under Caption "Long-Term Debt" in related Balance Sheet	Interest Rate	Periodic Payments	Maturity Date
<u>ACEN</u>	China Bank Corporation	₱1,000,000,000	₱12,000,000	₱988,000,000	5.00%	20 semi-annual payments	August 24, 2030
	China Bank Corporation	500,000,000	6,000,000	494,000,000	5.00%	20 semi-annual payments	July 15, 2030
	BDO Unibank Inc.	4,894,736,842	52,631,579	4,842,105,263	5.05%	20 semi-annual payments	November 14, 2029
	Development Bank of the Philippines	805,000,000	–	805,000,000	2.75%	25 semi-annual payments	March 30, 2031
	Security Bank Corporation	768,812,675	76,388,439	692,424,236	6.50%	25 semi-annual payments	July 11, 2029
	Total	7,968,549,517	147,020,018	7,821,529,500			
	Unamortized debt issue costs	(52,939,492)	(5,421,942)	(47,517,550)			
		7,915,610,025	141,598,076	7,774,011,949			
<u>Guimaras</u>							
<u>Wind</u>	Development Bank of the Philippines	640,262,100	69,010,825	571,251,275	5.80%-6.25%	25 semi-annual payments	February 14, 2029
	Security Bank Corporation	640,262,100	69,010,825	571,251,275	6.08%-6.68%	25 semi-annual payments	February 14, 2029
	Total	1,280,524,200	138,021,650	1,142,502,550			
	Unamortized debt issue costs	(8,468,278)	(1,919,706)	(6,548,572)			
		1,272,055,922	136,101,944	1,135,953,978			
<u>SLTEC</u>							
	BDO Unibank Inc.	2,972,741,477	124,968,750	2,847,772,727	5.71%-7.05%	24 semi-annual payments	May 7, 2031
	BDO Unibank Inc.	2,972,741,477	124,968,750	2,847,772,727	6.98%	24 semi-annual payments	May 7, 2031
	Rizal Commercial Banking Corporation	1,487,485,795	62,531,250	1,424,954,545	5.71%-7.05%	24 semi-annual payments	May 7, 2031
	Rizal Commercial Banking Corporation	1,487,485,795	62,531,250	1,424,954,545	6.98%	24 semi-annual payments	May 7, 2031
	Security Bank Corporation	892,045,455	37,500,000	854,545,455	6.98%	24 semi-annual payments	May 7, 2031
	Total	9,812,500,001	412,500,000	9,400,000,000			
	Unamortized debt issue costs	(137,077,288)	(14,930,275)	(122,147,013)			
		9,675,422,712	395,826,330	9,279,596,382			
<u>NorthWind</u>							
	Bank of the Philippine Islands	2,092,540,000	153,180,000	1,939,360,000	5.13%	24 semi-annual payments	May 29, 2032
	Unamortized debt issue costs	(13,407,289)	(2,218,118)	(11,189,171)			
		2,079,132,711	150,961,882	1,928,170,829			
	<b>Long-term Loans</b>	<b>₱20,942,221,371</b>	<b>₱824,488,232</b>	<b>₱20,117,733,138</b>			
<u>ACEN Finance</u>							
	Green bonds	\$400,000,000	₱–	₱20,383,600,000	4.00%	Senior undated fixed-for-life (non-deferrable)	
	Unamortized debt issue costs	(2,255,998)	–	(114,938,824)		Notes with fixed coupon of 4.00% for life, with no	
	Cumulative translation adjustment	–	–	(73,607,206)		step-up and no reset, priced at par.	
		397,744,002	–	20,195,053,970			
	<b>Notes payable</b>	<b>\$397,744,002</b>	<b>₱–</b>	<b>₱20,195,053,970</b>			

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**AC ENERGY CORPORATION AND SUBSIDIARIES**

**Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

**December 31, 2021**

Name of related party	Balance at Beginning of Period	Balance at End of Period
Bank of the Philippine Islands	₱2,233,530,000	₱2,092,540,000
	<b>₱2,233,530,000</b>	<b>₱2,092,540,000</b>

Attachment I

**AC ENERGY CORPORATION AND SUBSIDIARIES**  
**Schedule F. Guarantees of Securities of Other Issuers**  
**December 31, 2021**

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
<b>Not Applicable:</b> The Company has no guarantees of securities of other issuers as at December 31, 2021.				

Attachment I

**AC ENERGY CORPORATION AND SUBSIDIARIES**  
**Schedule G. Capital Stock**  
**December 31, 2021**

Title of Issue	Number of Shares Authorized	Number of Shares Issued	Treasury Shares	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of shares held by:		
						Related parties	Directors, Officers and Employees	Others
Common stock	48,400,000,000	38,330,338,177	(14,500,000)	38,315,838,177	1,020,301,331	31,461,243,453	761,017,314	6,093,577,410

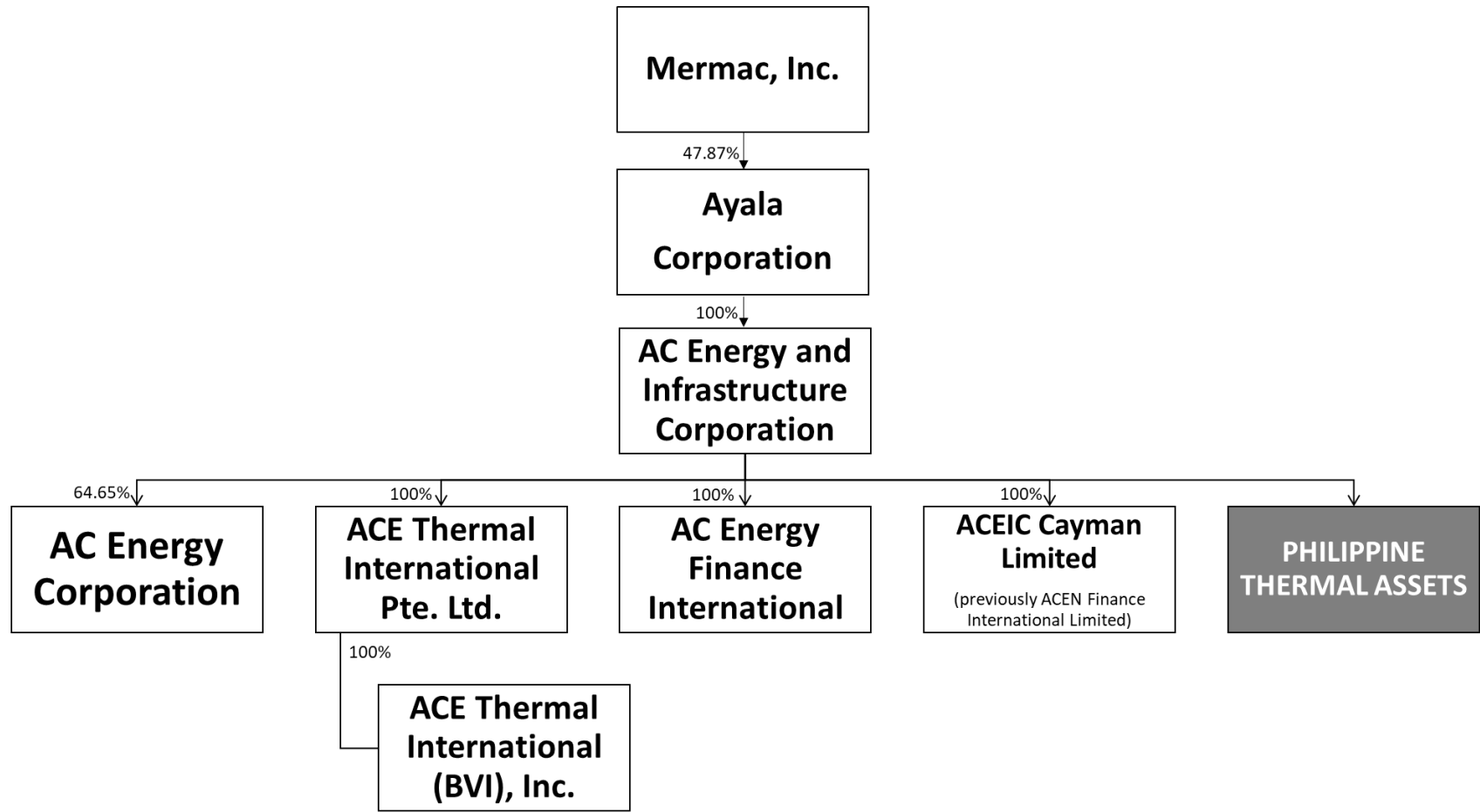


**AC ENERGY CORPORATION****RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND  
DECLARATION****December 31, 2021****(Amounts in Thousands)**

Retained earnings, beginning, as restated	₱5,230,267
Adjustment:	
Deferred income tax asset as at December 31, 2020	(451,735)
Unrealized FV gain of FVPL as at December 31, 2020	–
Derivative asset as at December 31, 2020	(82,014)
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	4,696,517
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	1,200,882
Add (deduct):	
Movement of recognized deferred income tax assets	(70,911)
Unrealized fair value loss on financial asset through FVPL and derivative assets	(159,730)
Net income actually realized during the year	5,666,759
Less: Dividends declared during the year	1,197,602
Treasury shares	28,657
<b>Retained earnings available for dividend declaration, end</b>	<b>₱4,440,500</b>

AC ENERGY CORPORATION AND SUBSIDIARIES  
SUPPLEMENTARY SCHEDULE REQUIRED  
UNDER REVISED SRC RULE 68

Conglomerate Map  
As of December 31, 2021



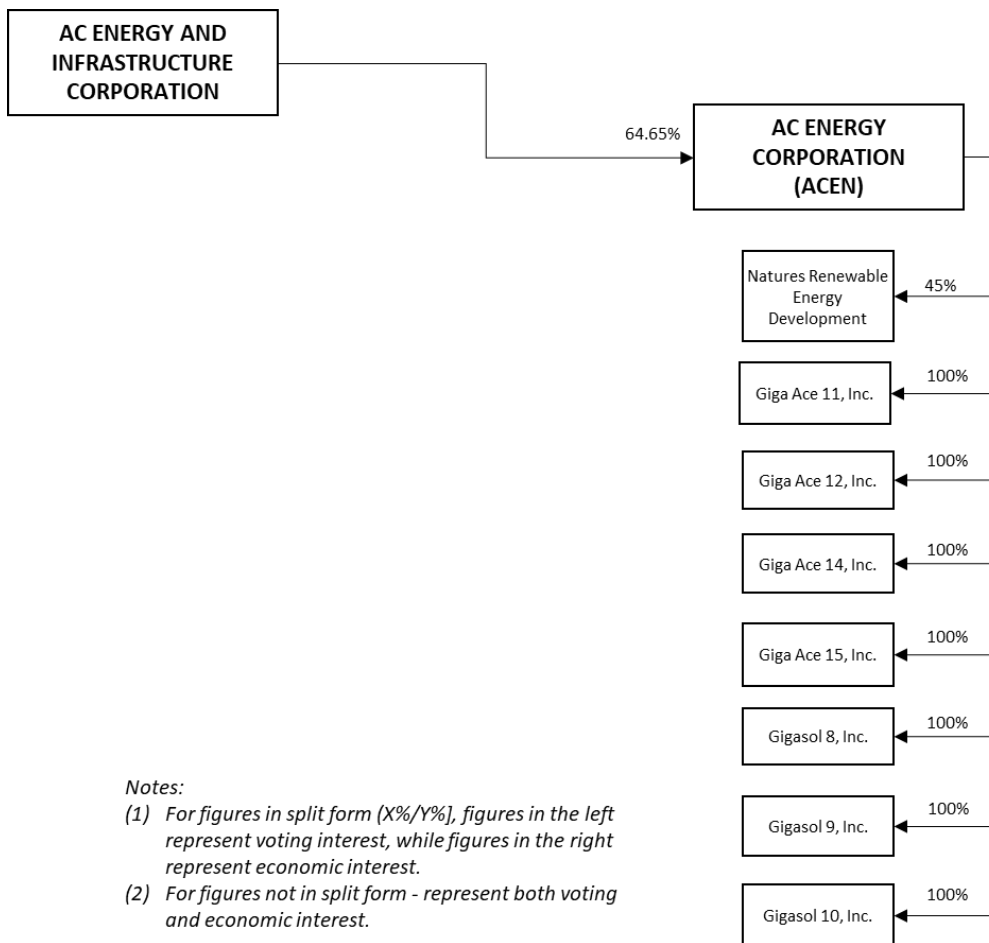
**AC ENERGY CORPORATION AND SUBSIDIARIES  
SUPPLEMENTARY SCHEDULE REQUIRED  
UNDER REVISED SRC RULE 68**

**Conglomerate Map  
As of December 31, 2021**



**AC ENERGY CORPORATION AND SUBSIDIARIES  
SUPPLEMENTARY SCHEDULE REQUIRED  
UNDER REVISED SRC RULE 68**

**Conglomerate Map  
As of December 31, 2021**

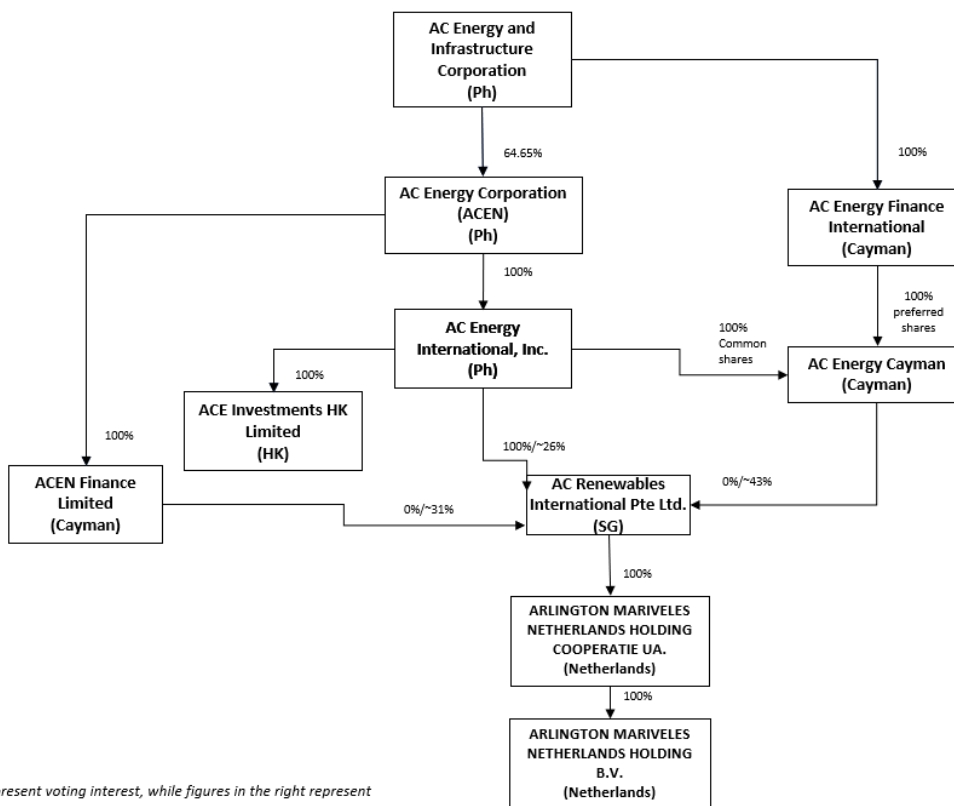


*Notes:*

- (1) For figures in split form (X%/Y%), figures in the left represent voting interest, while figures in the right represent economic interest.*
- (2) For figures not in split form - represent both voting and economic interest.*

**AC ENERGY CORPORATION AND SUBSIDIARIES  
SUPPLEMENTARY SCHEDULE REQUIRED  
UNDER REVISED SRC RULE 68**

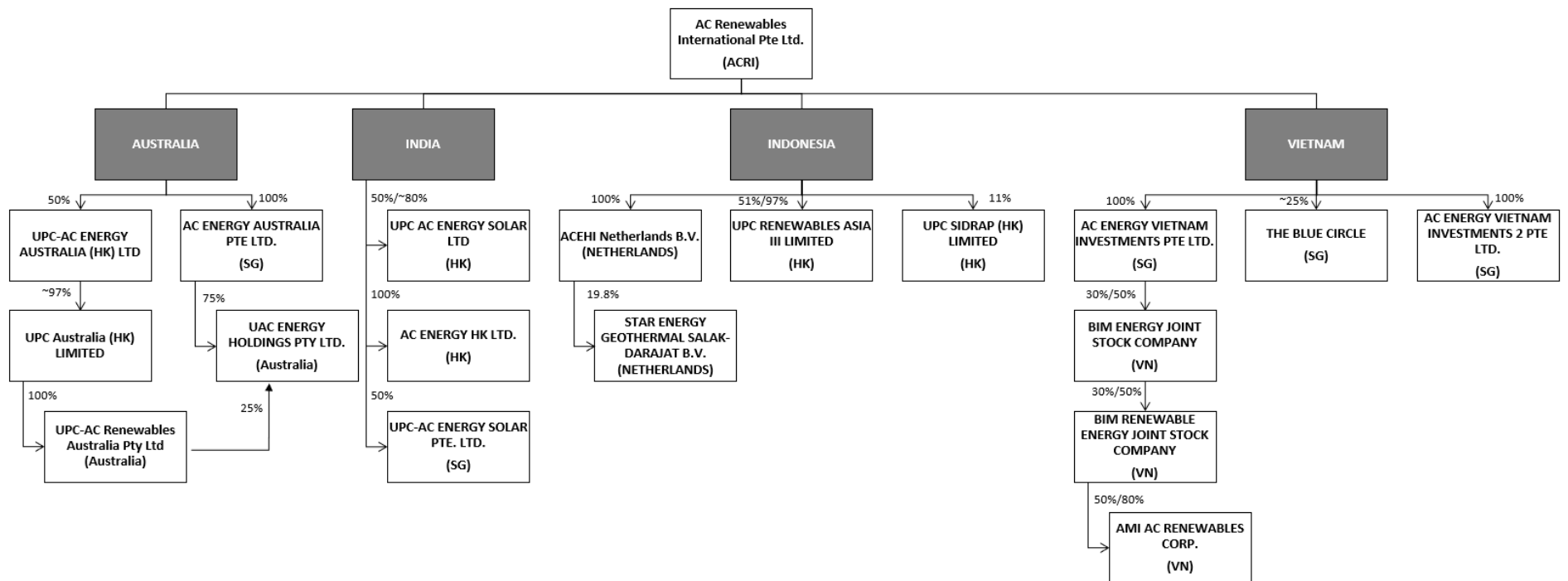
**Conglomerate Map  
As of December 31, 2021**



Notes:  
 (1) For figures in split form (X%/Y%), figures in the left represent voting interest, while figures in the right represent economic interest.  
 (2) For figures not in split form - represent both voting and economic interest.

**AC ENERGY CORPORATION AND SUBSIDIARIES  
SUPPLEMENTARY SCHEDULE REQUIRED  
UNDER REVISED SRC RULE 68**

**Conglomerate Map  
As of December 31, 2021**



Notes:

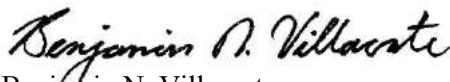
- (1) For figures in split form (X%/Y%), figures in the left represent voting interest, while figures in the right represent economic interest.
- (2) For figures not in split form - represent both voting and economic interest.

## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders  
AC Energy Corporation  
35th Floor, Ayala Triangle Gardens Tower 2  
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of AC Energy Corporation (formerly AC Energy Philippines, Inc.) and subsidiaries, as at December 31, 2021 and 2020 and January 1, 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated March 8, 2022. 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 Securities Regulation Code 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 PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Benjamin N. Villacorte

Partner

CPA Certificate No. 111562

Tax Identification No. 242-917-987

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1539-AR-1 (Group A)

March 26, 2019, valid until March 25, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-120-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854386, January 3, 2022, Makati City

March 8, 2022



## Attachment IV

**AC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE REQUIRED**  
**UNDER REVISED SRC RULE 68**

Key Performance Indicator	Formula	31-Dec-21 Audited	31-Dec-20 As restated	Increase (Decrease)	
				Amount	%
<i>Liquidity Ratios</i>					
<b>Current Ratio</b>	Current assets	<b>8.21</b>	4.83	3.38	70%
	Current liabilities				
<b>Acid test ratio</b>	Cash + Short-term investments + Accounts receivables + Other liquid assets	<b>7.64</b>	4.59	3.05	66%
	Current liabilities				
<i>Solvency Ratios</i>					
<b>Debt/Equity ratio</b>	Total liabilities	<b>0.45</b>	0.36	0.09	25%
	Total equity				
<b>Asset-to-equity ratio</b>	Total assets	<b>1.45</b>	1.36	0.09	7%
	Total equity				
<b>Interest Coverage Ratio</b>	Earnings before interest & tax (EBIT)	<b>5.61</b>	4.57	1.04	23%
	Interest expense				
<b>Net bank Debt to Equity ratio</b>	Short & long-term loans - Cash & Cash Equivalents	<b>0.12</b>	(0.01)	0.13	(1300%)
	Total Equity				
<i>Profitability Ratios</i>					
<b>Return on equity</b>	Net income after tax attributable to equity holders	<b>7.40%</b>	8.03%	(0.63%)	(8%)
	Average stockholders' equity				
<b>Return on assets</b>	Net income after taxes	<b>4.90%</b>	4.81%	0.09%	2%
	Average total assets				
<b>Asset Turnover</b>	Revenues	<b>16.67%</b>	15.39%	1.28%	8%
	Average total assets				



## ANNEX F

### 2022 ANNUAL STOCKHOLDERS' MEETING OF AC ENERGY CORPORATION (THE "MEETING")

#### REQUIREMENTS AND PROCEDURE FOR ELECTRONIC VOTING IN ABSENTIA AND PARTICIPATION BY REMOTE COMMUNICATION

Electronic voting *in absentia* and participation by remote communication shall be allowed only through complete registration and successful validation in the Voting *in Absentia* & Shareholder (VIASH) System.

#### **I. ELECTRONIC VOTING IN ABSENTIA**

1. Stockholders as of 25 March 2022 ("Stockholders") have the option of electronic voting *in absentia* on the matters in the Agenda, after complete registration and successful validation in the VIASH System. Stockholders with e-mail addresses on record shall be sent an e-mail with a link to the VIASH System. To register in the VIASH System, Stockholders shall simply follow the instructions sent in the e-mail.
2. Otherwise, Stockholders may access the link <http://www.ayalagroupshareholders.com/> to create an account and register in the VIASH System. Stockholders should complete the online registration form and submit for validation together with the requirements provided in Item 4 below.
3. All registered accounts shall be subject to the validation process set forth. The deadline for registration to vote *in absentia* is 19 April 2022. The VIASH System will be open for registration on 8 April 2022. Registered Stockholders may vote using the VIASH System until the end of the meeting.
4. The following are needed for registration:
  - 4.1 For individual Stockholders –
    - 4.1.1 A recent photo of the Stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
    - 4.1.2 A scanned-copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
    - 4.1.3 A valid and active e-mail address;
    - 4.1.4 A valid and active contact number;
  - 4.2 For Stockholders with joint accounts –

A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (in JPG or PDF format). The file size should be no larger than 5MB;
  - 4.3 For Stockholders under Broker accounts –
    - 4.3.1 A broker's certification on the Stockholder's number of shareholdings (in JPG or PDF format). The file size should be no larger than 5MB;
    - 4.3.2 A recent photo of the stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;

- 4.3.3 A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
  - 4.3.4 A valid and active e-mail address;
  - 4.3.5 A valid and active contact number;
- 4.4 For corporate Stockholders –
- 4.4.1 A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PDF format). The file size should be no larger than 5MB;
  - 4.4.2 A recent photo of the Stockholder's representative, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
  - 4.4.3 A scanned copy of the valid government-issued ID of the Stockholder's representative showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
  - 4.4.4 A valid and active e-mail address of the Stockholder's representative;
  - 4.4.5 A valid and active contact number of the Stockholder's representative.

**Important Notes:**

- Stockholders who are also stockholders as of record date of the other publicly listed corporations in the Ayala group need only to register one account in the VIASH System. The digital absentee ballot for each corporation shall be separately accessed from the Stockholder's Dashboard in the VIASH System and votes shall be cast per corporation.
  - Considering the prevailing extraordinary circumstances in relation to COVID-19, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later time.
  - Incomplete or inconsistent information may result in an unsuccessful registration. As a result, Stockholders will not be allowed access to vote electronically *in absentia*, but may still vote through the Chairman of the Meeting as proxy, by submitting a duly accomplished proxy form, on or before 15 April 2022.
5. The validation process in the VIASH System will be concluded by the Corporation no later than three (3) business days from the date of the Stockholder's complete registration. The Stockholder's dashboard in the VIASH System will indicate the status of registration.
- Once validated, the Stockholder will receive an e-mail confirmation on their successful registration. Registered Stockholders have until the end of the Meeting to cast their votes *in absentia*.
6. All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot in the VIASH System and the registered Stockholder may vote as follows:
- 6.1 For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
  - 6.2 For the Election of Directors, the registered Stockholder may either: (1) vote for all nominees, (2) not vote for any of the nominees, or (3) vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

Once voting on the agenda items is finished, the registered Stockholder can proceed to submit the accomplished ballot by clicking the 'Submit' button.

The VIASH System will prompt the Stockholder to confirm the submission of the ballot. The votes cast *in absentia* will have equal effect as votes cast by proxy.

After the ballot has been submitted, Stockholders may no longer change their votes except by submitting a duly accomplished proxy form within the set deadline.

7. The Office of the Corporate Secretary will tabulate all votes cast *in absentia* together with the votes cast by proxy, and a firm selected for this purpose will validate the results.

## **II. PARTICIPATION BY REMOTE COMMUNICATION**

1. Stockholders as of 25 March 2022 (“Stockholders”) are required to register in the VIASH System to participate in the Meeting on 25 April 2022 by remote communication. A Meeting livestreaming access button will be available in the Stockholder’s dashboard in the VIASH System on the date set for the Meeting as indicated in the Corporation’s Notice of the Meeting.
2. The procedure and requirements for registration in the VIASH System are found in the Electronic Voting *in Absentia* section in this Annex. The deadline for registration to participate by remote communication is on 19 April 2022.
3. In addition to their registration in the VIASH System, Stockholders are requested to notify the Company by e-mail to corpsec.acen@acenergy.com.ph by 19 April 2022 of their intention to participate in the Meeting by remote communication.
4. Only the Stockholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the Stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum at the Meeting.
5. Stockholders participating by remote communication may vote anytime until the end of the Meeting using the digital ballot in the VIASH System.
6. Stockholders may send their questions and/or remarks prior to or during the Meeting by e-mail to corpsec.acen@acenergy.com.ph.
7. A link to the recorded webcast of the Meeting will be posted on the Company’s website after the Meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted by e-mail to corpsec.acen@acenergy.com.ph.

For any clarifications, please contact our Office of the Corporate Secretary through corpsec.acen@acenergy.com.ph.