COVER SHEET

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SEC Registration Number

ACEN CORPORATION
AND SUBSIDIARIES

(Company's Full Name)

35TH FLOOR, AYALA TRIANGLE
GARDENS TOWER 2, PASEO DE
ROXAS CORNER MAKATI AVENUE,
MAKATI CITY 1226

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

ATTY. ALAN T. ASCALON	7-730-6300
Contact Person	*Company's Telephone Number*

1 2	3 1	17-A	0 4	2 4
Month	Day	Form Type	Month	Day

Not Applicable

(Secondary License Type, If Applicable)

CFD	-
Dept. Requiring this Doc.	*Amended Articles Number/Section*

Total Amount of Borrowings

3,182	-	-
Total No. of Stockholders	*Domestic*	*Foreign*

To be accomplished by SEC Personnel concerned

File Number *LCU*

Document ID *CASHIER*

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

ACEN

CERTIFICATION

I, Kyla Kamille U. Samson, Assistant Vice-president for Finance and Controller of **ACEN CORPORATION** (the "Company") with SEC registration number 069-039274 and principal office at 35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City, do hereby certify and state that:

1) In compliance with the Securities and Exchange Commission (SEC) Memorandum Circular No. 3, series of 2021 and the notice issued by the SEC on March 17, 2020, the Company is timely filing its 2022 SEC Form 17-A by sending the same (in portable document format through email to ictdsubmission@sec.gov.ph and by uploading the same through the PSE EDGE in accordance with the relevant PSE rules and procedures.

2) The information contained in the attached SEC Form 17-A is true and correct to the best of my knowledge.

3) I am executing this certification this April 4, 2023 to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.

Kyla Kamille U. Samson
Assistant Vice-president for Finance and Controller

SEC Number: 069-039274
File Number:

ACEN CORPORATION
(Company's Full Name)

35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City
(Company's Address)

7730-6300
(Telephone Number)

2022 December 31
(Fiscal Year ending) (month & day)

17-A
(Form Type)

Amendment Designation (If Applicable)

December 2022
(Period Ended Date)

(Secondary License Type and File Number) /

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal period ended	**December 31, 2022**
2. Commission identification number	**069-039274**
3. BIR Tax Identification No.	**000-506-020-000**
4. Exact name of issuer as specified in its charter	**ACEN CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization	**Metro Manila, Philippines**
6. Industry Classification Code:	(SEC Use Only)
7. Address of issuer's principal office	**35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City** Postal Code: **1226**
8. Issuer's telephone number, including area code	**(632) 7-730-6300**
9. Former name, former address and former fiscal year, if changed since last report	**AC Energy Corporation**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Number of shares of common stock outstanding	**39,677,394,773 shares**
Amount of debt outstanding	**Php10 billion – registered in the Philippine SEC and listed in PDEX**

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

Yes [**X**] No [ ]

Stock Exchange	Philippine Stock Exchange
Classes of Securities Listed	Common shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form (As of December 31, 2022, Php60,552,747,088 equivalent to the total number of shares in the hands of the public based on the Company's Public Ownership Report, multiplied by the average price of the last trading day).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **Not applicable**

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

2022 Opinion on and Individual Supplementary Schedules
2022 Consolidated Financial Statements of ACEN CORPORATION and Subsidiaries
2022 Financial Statements of ACEN CORPORATION (with BIR ITR Filing Reference)
2022 Consolidation Financial Statements of ACEN Renewables International Pte. Ltd. and Subsidiaries

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PART I . BUSINESS AND GENERAL INFORMATION

Item 1. Business

ACEN CORPORATION ("ACEN" or the "Company", formerly AC Energy Corporation) 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 February 2023, AC Energy and Infrastructure Corporation ("AC Energy", formerly AC Energy, Inc.) owns 60.11% of the outstanding capital stock of the Company.0F0F[1] 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, Australia, Vietnam, India, and Indonesia, as well as other countries through its joint venture with NEFIN Holding Limited.

The Company manages diversified portfolio power plants with renewable and conventional sources. As of 31 December 2022, the Company had an attributable capacity of 3,961 MW from owned projects in operation and under construction across the region, which includes strategic investments in renewable and conventional power generation projects.

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.

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[1] On 10 May 2022, ACEIC sold 1,861,000,000 ACEN shares to ACEIC's parent company, Ayala Corporation ("AC"), pursuant to a regular block sale. ACEIC retained beneficial ownership of the shares being a 100% subsidiary of AC. On 29 April 2022, AC then declared these 1,861,000,000 ACEN shares as property dividends to its shareholders as of 27 May 2022.

As of 11 January 2023, AC distributed a total of 922,358,751 ACEN shares to its qualified shareholders pursuant to its Declaration of Property Dividends as disclosed under AC's PSE Edge Disclosure Report No. C00247-2023 dated 10 January 2023.

As of 28 February 2023, ACEIC has a total of 23,849,363,022 ACEN shares, of which 938,641,249 are indirect shares, corresponding to 60.11% of the Company's outstanding shares. The indirect shares are the remaining ACEN shares that were declared by AC as property dividends but have yet to be distributed to its stockholders as disclosed under AC's PSE Edge Disclosure Report No. C00247-2023 dated 10 January 2023. Until such actual distribution, ACEIC retains beneficial ownership of the indirect shares, being a 100% subsidiary of AC.

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. On 15 December 2021, the stockholders of the Company voted to rename the Company to "ACEN CORPORATION" in recognition of the Company being one of Ayala's core businesses, and the attainment of a standalone brand and identity. The SEC approved the change of the Company's name on 20 July 2022.

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.

The following table sets forth the Company's corporate milestones post AC Energy's acquisition of a controlling stake therein:

Year		Milestones
2019	(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.
	(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.
	(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.
2020	(D)	ACEN completes its acquisition of PINAI's ownership in North Luzon Renewables).
	(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.
	(F)	ACEN and its subsidiary, ACE Endevor, Inc. ("ACE Endevor") 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

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 via 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, agrees 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 Greencore Power Solutions 3, Inc. ("Greencore 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 holds ACEIC's international renewable assets. This is in line with the intention to

Year	Milestones
	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 approve 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) enters 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.
2022	(S) In September 2022, the Company successfully issues and lists its maiden peso-denominated ASEAN Green Bonds at an aggregate principal amount of Php 10 billion, with a fixed interest rate of 6.0526% per annum for a five-year tenor, under its Php 30 billion Debt Securities Program registered with the SEC. The Green Bonds were 8.6 times oversubscribed as a result of robust demand for the issuance, with strong participation from leading institutional investors. The Green Bonds are listed on the Philippine Dealing and Exchange Corp. (PDEx) platform. The Green Bonds were 8.6 times oversubscribed as a result of robust demand for the issuance, with strong participation from leading institutional investors. The Green Bonds are listed on the Philippine Dealing and Exchange Corp. (PDEx) platform. The Green Bonds comply with ASEAN Green Bond Standards, which require proceeds to be used exclusively for the funding of eligible green projects. The Green Bonds have been rated 'PRS Aaa' by the Philippine Rating Services Corporation, the highest possible rating.
	(T) In November 2022, the Company completes the world's first market-based Energy Transition Mechanism (ETM) transaction which will enable the early retirement of its remaining coal plant. This entailed the full divestment of ACEN's equity stake in the 246

Year	Milestones
	MW SLTEC coal plant, bringing the Company closer to its commitment of 100% renewables generation by 2025. The entire ₱7.2 billion of proceeds received by ACEN will be reinvested in its renewable energy projects. As part of the ETM structure, the facility is scheduled to be retired and transitioned to a cleaner technology by 2040, essentially cutting in half its intended operating life as a coal plant of 50 years. This will help avoid or reduce up to 50 million metric tons of carbon dioxide emissions.

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 2022, attributable output reached 4,950 gigawatt-hours (GWh) from 4,633 GWh in 2021. This includes generation from international plants of 2,552 GWh, up from 1,960 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 2022, totaling 3,961 MW. This includes owned assets only, and not leased units.

Plant	Class	Technology	Country / Region	Status	Net Dependable Capacity (MW)	Approx. Economic Interest	Attributable Capacity (MW)
North Luzon Renewables	Renewable	Wind	Philippines	Operating	**81**	81%	66
Guimaras Wind	Renewable	Wind	Philippines	Operating	**54**	100%	54
Northwind Power	Renewable	Wind	Philippines	Operating	**52**	100%	52
Islasol	Renewable	Solar	Philippines	Operating	**80**	60%	48
Sacasol	Renewable	Solar	Philippines	Operating	**45**	100%	45
Montesol	Renewable	Solar	Philippines	Operating	**18**	100%	18
Alaminos Solar	Renewable	Solar	Philippines	Operating	**120**	100%	120
Palauig 1 Solar	Renewable	Solar	Philippines	Operating	**63**	100%	63
Bataan RE Tech Hub	Renewable	Solar	Philippines	Operating	**4**	100%	4
Arayat-Mexico Solar*	Renewable	Solar	Philippines	Operating	**116**	50%	58
Maibarara Geothermal	Renewable	Geothermal	Philippines	Operating	**32**	25%	8
Bulacan Power	Thermal	Diesel	Philippines	Operating	**48**	100%	48
CIP	Thermal	Diesel	Philippines	Operating	**20**	100%	20
Sitara Solar	Renewable	Solar	India	Operating	**140**	80%	112
Paryapt Solar	Renewable	Solar	India	Operating	**70**	80%	56
Sidrap Wind	Renewable	Wind	Indonesia	Operating	**75**	75%	56
Salak & Darajat Geothermal**	Renewable	Geothermal	Indonesia	Operating	**663**	20%	133
Ninh Thuan Solar	Renewable	Solar	Vietnam	Operating	**405**	50%	203
Khanh Hoa & Dak Lak Solar	Renewable	Solar	Vietnam	Operating	**80**	80%	64

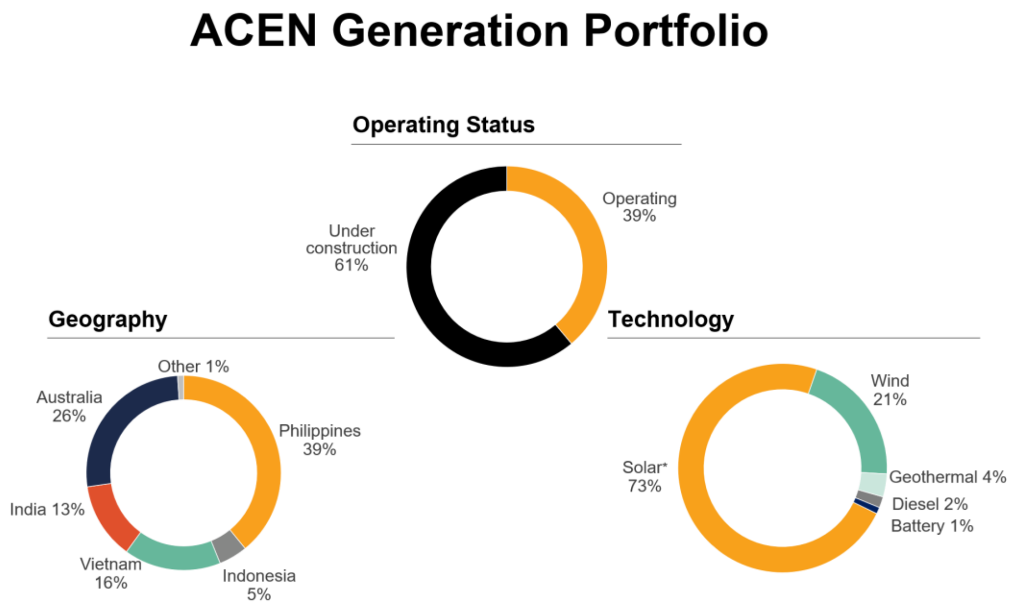
Plant	Class	Technology	Country / Region	Status	Net Dependable Capacity (MW)	Approx. Economic Interest	Attributable Capacity (MW)
Mui Ne Wind	Renewable	Wind	Vietnam	Operating	**80**	80%	64
Quang Binh Wind	Renewable	Wind	Vietnam	Operating	**252**	80%	202
Ninh Thuan Wind	Renewable	Wind	Vietnam	Operating	**88**	65%	57
NEFIN***	Renewable	Rooftop Solar	Various**	Operating	**37**	42%	16
Pagudpud Wind	Renewable	Wind	Philippines	Under Construction	**160**	100%	160
Capa Wind	Renewable	Wind	Philippines	Under Construction	**70**	81%	57
Palauig 2 Solar	Renewable	Solar	Philippines	Under Construction	**300**	100%	300
San Marcelino Solar	Renewable	Solar	Philippines	Under Construction	**284**	100%	284
Cagayan North Solar	Renewable	Solar	Philippines	Under Construction	**133**	80%	106
Alaminos Battery Storage	Renewable	Battery	Philippines	Under Construction	**40**	100%	40
New England Solar Phase 1	Renewable	Solar	Australia	Under Construction	**521**	100%	521
Stubbo Solar	Renewable	Solar	Australia	Under Construction	**520**	100%	520
Masaya Solar	Renewable	Solar	India	Under Construction	**420**	80%	336
NEFIN***	Renewable	Rooftop Solar	Various**	Under Construction	**30**	80%	24
Lac Hoa & Hoa Dong Wind	Renewable	Wind	Vietnam	Under Construction	**60**	80%	48
						Grand Total	**3,961**

* Includes 44-MW expansion under construction
**Includes Salak Binary Plant under construction
***Comprises of Mainland China, Hong Kong, Malaysia, Thailand, and Taiwan

Renewable Energy Portfolio

As of 31 December 2022, the Company's portfolio of projects under its renewable energy ("RE") platform had a total net attributable capacity of approximately 3,893 MW renewable energy in operation and under construction. This includes owned assets only, and not leased units. ACEN's RE platform is divided into 2,897 MW of solar energy, 815 MW of wind power, and 141 MW of geothermal resources. The platform also contains 40 MW of battery storage linked to solar farms.

The charts below show the breakdown of the Company's power project portfolio per country, technology, and status (in terms of Net Attributable Capacity1F1F[2] as of 31 December 2022):



* Includes rooftop solar.

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

[2] Refers to gross capacity of owned assets, multiplied by ACEN's effective economic ownership. Does not include leased units.

(“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 1 Solar

Palauig 1 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_2 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_2 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 Alaminos Solar and achieved full commercial operations on July 2021.

Power Offtaker / Energy Sales. Alaminos Solar 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.

Bataan Solar (Bataan RE Tech Hub)

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.

Background. 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 RE Tech Hub 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.

Power Offtaker / Energy Sales. The Bataan RE Tech Hub is a research facility using various technologies for PV, Inverter, and Energy Storage Systems.

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. The project was expanded to 116MW through a 44-MW second phase, which is under construction as of 31 December 2022.

Background. In April 2022, ACEN and Citicore Renewable Energy Corporation announced that they have fully energized the 72-megawatt (MW) first phase of the Arayat-Mexico solar farm in Pampanga in time for the demand surge that summer. Once fully operational, the solar farm will produce 105 gigawatt-hours of renewable energy per year, enough to power 45,000 households and avoid 72,000 metric tons of carbon dioxide emissions annually.

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 110kVtransmission 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_2 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 transmission line to a *Perusahaan Listrik Negrara* ("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.

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.

Pagudpud Wind secured a long-term offtake agreement through the Green Energy Auction Program ("GEAP") of the DOE auctioned in June 2022.

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_2 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.

Cagayan North Solar

On 24 March 2022, ACEN, ACE Endevor, Inc. ("Endevor") and CleanTech Renewable Energy 4 Corp. ("CleanTech") announced that they formed a joint venture company, Natures Renewable Energy Development Corporation (NAREDCO) to develop, own and operate a 133 MW solar farm and transmission line project located in Lal-lo, Cagayan. The companies signed a shareholders' agreement for the strategic partnership, with ACEN and Endevor to have a combined 60% ownership stake in NAREDCO, and CleanTech owning the remaining 40%.

NAREDCO will proceed with the construction the solar farm and transmission line, which has a potential expansion of up to 200 MW. The solar farm will be constructed on a 115-hectare flat land known for its high solar irradiance in Barangays Magapit and Sta. Maria, which will connect to the 69kV NGCP Lal-lo (Magapit) substation via a 3-km transmission line

Once completed, the 133 MW solar farm will produce 188 GWh of renewable energy annually, enough to power 75,000 households while avoiding approximately 112,405 MT of CO_2 emissions annually. About 1,000 job opportunities and community partnerships could be created during the solar farm's construction stage. It is expected to be operational by early 2023.

Capa Wind

Amihan Renewable Energy Corp. ("Capa Wind") is the fourth wind farm project of ACEN in Ilocos Norte. Capa Wind provided the lowest winning bid for wind supply at a flat rate of ₱3.8583/kWh for 20 years under the first round of GEAP. The 70 MW wind farm will generate and supply clean power to more than 60,000 homes per year, and provide over 300 local jobs during its construction stage.

On 29 July 2022, ACEN, through its subsidiary Capa Wind, signed an agreement with Siemens Gamesa Renewable Energy Technology (SGRE) for the supply and installation of fourteen units of wind turbines for the construction of the next wind project of ACEN in Caparispisan, Pagudpud, Ilocos Norte. Once completed, the wind project can produce over 220 GWh of renewable energy per year and eliminate over 130,000 tonnes of CO2 emissions annually.

The 70 MW Capa Wind project will help deliver ACEN's supply commitments secured under the first round of the Department of Energy's Green Energy Auction Program held in June this year. Capa Wind provided the lowest winning bid for wind renewable energy supply at a flat rate of ₱3.8583/kilowatt-hour for 20 years.

Estimated project cost is ₱6 billion, with a target completion by 2024. Capa Wind is a wholly owned subsidiary of North Luzon Renewables, which is a joint venture between ACEN and Diamond Generating Asia, Limited. Capa Wind is the second wind project of the joint venture company.

Renewable Energy Projects under Construction in Australia

New England Solar Farm

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.

Stubbo Solar

ACEN Australia awarded the Engineering, Procurement and Construction (EPC) contract for the construction of the 520 MWdc (400 MWac) Stubbo Solar project to PCL Construction ("PCL"). PCL is an experienced and diverse construction partner that delivers complete solar energy solutions in Australia, the United States and Canada.

The 520 MWdc (400 MWac) solar project is located within the Central-West Orana Renewable Energy Zone in the Mid-Western Regional Council region and will connect to the existing 330 kV network between Wollar and Wellington. The project will produce enough clean, renewable energy to power more than 185,000 average Australian homes. The project's development approval also includes provisions for a 200 MWh battery energy storage system, allowing for the project to later on be adapted to dispatch energy when it is most needed during peak hours and provide important grid stability services.

Stubbo Solar was granted development consent in 2021. Construction of the site access recently commenced, with construction of the main works by PCL expected to start in 2023. With all going to plan, the project will be operational in 2025. The solar farm is expected to create up to 400 jobs during construction and up to 10 ongoing jobs, generating many contracting opportunities for local businesses. Wherever possible, workers and businesses from the local and regional area will be prioritised for employment and contracting opportunities to help maximise the benefits for local communities.

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 was targeted for the wind FIT rate of U.S.$0.085/kWh under a PPA with EVN but 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.

Renewable Energy Projects under Construction in India

Masaya Solar

On January 30, 2022, ACEN and UPC Solar Asia Pacific, commenced construction of their 300 MWac (420 MWdc) Masaya Solar farm. Through their joint venture company, UPC-AC Energy Solar, they have built a total of 630 MWdc across India.

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 CO_2 emissions annually. The project will also create approximately 500 jobs during its construction stage. Once completed, the Masaya Solar farm will be UPC-AC Energy Solar's third and largest solar project in India to date.

The joint venture is set to supply 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.

Conventional Energy Portfolio

As of 31 December 2022, the Company's thermal energy portfolio had a total Net Attributable Capacity of 68 MW from owned assets (equivalent to 2% of the Company's total portfolio as of 31 December 2022), 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 Generation Corporation ("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 Power 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 Subic Bay Metropolitan Authority ("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. This is only a leased asset.

Other Businesses

Retail Electricity Supply Business

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. On 18 November 2022, the Company was issued RES License No. 01-2023-0091RS valid from 20 November 2022 until 19 November 2027. 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 2022, the Company has an estimated 198 MW of retail customer contracts and 310 MW of wholesale customer contracts, which consist of a 200MW baseload and 110MW mid-merit capacity to MERALCO.

Bulk Water Supply Business

ACE Endevor 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 San Carlos Biopower Inc. ("SCBP"), San Carlos Bioenergy, Inc., South Negros Biopower, Inc., and North Negros Biopower, Inc., respectively, in Negros Occidental.

Land Lease and Development

The Company, through its subsidiaries, owns 100% ownership interests in Solienda Incorporated ("Solienda") and San Julio Land Development Corporation ("SJLD") and approximately 66% of Manapla Sun Power Development Corp. ("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. MSDPC 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, 98% of the Company's attributable capacity from owned assets is fueled by renewable energy sources, while 2% are thermal assets running on liquid fuel, as of 31 December 2022.

For thermal energy power plants, the Company has several term contracts for its annual fuel requirements. Liquid fuel requirements are mainly sourced from Shell, SL Harbor Bulk Terminal Corporation, Chevron, and Petron. As there are multiple suppliers of 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 26 to the Company's audited consolidated financial statements as of and for the year ended 31 December 2022*.)

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 February 2023, the following trademarks are registered in the name of the Company under the following terms:

Trademark	Date of Registration	Term
Gigawind (with logo)	10 March 2022	10 years (until 10 March 2032)
CampMak (tradename only)	10 March 2022	10 years (until 10 March 2032)
Energy Storage (with logo)	7 April 2022	10 years (until 7 April 2032)
Renewable Energy TechHub An AC Energy Research Center (with logo)	7 April 2022	10 years (until 7 April 2032)
Bulacan Thermal (with logo)	7 April 2022	10 years (until 7 April 2032)
La Union Thermal (with logo)	7 April 2022	10 years (until 7 April 2032)
Subic Thermal (with logo)	7 April 2022	10 years (until 7 April 2032)

Trademark	Date of Registration	Term
Ingrid Power Pililla (with logo)	7 April 2022	10 years (until 7 April 2032)
ACEN (with logo)	23 April 2022	10 years (until 23 April 2032)
Gigasol (with logo)	23 April 2022	10 years (until 23 April 2032)
Giga Storage (tradename only)	10 June 2022	10 years (until 10 June 2032)
ENEX (tradename only)	25 August 2022	10 years (until 25 August 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 5th year DAU within one (1) year from the 5th 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 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 20,000 MW in attributable RE capacity by the year 2030. Several of these pipeline projects are being developed with strategic partners. ACEN expects the geographic mix of its portfolio in 2030 to follow the below long-term outlook, which is subject to calibration based on market opportunities and conditions:

In GW	Current	2030 Outlook
Philippines	1.6	**8.0**
Australia	1.0	**5.0**
Vietnam	0.6	**2.0**
India	0.5	**2.0**
Indonesia and other markets	0.3	**3.0**
Total	4.0	**20.0**

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. ACEN 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 2022, the Company holds around 192 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 2022: 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 2022, 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.

For the year 2022, the Company spent Php 30 million for automation initiatives and information technology infrastructure. This constitutes 0.09% percent of the Company's consolidated revenue. There is no readily available data for R&D costs for the years 2021 and 2020.

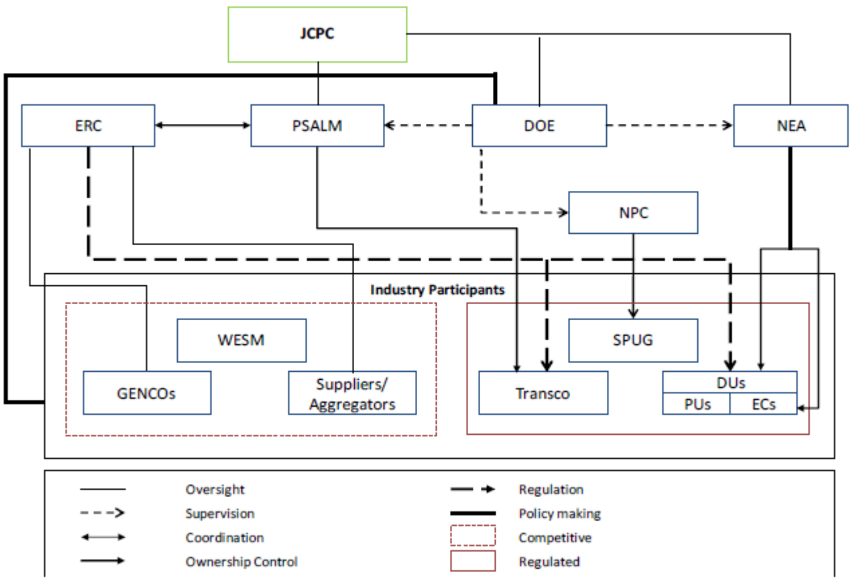
REGULATORY FRAMEWORK

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:



Note:
DUs: distribution Utilities
ECs: Electric Cooperatives
GENCOs: Any entity authorized by the ERC to operate electricity generation facilities
JCEC: Joint Congressional Energy Commission
PUs: Production Utilities

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:

(a) preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;
(b) ensuring the reliability, quality and security of the supply of electric power;
(c) exercise of supervision and control over all government activities pertaining to energy projects;
(d) encouragement of private investment in the power industry sector and promotion of the development of indigenous and renewable energy sources for power generation;
(e) facilitation of reforms in the structure and operation of DUs for greater efficiency and lower costs;
(f) promotion of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;
(g) 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;
(h) establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations; and
(i) 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-All”).

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 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. In June 2022, the DOE awarded 19 contracts to various renewable energy developers, including BWPC and Amihan Renewable Energy Corp. after conducting the first round of the GEAP through an electronic bidding program on 17 June 2022. The DOE has announced that it will conduct the second round of the GEAP "by the second quarter of 2023."

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 ₱2.5 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 ₱6.1 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.

On 15 September 2022, the 2-year moratorium on compulsory notification of mergers and acquisitions pursuant to the Bayanihan Act 2 expired. Starting 1 March 2023, mergers and acquisitions that breach a Size Party of Php 7 billion and a Size of Transaction of Php 2.9 billion have to be notified to the PCC for mandatory merger 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 2021as 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/QD-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/QD-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/QD-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 m3/day or more, or discharges solid waste from one ton/day, or waste gas from 5,000 m3/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 ("FPFF") 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 FPFF 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 yearsfrom 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.

S.no.	Consents and approvals	Particulars
(A) Applicable permits for solar projects		
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) 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

S.no.	Consents and approvals	Particulars
		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.
(B) Additional Permits 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.		
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 ("MoCA Rules") 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 ("Factories Act")[(1)] Registration under the Contract Labour (Regulation and Abolition) Act, 1970 ("CLRA") Registration under the Building and Other Construction Workers	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.

S.no.	Consents and approvals	Particulars
	(Regulation of Employment and Conditions of Service) Act, 1996 ("BOCW Act") and payment of cess under the Building and Other Construction Workers Welfare Cess Act, 1996 ("Cess Act") Registration under the Inter-State Migrant Workmen (Regulation of Employment and Condition of Service) Act, 1979 ("Migrant Workers Act")	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 '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.e.* 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.

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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.

Demand and Supply Targets for Energy Outlook 2020-2040[3]

	Scenario Assumptions	
	Reference Scenario *(Business as Usual)*	**Clean Energy Scenario** *(Alternative Scenario)*
Energy Demand	▪ Supports an accelerated economic expansion post-COVID19 (i.e., High GDP scenario). ▪ Maintains current blending schedule for biofuels (2.0 percent biodiesel and 10.0 percent bioethanol) until 2040. ▪ 5.0 percent penetration rate of electric vehicles for road transport (motorcycles, cars, jeepneys) by 2040. ▪ Current efforts on energy efficiency and conservation (EEC) as a way of life continues until 2040.	▪ 10.0 percent penetration rate of electric vehicles for road transport (motorcycles, cars, jeepneys) by 2040. ▪ 1.5 percent increase in aggregate natural gas consumption from the Transport and Industry sectors between 2020 and 2040. ▪ 5.0 percent blending for biodiesel starting 2022. ▪ Up to 5.0 percent energy savings on oil products and electricity by 2040.
Energy Supply	▪ Present development trends and strategies continue. ▪ Existing power plant as of December 2019 and committed power projects as of September 2020. ▪ 35.0 percent RE share in generation mix by 2040. ▪ 25.0 percent reserve margin. ▪ 70.0 percent load factor for the total Philippines. ▪ Indigenous production targets: Coal - 282 million metric tons (MMT) at 14.8 MMT/year; Oil - 64 million barrels (MMB) at 3.4 MMB/year; Natural Gas - 4 trillion standard cubic feet (SCF) at 4.8 billion SCF/year. ▪ LNG imports to come in starting 2022 at 349 billion SCF/year to augment supply from Malampaya gas field.	▪ Assumptions under the Reference, as well as the following: ▪ Up to 50.0 percent RE share in generation mix by 2040; and ▪ Achieve at least 12.0 percent reduction in the greenhouse gas (GHG) emission for the country's Nationally Determined Contribution (NDC).

Note: Reference date for energy and energy-related data, including macroeconomic indicators, used in the simulation for this Energy Outlook is 10 June 2021.

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

[3] Philippine Energy Plan 2020-2040 available on the DOE's website https://www.doe.gov.ph/sites/default/files/pdf/pep/PEP%202022-2040%20Final%20eCopy_20220819.pdf last accessed on 15 March 2023 at 10:54 a.m.

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, PNOC, 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 28 February 2023, ACEN has two hundred thirty-three (233) employees. Of the total employees, one hundred forty-five (145) are managers and officers, eighty-four (84) are supervisors, and four (4) are non-supervisory employees. The Company has the intention of hiring fifty-three (53) 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.

SUSTAINABIILITY

INTEGRATING SUSTAINABILITY

ACEN's aspiration to be a leading renewable energy provider is driven by its goal to create value that would benefit society, as well as its employees and shareholders. Sustainability is at the core of our business, and it is integrated into the way we do things.

In October 2021, we announced our commitment to achieve Net Zero greenhouse gas emissions by 2050. We recognize that we have a role to play in addressing the rising global temperatures, threatened biodiversity, and social inequality.

We believe that strong Environmental, Social, and Governance (ESG) performance is an indicator of long-term financial growth and resilience for a company.
We collaborate with different partners and influence others to do the same, in order to help accelerate the energy transition, and shape the future together.

We aim to deliver long-term value for all our stakeholders and continue to develop initiatives across our ESG strategy to have a clear roadmap, as well as metrics and targets, that track our ESG performance alongside our financial performance.

Environment: Net Zero by 2050

In 2021, ACEN announced its commitment to achieve Net Zero greenhouse gas emissions by 2050. This involves the transition of the Company's generation portfolio to 100% renewable energy by 2025, and the early retirement of the remaining coal plant that forms part of its retail electricity initiatives by 2040.

ACEN and the Ayala Group have been collaborating with global climate solutions provider, South Pole, in the calculation of a detailed greenhouse gas (GHG) footprint and the development of a robust Net Zero roadmap.

ACEN completed its strategy to become a Net Zero company by 2050. This include assessments on potential emission reduction activities, and the establishment of near-term targets aligned with a science-based 1.5°C pathway across the core business units.

As part of its Net Zero journey, ACEN has committed to 100% renewables generation by 2025, which will result in zero Scope 1 stationary GHG emissions from the Company's generation portfolio.

To this end, ACEN completed last November 2022 the world's first market-based Energy Transition Mechanism (ETM) transaction which will enable the early retirement of the remaining coal plant that forms part of its retail activities and its transition to cleaner technology. This entails the full divestment of ACEN's equity stake in the 246 MW SLTEC coal plant, bringing the Company closer to its commitment of 100% renewables generation by 2025. The entire ₱7.2 billion of proceeds received by ACEN will be reinvested in its renewable energy projects.

As part of the ETM structure, the coal plant's operating life of up to 50 years will be cut in half, as the facility is scheduled to be retired and transitioned to a cleaner technology by 2040. This will help avoid or reduce up to 50 million metric tons* of carbon dioxide emissions. ACEN is collaborating with the SLTEC coal plant and various stakeholders, and is committed to a Just Energy Transition.

Social: Investing in people

To be successful in leading the green energy transition across the region, we rely significantly on our ability to effectively and efficiently engage with various stakeholders as we work towards our sustainable goals. We create meaningful ways to ensure a functional and productive society as we commit to drive positive change for people and planet.

- **Our People and Culture**
  At ACEN, we prioritize the goal to attract, retain, and grow the best talent in each aspect of our business, as the quest for a Net Zero world is a tall order indeed. At the top of our agenda every day is ensuring we provide a safe, supportive, and inclusive environment for our people, a workplace where they can feel a complete sense of ownership and belonging, and where their opinions matter. We believe in fostering an inclusive culture where everyone feels they are heard, treated fairly and with respect, and where they are appreciated for their efforts regardless of the roles they play in the organization.

- **Creating Value in Communities**
  As ACEN continues to scale up its renewables expansion across the region, we also commit to invest in the socio-economic progress of the communities where we operate. We collaborate with local governments, state agencies, and conservation groups in establishing programs that can be a force for good through livelihood creation, large-scale infrastructure development, improved community health and safety awareness and disaster response, and innovative waste management approach - with the objective to create tangible, long-term value for our communities.

Governance: Integrating Sustainability

ACEN adheres to good corporate governance principles that is essential for the achievement of its strategic goals. The Company is committed to doing business ethically, with integrity and in full compliance with laws and regulations.

We continue to improve our internal systems and to be transparent about the ways we manage environmental, social, and governance topics across our business and our stakeholders. Our leadership and governance structure is crucial in the execution of our strategies and delivering our vision, assuring that the long-term interests of stakeholders are being served.

Several committees are formed at the board and executive level. A Sustainability Committee was established in November 2021 to do regular reviews across ACEN's sustainability strategy, culture and values, while maintaining an oversight of the company performance. An executive-level ESG Committee oversees and reviews sustainability matters, including climate-related matters, while a Risk and Health & Safety committee oversees operational safety and sustainability risks.

The Company consistently monitors its organizational performance, reviews and strengthens its governance structure, and pursues opportunities for improvement of governance processes.

More information on the Company's sustainability efforts can be viewed at https://www.acenrenewables.com/sustainability/esg/.

A copy of the Company's 2021 Integrated Report may be accessed *via* https://www.acenrenewables.com/ir2021/pdf/ACEN-Integrated-Report-2021.pdf.

A copy of the Company's Integrated Report for the year 2022 will be provided to stockholders of record *via* https://www.acenrenewables.com/acen-2022-ir/.

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 place 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 controlsto 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 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.3F3F[4] 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.4F4F[5]

[4] BBC News. <https://www.bbc.com/news/58888451>
[5] U.S. Energy Information Administration. <https://www.eia.gov/international/analysis/country/UKR>

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 ton5F5F[6] and Brent Crude Oil reaching US$118.05 per barrel.6F6F[7] 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 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.

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[6] As of 18 March 2022, end of trading, for March 2022 contracts.
[7] As of 18 March 2022, end of trading, for front-month contracts.

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 ENEX'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 four (4) 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.

Regulatory uncertainty may result in delays in implementation of government programs, or 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, are held every six years, while Congress and officials of local government units are elected to three-year terms. Presidential administrations and legislative sessions, as well as the officials and political parties holding these offices, vary from term to term, due to term limits prescribed by the 1987 Philippine Constitution and results of elections. As a result, the President and his 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:

(a) 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;
(b) 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;
(c) restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
(d) economic measures, fiscal policy changes, or additional measures that have not yet been effected;
(e) 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;
(f) evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
(g) 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;
(h) volatility in the credit and financial markets during and after the pandemic;
(i) 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;
(j) the pace of recovery when the pandemic subsides; and
(k) 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.

Item 2. Properties

ACEN and its subsidiaries own the following fixed assets as of 31 December 2022:

Properties	Location	Amount (in thousand PhP)
Land and land improvements	Bacnotan, La Union/ Norzagaray, Bulacan/ San Lorenzo, Guimaras/ Manapla/ Bangui, Ilocos Norte/ Palauig, Zambales/ Negros Occidental/ Botolan, Zambales	**1,630,642**
Buildings and improvements	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ San Carlos, Negros Occidental	**746,608**
Machinery and equipment	Guimaras/ Norzagaray, Bulacan/ Bacnotan, La Union// San Carlos, Negros Occidental/ Ilocos Norte/ Lanao Del Norte/ Olongapo City/ Iloilo/ Bais City, Negros Oriental/ Alaminos, Laguna/ Palauig, Zambales/ Mariveles, Bataan	**21,225,288**
Transportation equipment	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Bacnotan, La Union/ Pililia, Rizal/ San Carlos, Negros Occidental	**171,700**
Tools and other miscellaneous assets	Makati City/ Guimaras/ Bacnotan, La Union/ San Carlos, Negros Occidental	**1,581,570**
Office furniture, equipment and others	Makati City/ Guimaras/ Bacnotan, La Union/ Norzagaray, Bulacan// San Carlos, Negros Occidental	**200,112**
Construction in progress	Alaminos, Laguna/ San Marcelino, Zambales/ Pagudpud, Ilocos Norte/ Lal-lo, Cagayan/ Uralla, New South Wales	**39,903,473**
TOTAL		**65,459,393**
Less: Accumulated depreciation, amortization and impairment		**7,061,165**
NET		**58,398,228**

Source: Audited consolidated financial statements as of 31 December 2022

In 2022, the Group invested significant CAPEX related to the following projects:

Project	Capacity (MW)	Location
Pagudpud Wind	160	Ilocos Norte, Philippines
Arayat-Mexico Solar (Phase 2)	44	Pampanga, Philippines
San Marcelino Solar (Phase 1)	283	Zambales, Philippines
Cagayan North Solar (Phase 1)	133	Lal-lo Cagayan, Philippines
Palauig 2 Solar	300	Zambales, Philippines
Capa Wind	70	Caparispisan, Pagudpud, Ilocos Norte, Philippines
Pangasinan Solar	60	Sinocalan, San Manuel, Pangasinan, Philippines
New England Solar Farm	521	Urulla, New South Wales, Australia
Stubbo Solar	520	Central Western Tablelands, New South Wales, Australia

In 2021, the Group invested significant CAPEX related to the following projects in the Philippines:

Project	Capacity (MW)	Location
Pagudpud Wind	160	Ilocos Norte,
Alaminos Solar	120	Alaminos, Laguna
Alaminos Battery Energy Storage System	40	Alaminos, Laguna
Palauig Solar	60	Palauig, Zambales
Renewable Energy Laboratory Facility	4.375	Mariveles, Bataan

In 2022 and 2021, the Group acquired assets with a cost of ₱22,184.77 million and ₱5,548.43 million, respectively. Additionally, during the current year, Property, plant, and equipment acquired through business combination amounted to ₱14,712.73 million.

Borrowing cost capitalized to property, plant, and equipment amounted to ₱747.78 million and nil for the years ended 31 December 2022 and 2021, respectively. The capitalization rate used to determine the borrowing cost eligible for capitalization is 4.99% and nil in 2022 and 2021, respectively.

Mortgaged Property and Equipment
Guimaras Wind's wind farm with carrying value of ₱3,500.05 million and ₱3,702.37 million as at 31 December 2022 and 2021, respectively, included under "Machinery and Equipment" account is mortgaged as security for the long-term loan (see Note 16 of the Audited Consolidated Financial Statements).

Contractual Commitments
As at 31 December 2022, total contractual commitments of the Group in relation to its construction in progress amounted to ₱28,812.08 million.

Lease Commitments

Tower 2 lease agreement with Ayala Land, Inc. (ALI)
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.

ACE Shared Services, Inc. (ACES) Contract of Lease
In 2022, ALI as lessor and ACEIC as lessee signed a Deed of Assignment with ACES related to the Contract of Lease dated 1 July 2017, for the lease of office unit with a gross leasable area approximately 1,416.15 square meters located at the 4th Floor 6750 Ayala Avenue Office Tower and a total of eighteen appurtenant parking slots, and a separate Stockroom Agreement dated 23 October 2018, for the lease of stockroom with a gross leasable area of approximately 12.76 square meters located on the same floor. Effective 1 February 2022, ACEIC assigned to ACES all its rights and interests under the contract. ACES took over the lease subject to the same terms and conditions contained in the contract. The contract ended on 30 June 2022. On 26 August 2022, the Company entered into a renewal of contract of lease of the office units, parking slots, and stockroom with the term of lease of five years starting from 1 July 2022 to 30 June 2027.

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.

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 30 September 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 from Tabangao Realty Inc. ("TRI") an approximately 41,781.86 square meters of land located 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 Php5.00 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, Buendia Christiana Holdings Corp. ("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.

Item 3. Legal Proceedings

As of 28 February 2023, the Company, its subsidiaries, affiliates, and their properties are not subject to any material pending legal proceeding.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for 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 February 2023 and for the calendar years 2022, 2021, 2020, and 2019:

Period	High	Low
On 28 February 2023 (intra-day)	6.63	6.34
Calendar Year 2022		
First Quarter	10.50	7.64
Second Quarter	8.86	6.23
Third Quarter	8.90	5.51
Fourth Quarter	7.64	5.52

Period	High	Low
Calendar Year 2021		
First Quarter	9.12	6.02
Second Quarter	8.50	6.75
Third Quarter	12.10	7.80
Fourth Quarter	12.92	10.30
Calendar Year 2020		
First Quarter	8.06	2.713
Second Quarter	2.911	1.934
Third Quarter	2.158	1.764
Fourth Quarter	2.185	1.334
Calendar Year 2019		
Fourth Quarter	2.89	2.05
Third Quarter	3.06	2.20
Second Quarter	3.00	2.20
First Quarter	2.89	1.38

Recent Issuances of Securities Constituting an Exempt Transaction

On 15 November 2021, the Company signed Subscription Agreements with the following affiliates and/or partners of the 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 in exchange for cash in the aggregate amount of Php1.018 billion:

1. Niels Jacobsen – 16,767,108
2. Ferdinand A. Dumlao – 41,375,371
3. Jose Ildebrando B. Ambrosio – 1,956,209
4. Laura Baui – 1,956,132
5. Kresten B. Jacobsen – 13,972,590
6. 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 was 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 11.32 per share in exchange for cash in the aggregate amount of Php 10.66 billion:

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 was to fewer than twenty (20) persons in the Philippines during any twelve-month period (*Subsection 10.1 [k] of the SRC*).

On 18 October 2021, the Board of Directors of the Company approved the issuance of up to 390 million shares to the owners, affiliates, and/or partners of UPC Philippines (collectively, the "UPC PH Group") at a price of Php 8.2889 per share, thus:

1. UPC Philippine Wind Partners Ltd. - 183,900,026
2. Alan Kerr - 4,318,008
3. PQN Holdings Ltd. - 8,473,688
4. Butterfly Securities Ltd. - 3,412,744
5. Brian E. Caffyn Revocable Trust - 85,407,247
6. Estanyol Holdings Ltd. - 61,622,826
7. Tenggay Holdings Ltd, - 42,861,294

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, in exchange for cash in the aggregate amount of ~Php 3.23 billion, thus:

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 issuance and listing of the ACEN common shares, as revised, were approved by the Company's stockholders on 25 April 2022.

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 was to fewer than twenty (20) persons in the Philippines during any twelve-month period (*Subsection 10.1 [k] of the SRC*).

On 21 April 2022, the Company issued 8,188,097 common shares to various employees of the Company through the Employee Stock Ownership ("ESOWN") Plan at a price of Php 6.96 per share in exchange for cash. On 19 August 2022, the Company issued 32,622,666 common shares to various employees of the Company through the ESOWN Plan at a price of Php 6.50 per share in exchange for cash.

Exempt from Registration. On 4 March 2022, the SEC resolved that the requirement of registration under Subsection 8.1 of the SRC does not apply to the issuance of shares under the ESOWN plan by reason of the issuance being limited to the eligible employees of the Company and its participating subsidiaries and affiliates. *(Subsection 10.2 of the SRC).*

Stockholders

The Company had 3,242 registered shareholders as of 28 February 2023. 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 2023:

No.	Name of Stockholders	No. of Shares Held	% of Ownership
1	AC Energy and Infrastructure Corporation	22,910,721,773	57.74%
2	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Non-Filipino	10,416,926,417	26.25%
3	Philippine Depository and Trust Corporation (PCD Nominee Corp.) –Filipino	5,192,651,269	13.09%
4	Ayala Corporation FAO various eligible stockholders for property dividend	938,220,498	2.36%

No.	Name of Stockholders	No. of Shares Held	% of Ownership
5	Ferdinand A. Dumlao	36,000,000	0.09%
6	ESOWN Administrator 2022	32,622,666	0.08%
7	Shoemart Inc.	22,587,609	0.06%
8	ESOWN Administrator 2021	8,188,097	0.02%
9	Dodjie De Gracia Lagazo	6,526,166	0.02%
10	Niels Jacobsen	5,593,546	0.01%
11	John Eric Tecson Francia	5,442,357	0.01%
12	Kia Borch Jacobsen	4,661,289	0.01%
13	Kresten Borch Jacobsen	4,661,289	0.01%
14	Sysmart Corporation	4,502,736	0.01%
15	SM Investment Corporation	4,345,506	0.01%
16	Peter Mar	2,055,000	0.01%
17	Patrice Rene Clausse	1,946,430	0.00%
18	Teresita A. Dela Cruz	1,502,221	0.00%
19	Guillermo D. Luchangco	1,500,000	0.00%
20	Joseph D. Ong	1,397,663	0.00%

Item 6. Management's Discussion and Analysis or Plan of Operation

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 2022 and 2021, and for the years ended 31 December 2022, 2021 and 2020. The audited consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

2022

Corporate Highlights:

- In November, ACEN completed the world's first market-based energy transition mechanism (ETM) for the 246-MW SLTEC coal plant, raising ₱7.2 billion from the full divestment of SLTEC, which ACEN can use to fund further renewables expansion.

- In September, ACEN issued its maiden Peso ASEAN Green Bonds worth ₱10.0 billion, at a fixed interest rate coupon of 6.0526% with a five-year tenor, or due in 2027. With strong participation from leading institutional investors, the bonds were 8.6x oversubscribed. The bonds have been rated 'PRS Aaa', the highest possible from Philippine Rating Services Corp. (PhilRatings) and are listed on the Philippine Dealing & Exchange Corp. (PDEx) platform.

- In August and September, ACEN also executed agreements of ACEN Australia for Green long-term loans with DBS Bank Australia in August for an AU$100-million long-term revolver facility, MUFG Bank Sydney Branch in September for an AU$140-million facility, and the Australian government's Clean Energy Finance

Corporation (CEFC) in October for an AU$75-million investment. These transactions are part of ACEN's aim to raise over AU$600 million to support the development of its renewable energy projects in Australia.

- To help achieve its capacity expansion targets and return to a robust growth trajectory, ACEN recently entered into new partnerships and joint ventures:

    - In March 2022, ACE Endevor formed a joint venture company with CleanTech to develop, own and operate a 133-MW solar farm and transmission line in Lal-lo, Cagayan, Philippines.
    - In April 2022, ACEN and ib vogt, a German-based developer of tracking solar farms, agreed to set up a platform to fund the construction and operation of large-scale solar power projects throughout Asia, subject to regulatory approvals. The joint venture targets a minimum operational capacity of 1,000MW over the coming years, and will focus on late-stage, shovel-ready projects in Indonesia, Vietnam, Malaysia, Laos, Bangladesh, and other countries in the region.
    - Also in April 2022, ACEN announced Board approval of plans to enter the United States renewable energy market through a newly formed strategic partnership with UPC Solar & Wind Investments LLC (UPC) and Pivot Power Management (PPM), to pursue opportunities to acquire operating wind projects in the US and explore strategies for extending their useful life through preventative maintenance and repowering. The transaction is subject to usual and customary conditions precedent to closing.
    - In May 2022, ACEN announced that it agreed to work together with the Puri Usaha Group in a platform for the joint development of groundbreaking renewable energy projects in Indonesia, focusing on large-scale solar power plants, battery energy storage system and green hydrogen projects, subject to applicable regulatory approvals and execution of definitive documentation. The proposed joint venture entity is Suryagen Capital Pte. Ltd. The Suryagen platform covers the Batam, Bintan and Karimun (BBK) islands as well as East Nusa Tenggara province where the majority of the projects that the Puri Usaha Group have been developing are located, with the aim to begin the construction of its first project by 2023.

Operating Highlights:

- As of 31 December 2022, ACEN had 3,961 MW of attributable capacity of projects in operation and under construction in the Philippines and across the region, of which 3,893 MW, or 98%, is renewable. ACEN's attributable portfolio has since increased to 4,029 MW by 9 March 2023, 3,963 MW of which, or a similar 98%, is made up of renewable energy.
- This puts the Group in a strong position to reach its 20-GW RE target by 2030, towards its vision of becoming the largest listed renewables platform in Southeast Asia.
    - On 26 May 2022, ACEN announced start of construction for the 42 MW Arayat Mexico Solar Expansion in partnership with Citicore. This brings the total capacity of the Arayat Solar plant to 114 MW.
    - On 23 June 2022, notice to proceed was issued for the construction of the 133 MW Cagayan North Solar plant with CleanTech.
    - On 28 July 2022, ACEN announced the start of construction for the 70 MW Capa Wind Project in Caparispisan, Ilocos Norte, an expansion of the currently operating 81 MW North Luzon Renewables Project.
    - On 29 August 2022, ACEN announced that the 72 MW Arayat-Mexico Solar Farm has become fully operational, with an additional 44 MW second phase in full swing.
    - ACEN announced the start of construction for the 300-MW Palauig 2 Solar project in Palauig, Zambales.

- Attributable output increased by 7% to 4,950 gigawatt-hours (GWh) for the year ended 2022. Output grew as a result of the full-year impact of new operating capacity from Vietnam wind farms and Philippine and India solar farms, but this was offset by the effects of the SLTEC outages, as well as curtailment in the Visayas as a result of transmission line damages from Typhoon Odette.

- Renewables' share of ACEN's total attributable output increased by 27% from new renewable capacity built, bringing RE's share to 69% of total energy production.

Financial Highlights:

- The Group posted consolidated net income attributable to equity holders of the Parent Company amounting to **₱13,055.12 million** for the year ended 31 December 2022 compared to **₱5,250.97 million** net income in the same period last year.

The tables below summarize the impact of operations on the Group's consolidated revenues, costs and expenses for the years ended 31 December 2022 and 2021.

Revenues

In thousand Pesos	2022	2021	Increase (Decrease) Amount	%
Revenue from sale of electricity	**34,995,488**	25,878,039	9,117,449	35
Rental income	**68,469**	61,466	7,003	11
Dividend income	**3,635**	11,725	(8,090)	(69)
Other revenue	**170,959**	130,211	40,748	31

- **Revenue from sale of electricity** registered 40% growth from last year mainly driven by revenue contribution from 600MWdc Palauig Solar Farm and 120MWdc Alaminos Solar Farm that started operations in April 2021 and June 2021, respectively; revenues generated by merchant plants at higher WESM prices in 2022 vs. 2021; and higher dispatch and dependable capacity from diesel plants. The growth is partly offset by SLTEC outages, RES customer contract buy-out fee; curtailment of Visayas plants especially during the first quarter of the year; and lower wind resource and plant availability from wind plants in second to third quarter of the year.
- **Rental income** increased mainly coming from BCHC.
- **Dividend Income** came from UPC Sidrap, which is recognized as financial asset at FVOCI.
- **Other revenue** consists of management fees earned by ACEN from its joint venture and bulk water sales.

Costs and Expenses

In thousand Pesos	2022	2021	Increase (Decrease) Amount	%
Costs of sale of electricity	**34,183,239**	21,469,733	12,713,506	59
General and administrative expenses	**3,901,817**	2,785,549	1,116,268	40

- **Costs of sale of electricity** increased largely on higher costs of purchased power due to elevated spot market prices during a major preventive maintenance outage of the SLTEC thermal plant in the first quarter of 2022. Other operating costs also increased such as fuel cost with increasing oil prices as well as repairs following SLTEC outages in the first and third quarters. The Group registered lower gross profit margin for the year ended 31 December 2022 of ₱812.25 million vs. ₱4,408.31 million gross profit contribution from same period last year with lower supply amidst increasing WESM prices. The account also includes ₱605.00 million buy-out fees and impact of ACEN and Bulacan Power's impairment of PEMC Multilateral Agreement receivables charged to costs of sale of electricity amounting to ₱571.71 million and ₱613.88 million, respectively.
- **General and administrative expenses** increased caused by ACEN Renewables International Pte. Ltd. ("ACRI") impairment convertible loans for Vietnam Wind Energy Ltd amounting to ₱1,281.82 million ($23.04 million), partly offset by higher capitalized development management expenses in 2022 vs. last year.

Other Income and Expenses

In thousand Pesos	2022	2021	Increase (Decrease) Amount	%
Interest and other finance charges	**(2,357,531)**	(1,694,380)	(663,151)	39
Equity in net income of associates and joint ventures	**937,834**	1,952,753	(1,014,919)	(52)
Other income - net	**18,201,992**	5,723,640	12,478,352	218

- **Interest and other finance charges** went up from last year due to additional availments of long-term and short-term loans during the year.

- **Equity in net income of associates and joint ventures** decreased mainly driven by ₱366.24 million from Philwind/NLR; ₱688.59 million from ACRI; ₱104.30 million from NIBH which was disposed effective 30 June 2021; partly cushioned by increase of ₱219.23 million from Greencore share in earnings.
- **Other income** is mainly comprised of interest and other financial income from investments in redeemable preferred shares of associates and joint ventures, and from development loans and advances to associates and joint ventures, which registered an increase vs. last year by ₱994.79 million with higher interest income mainly coming from international loan receivables and investments in convertible loans and redeemable preferred shares. Other income in 2022 also includes ACRI gain on restructuring (₱10,921.03 million/ $189.67 million), gain on disposal of shares in The Blue Circle (US$12.77 million; ₱734.67 million), partly offset by loss on deconsolidation of SLTEC (₱121.11 million) and revaluation loss from ACRI investments in Masaya Solar CCDs FVTPL (₱124.51 million).

Provision for (benefit from) income tax

In thousand Pesos	**2022**	**2021**	**Increase (Decrease)**	
			Amount	**%**
Current	**59,494**	297,689	(238,195)	(80)
Deferred income tax	**(721,592)**	(155,552)	(566,040)	364

- The decrease in **provision for income tax - current** is due to lower taxable income for the year.
- **Deferred income tax benefit** increased mainly driven by ACEN and SLTEC set-up of deferred tax asset (DTA) on NOLCO.

Material changes in Consolidated Statements of Financial Position accounts

In thousand Pesos	**2022**	**2021**	**Increase (Decrease)**	
			Amount	**%**
Current Assets				
Cash and cash equivalents	**34,630,011**	26,445,429	8,184,582	31
Accounts and notes receivable	**30,503,231**	33,309,297	(2,806,066)	(8)
Fuel and spare parts	**806,986**	1,490,559	(683,573)	(46)
Financial assets at fair value through profit or loss (FVTPL)	**42,863**	–	42,863	–
Current portion of:				
Input value added tax (VAT)	**2,132,179**	1,173,169	959,010	82
Creditable withholding taxes	**940,403**	837,472	102,931	12
Other current assets	**966,907**	812,579	154,328	19
Noncurrent assets held for sale	–	203,464	(203,464)	(100)
Noncurrent Assets				
Investments in:				
Associates and joint ventures	**24,766,433**	21,358,301	3,408,132	16
Other financial assets at amortized cost	**21,260,907**	26,085,959	(4,825,052)	(18)
Financial assets at FVTPL	**1,260,023**	406,739	853,284	210
Financial assets at fair value through other comprehensive income (FVOCI)	**366,844**	354,868	11,976	3
Property, plant and equipment	**58,398,228**	36,038,563	22,359,665	62
Right-of-use assets	**3,726,647**	2,135,479	1,591,168	75
Accounts and notes receivable - net of current portion	**16,387,729**	13,191,314	3,196,415	24
Goodwill and other intangible assets	**23,268,743**	2,375,980	20,892,763	879

In thousand Pesos	2022	2021	Increase (Decrease) Amount	%
Net of current portion:				
Input VAT	**2,336,747**	524,733	1,812,014	345
Creditable withholding tax	**752,317**	726,804	25,513	4
Deferred income tax assets – net	**1,730,194**	512,366	1,217,828	238
Other noncurrent assets	**8,495,171**	3,178,312	5,316,859	167

- Increase in **Cash and cash equivalents** were attributable to ₱10,558.58 million issuances of shares to UPC and its entities and ₱52,890.50 million additional loans borrowed which includes the ₱10,000.00 million maiden Peso Green Bond issuance by the Group. This was partly offset by the Group's acquisition and additional investment in various associates and joint ventures totaling to ₱7,609.76 million (*i.e.*, NLR, UPC entities, NEFIN Limited and Batangas Clean Energy Inc. ("BCEI")), ₱24,624.07 million short and long-term loan repayments and consideration paid for acquisition of control over UPC-ACE Australia, a joint venture of ACEN and UPC Renewables Australia, amounting to ₱4,960.24 million ($87.70 million), and ₱17,510.81 million on capital expenditures for developmental projects of the Group.
- Decrease in **Accounts and notes receivable** is mainly due to receivable and loan settlements to related parties. This is partially neutralized by increase in receivables following revenue growth from new operating capacity and power supply deals.
- **Fuel and spare parts** went down as a result of SLTEC's deconsolidation. SLTEC's inventory amounted to ₱857.66 million upon deconsolidation.
- 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.
- **Creditable withholding tax** went up parallel to increased revenue, driven by new operating capacity and power supply deals.
- **Other current assets** increased primarily due to ACRI's derivative assets of ₱555.87 million, partly offset by SLTEC's deconsolidation of ₱309.08 million of short-term investments and advances to contractors.
- **Assets held for sale** decreased from last year following the disposal of Power Barges 101 and 102.
- **Investments in associates and joint ventures** increased mainly due to additional investments in Philwind/NLR (₱2,285.39 million). There are also new joint venture investments reported during the year such as Batangas Clean Energy, Inc., NEFIN Limited, and UPC Australia (HK) Limited with a total combined subscription of ₱1,130.64 million. The increase in additional investments in UPC Australia of (₱4,085.10 million) resulted in a business combination thus reducing accumulated equity in net earnings by (₱5,012.36 million). Accumulated equity in net earnings also decreased for the year largely coming from UPC-ACE Australia (₱495.05 million), PhilWind/NLR (₱366.24 million) and dividend payout coming from Salak-Darajat (US$26.52 million; ₱1,479.29 million), PhilWind/NLR (₱572.78 million), but offset by share in net income from Greencore (₱219.23 million), Salak-Darajat (₱201.16 million).
- **Investments in other financial assets** at amortized cost include investments in redeemable preferred shares of, and convertible loans extended to, associates and joint ventures. The account decreased due to impact of business combination with UPC-ACE Australia. The decrease is offset by additional subscriptions into redeemable preferred shares of various international projects around ₱3,571.74 million, as well as ₱2,807.21 million extended loan facilities to related parties for various international projects.
- **Current and noncurrent financial assets at FVTPL** pertains to Compulsorily Convertible Debentures (CCDs) from Masaya Solar. Masaya Solar is currently constructing the 420MWp solar farm in the Central Indian state of Madhya Pradesh.
- **Noncurrent financial assets at FVOCI** are largely the investment in UPC Sidrap and also include golf club shares and listed equity instruments.
- **Property, plant and equipments** increased mainly due to business combination amounting to ₱14,568.82 million. Increase in capitalization for the construction of Solar Plant and Transmission Lines in Marcelino, Zambales (₱7,788.65 million), Wind Farm in Balaoi and Caunayan Pagudpud, Ilocos Norte (₱6,850.52 million), Solar Plant in Cagayan (₱2,339,46 million), and the New England Solar Farm in Australia (₱1,975.93 million). The Group also had ₱747.78 million capitalized borrowing costs from project companies during the year. These increases are partially offset by SLTEC's deconsolidation by ₱14,221.34 million.
- **Right-of-use assets** increased due to new lease contracts in 2022.
- **Receivables - net of current portion** increased primarily due to non-current portion of loans and interest receivable of the Group for construction and development funding.
- **Goodwill & other intangible assets'** increase mainly attributable to goodwill from acquisition of UPC Australia (₱21,544.49 million / $371.65 million, gross of CTA) and acquisition over various UPC PH development entities

and NAREDCO (₱121.21 million).

- Majority of the balance of **Deferred tax asset** came from recognition on accrued expenses, NOLCO, MCIT and lease liabilities.
- **Input VAT non-current** increased due to large purchases of Santa Cruz Solar Energy (₱854.20 million), BWPC (₱579.63 million) and NAREDCO (₱322.15 million) for their ongoing projects.
- **Other non-current assets** include various advances to contractors for the ongoing project developments and investment properties. Increase is mainly attributable to capitalization of developmental costs and increase in advances by the Group to its contractors.

			Increase (Decrease)	
In thousand Pesos	**2022**	**2021**	**Amount**	**%**
Current Liabilities				
Accounts payable and other current liabilities	**13,322,569**	6,280,829	7,041,740	112
Short-term loans	**2,900,000**	–	2,900,000	–
Current portion of:				
Long-term loans	**719,385**	824,488	(105,103)	(13)
Lease liabilities	**258,562**	536,950	(278,388)	(52)
Income and withholding taxes payable	**479,435**	169,920	309,515	182
Due to stockholders	**16,585**	16,585	–	–
Noncurrent Liabilities				
Notes payable	**32,093,314**	20,195,054	11,898,260	59
Long-term loans - net of current portion	**28,051,903**	20,117,733	7,934,170	39
Lease liabilities - net of current portion	**4,206,459**	2,159,302	2,047,157	95
Pension and other employee benefits	**76,997**	80,422	(3,425)	(4)
Deferred tax income liabilities - net	**226,268**	74,422	151,846	204
Other noncurrent liabilities	**827,643**	2,736,920	(1,909,277)	(70)
Equity				
Capital Stock	**39,691,895**	38,338,527	1,353,368	4
Additional paid-in capital	**107,492,243**	98,043,831	9,448,412	10
Other equity reserves	**(56,585,740)**	(56,604,532)	18,792	1
Unrealized fair value loss on equity instruments at FVOCI	**(114,566)**	(90,089)	(24,477)	27
Unrealized fair value gain on derivative instruments designated as hedges – net of tax	**326,676**	6,228	320,448	5,145
Remeasurement loss on defined benefit plans – net of tax	**(43,910)**	(24,436)	(19,474)	80
Accumulated share in other comprehensive (loss) gain of associates and joint ventures	**(5,794)**	29,723	(35,517)	(119)
Cumulative translation adjustments	**7,449,690**	(359,910)	7,809,600	(2,170)
Retained earnings	**19,551,839**	8,707,301	10,844,538	125
Treasury shares	**(28,657)**	(28,657)	–	–
Non-controlling interests	**31,859,767**	29,950,776	1,908,991	6

- **Accounts payable and other current liabilities** increased mainly on output tax (current and deferred), trade payables and accrued expenses. This also includes the ₱1,185.60 million in Multilateral Agreement with PEMC reclassified from noncurrent liability.
- **Short-term loans** are outstanding loans with RCBC (₱2,900.00 million).
- **Current portion of long-term loans** decreased by repayments during the year.
- **Current portion of lease liability** decreased due to lease payments during the year.
- Increase in **income and withholding taxes payable** was mainly due to income tax provision for the year and increase in expanded withholding tax payable.
- **Notes payable** increased through the issuance of ₱10,000.00 million 5-year PHP Green Bonds, ACEN's first tranche offered out of the shelf registration of debt securities of ₱30,000.00 million to be offered within a period of three (3) years.
- **Long-term loans - net of current portion** increased due to the new loan availed by ACEN

(₱9,695.00 million) and assumed loans through business acquisition of UPC-ACE Australia totaling (₱5,758.99 million). The increase is gradually offset by the principal payments (₱7,387.05 million) on these loans and other existing loans.

- **Lease Liabilities-net of current portion** increased mainly due to assumed lease through business combination of UPC-ACE Australia of ₱1,533.59 million, other increase is due to interest accretion recognized during the year.
- **Pension and other employment benefits** decreased due to lower retirement expense for the year.
- 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 for the year ended.
- **Other non-current liabilities** include contract liabilities and asset retirement obligations related to solar operations. The decrease was due to ₱1,185.60 million trade payables in relation to a Multilateral Agreement signed by the Group, PEMC and other WESM participants reclassified to current liability.
- **Capital stock and additional paid in capital** increased by ₱1,320.75 million shares at ₱7.87 and ₱8.29 per share from share issuance to UPC international and Philippine development entities, respectively.
- The movement in **other equity reserves** pertain to excess of consideration from acquisitions of non-controlling interest in BWPC amounted ₱110.40 million offset by ₱121.83 million impact of acquisition on control over UPC-ACE Australia.
- The increase in **unrealized FV loss on equity instruments at FVOCI** came from mark-to-market loss for UPC Sidrap for the current year.
- **Unrealized fair value gain on derivative instruments** designated as hedges increased substantially due to ACRI's equity hedge of ₱359.77 million which is slightly offset by other hedge instruments with BWPC's forex hedge.
- **Remeasurement loss on defined benefit plan** increased parallel to various actuarial loss and loss on return on plan assets.
- The increase in **accumulated share in other comprehensive loss of associates and joint ventures** came reversal of OCI gains attributable to UPC-ACE Australia upon the Group's acquisition of control, and partly offset by remeasurement gains from derivative instruments and defined benefit obligation of associate and joint ventures.
- **Retained earnings'** net increased resulting from ₱13,055.12 million income offset by ₱2,298.95 million dividends during the year.
- **Treasury shares** has no movement during the year.
- **Non-controlling interests** are mainly comprised of redeemable preferred shares (RPS) of ACE Cayman held by AC Energy Finance International Limited. Non-controlling interests' share in net income amounted to ₱1,567.69 million, which was offset by dividends totaling ₱1,504.25 million. The NCI over UAC Energy Holdings Pty ("UACH") was restructured under circumstances of the Group's acquisition of control in UPC-ACE Australia. The Group also acquired the non-controlling interest in BWPC and SolarAce4 Energy Corp. with carrying amounts of negative ₱16.87 million and ₱1.74 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-22 (Audited)	31-Dec-21 (Audited)	Increase (Decrease) Amount	Increase (Decrease) %
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**3.96**	8.21	(4.25)	(52%)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**3.68**	7.64	(3.96)	(52%)
Solvency Ratios					
Debt/Equity ratio	Total liabilities / Total equity	**0.56**	0.45	0.11	24%

Key Performance Indicator	Formula	31-Dec-22 (Audited)	31-Dec-21 (Audited)	Increase (Decrease) Amount	%
Asset-to-equity ratio	Total assets / Total equity	**1.56**	1.45	0.11	8%
Interest Coverage Ratio	Earnings before interest & tax (EBIT) / Interest expense	**6.91**	5.61	1.30	23%
Net bank Debt to Equity ratio	Short & long-term loans - Cash & Cash Equivalents / Total Equity	**0.19**	0.12	0.07	58%
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Parent Company / Average stockholders' equity	**12.69%**	7.40%	5.29%	71.49%
Return on assets	Net income after taxes / Average total assets	**7.23%**	4.90%	2.33%	47.55%
Asset Turnover	Revenues / Average total assets	**17.45%**	16.67%	0.78%	4.68%

Current ratio & Acid test ratio

Current ratio & acid test ratio decreased with increase in accounts payable and availment of short-term loans, which significantly outpaced the increase in cash and other current assets.

Debt/Equity ratio & Asset-to-equity ratio

D/E ratio slightly increased with additional short-term and long-term loan availments, which were cushioned by the increase in paid-in capital and net income for the year. Asset-to-equity ratio also went up as the increase in total assets slightly outpaced the increase in equity.

Interest coverage ratio

Higher net income before interest and taxes coupled with higher interest expense with additional loan availments that yield to higher interest coverage ratio for the current year.

Net bank debt to equity ratio

Increased from year-end 2021 due to additional availments of short-term and long-term loans.

Return on equity and assets

Both return on equity and return on assets registered an increase from last year with higher net income after tax mainly driven by the non-recurring gains and higher generation capacities.

Asset turnover

Asset turnover increased due to higher net revenues and in spite of increase in average total assets of the Group during the year.

Material events and uncertainties

- 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 financial reporting.
- 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 financial reporting year.
- There were no material events that had occurred subsequent to the financial reporting close except for the events after the reporting year disclosed in Note 34 of the Audited Consolidated Financial Statements.

- ACEN has material commitments to invest in capital expenditure projects mainly in the following:
  - 288MW solar project in Buguey and Lal-lo, Cagayan and the proposed 275MW expansion of Gigasol Palauig solar project in Zambales.
  - 120MWdc solar power project in Alaminos, Laguna through SolarAce1;
  - 150MW diesel plant in Pililla, Rizal through Ingrid, a joint venture of ACEN, ACE Endevor and Axia Power Holdings Philippines Corporation ("APHPC")
  - 60MWdc solar power project in Palauig, Zambales through Gigasol3;
  - 50MWac (72MWdc) solar power project in Arayat and Mexico, Pampanga through Greencore 3, a joint venture of ACEN, ACE Endevor and Citicore;
  - 500MW solar power project in San Marcelino, Zambales through Santa Cruz Solar;
  - 2x20 MW Alaminos Battery Energy Storage System (BESS) Project through Giga Ace 4, Inc. ("Giga Ace 4");
  - 160MW wind farm in Balaoi, Pagudpud, Ilocos Norte through BWPC, in partnership with UPC Renewables;
  - Investment into 4MW renewable energy laboratory in Bataan through BSEI;
  - 521MWdc NESF and adjacent 50MW battery energy storage system located near Uralla in New South Wales through UPC-ACE Australia.
  - Various Vietnam wind farms:
    - 252MW wind farm in Quang Binh through AMI Renewables Energy Joint Stock Company
    - 88MW wind farm in Ninh Thuan through BIM Energy Joint Stock Co.("BIME")
    - 40MW second phase of the Mui Ne Wind Farm in Binh Thuan through the partnership with the Blue Circle.
    - 60MW Lac Hoa & Hoa Dong wind farm in Soc Trang through a joint venture with UPC
- 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.
- 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 ACEN and its subsidiaries depend to a significant extent, on the performance of the Philippine economy.
  - 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.
  - Movements in the WESM prices could have a significant favorable or unfavorable impact on the Group'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 - 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 2022.
- 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.
- There were no operations subject to seasonality and cyclicality 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").

2021

The Group posted consolidated net income attributable to equity holders of the Parent Company amounting to **₱5,250.97 million** for the year ended 31 December 2021, up from **₱4,288.10 million** net income in the same period last year.

The tables below summarize the impact of operations on the Group's consolidated revenues, costs and expenses for the years ended 31 December 2021 and 2020.

Revenues

			Increase (Decrease)	
In thousand Pesos	2021	2020	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

- **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.
- **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.
- **Dividend Income** came from UPC Sidrap, which is recognized as financial asset at FVOCI.
- **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

			Increase (Decrease)	
In thousand Pesos	2021	2020	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)

- **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.
- **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

In thousand Pesos	2021	2020	Increase (Decrease) 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

- **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.
- **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.
- **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 UACH last September, ₱254 million guarantee fee income, ₱72 million PPE impairment reversals, ₱21 million gain on deconsolidation of Ingrid Power and ₱42 million realized gain from foreign currency forward contracts. In addition, the Group recognized recoveries from investment in Negros Island Biomass Holdings, Inc. ("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

In thousand Pesos	2021	2020	Increase (Decrease) Amount	%
Current	**297,689**	404,053	(106,364)	(26)
Deferred income tax	**(155,552)**	297,823	(453,375)	(152)

- 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.
- **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

In thousand Pesos	2021	2020	Increase (Decrease) Amount	%
Current Assets				
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	–
Noncurrent Assets				
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.
- 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.
- **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.
- Current **financial assets at FVOCI** were reduced with the full redemption of ACRI's investment in AYCFL redeemable preferred shares.
- 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.
- **Creditable withholding tax** went up due to improvement in collection of ACEN's receivable from retail customers and unutilized CWT.
- **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.

- **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.
- **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 in 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.
- **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.
- **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.
- **Noncurrent financial assets at FVOCI** are largely the investment in UPC Sidrap and also include golf club shares and listed equity instruments.
- **Property, plant 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.
- **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.
- **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.
- **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.
- **Goodwill & other intangible assets** decreased coming from amortizations for the period.
- 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.
- **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.
- **Other non-current assets** include various advances to contractors for the ongoing project developments.

In thousand Pesos	2021	2020	Increase (Decrease) Amount	%
Current Liabilities				
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)
Noncurrent Liabilities				
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
Equity				
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)

- **Accounts payable and other current liabilities** decreased following the full settlement ₱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.
- **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.
- **Current portion of long-term loans** increased due to reclassifications of currently maturing principal within 12-month period, offset by repayments during the year.
- **Current portion of lease liability** increased due to new office lease agreement with ALI.
- Decrease in **income and withholding taxes payable** was mainly due to settlement of income tax payable of ACRI.
- **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.
- **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).
- **Lease Liabilities-net of current portion** increased mainly due to new office lease agreements with ALI.

- **Pension and other employment benefits** increased due to accrual of retirement expense for the year.
- 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.
- **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.
- **Capital stock and additional paid in capital** increased by 2.27 billion shares at ₱2.37 million 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:
    - 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;
    - Repayment of debt drawn earlier to fund development funding requirements; and
    - 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.
- 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 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.
- 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.
- **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.
- **Remeasurement loss on defined benefit plan** decreased parallel to various actuarial loss and loss on return on plan assets.
- 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.
- **Retained earnings** increased from resulting net income earned for the period offset by ₱1.20 billion dividends declared last 19 March 2021 and paid last 19 April 2021.
- **Treasury shares** decreased during the period through the offer of secondary shares during the FOO.
- **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 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	31-Dec-20	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**8.21**	4.83	3.38	70%
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**7.64**	4.59	3.05	66%
Solvency Ratios					
Debt/Equity ratio	Total liabilities / Total equity	**0.45**	0.36	0.09	25%
Asset-to-equity ratio	Total assets / Total equity	**1.45**	1.36	0.09	7%
Interest Coverage Ratio	Earnings before interest & tax (EBIT) / Interest expense	**5.61**	4.57	1.04	23%
Net bank Debt to Equity ratio	Short & long-term loans - Cash & Cash Equivalents / Total Equity	**0.12**	(0.01)	0.13	(1,300%)
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Parent Company / Average stockholders' equity	**7.40%**	8.03%	(0.63%)	(8%)
Return on assets	Net income after taxes / Average total assets	**4.90%**	4.81%	0.09%	2%
Asset Turnover	Revenues / Average total assets	**16.67%**	15.39%	1.28%	8%

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

- 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.
- 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.
- 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.
- ACEN has material commitments to invest in capital expenditure projects mainly in the following:
  - 288MW solar project in Buguey and Lal-lo, Cagayan and the proposed 275MW expansion of Gigasol Palauig solar project in Zambales.
  - 120MWdc solar power project in Alaminos, Laguna through SolarAce1;
  - 150MW diesel plant in Pililla, Rizal through Ingrid, a joint venture of ACEN, ACE Endevor and APHPC
  - 60MWdc solar power project in Palauig, Zambales through Gigasol3;
  - 50MWac (72MWdc) solar power project in Arayat and Mexico, Pampanga through Greencore 3, a joint venture of ACEN, ACE Endevor and Citicore;
  - 500MW solar power project in San Marcelino, Zambales through Santa Cruz Solar;
  - 2x20 MW Alaminos Battery Energy Storage System (BESS) Project through Giga Ace 4;
  - 160MW wind farm in Balaoi, Pagudpud, Ilocos Norte through BWPC, in partnership with UPC Renewables;
  - Investment into 4MW renewable energy laboratory in Bataan through BSEI;
  - 521MWdc 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.
  - Various Vietnam wind farms:
    - 252MW wind farm in Quang Binh through AMI Renewables Energy Joint Stock Company
    - 88MW wind farm in Ninh Thuan through BIME
    - 40MW second phase of the Mui Ne Wind Farm in Binh Thuan through the partnership with the Blue Circle
    - 60MW Lac Hoa & Hoa Dong wind farm in Soc Trang through a joint venture with UPC
- 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.
- 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 ACEN and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
  - 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.
  - Movements in the WESM prices could have a significant favorable or unfavorable impact on the Group'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 - 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.

- 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.
- There were no operations subject to seasonality and cyclicality 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 consolidated net income attributable to equity holders of the Parent Company amounting to **₱4,288.10 million** for the year ended 31 December 2020 compared to **₱704.76 million** 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 years ended 31 December 2020 and 2019.

Revenues

			Increase (Decrease)	
In thousand Pesos	**2020**	**2019**	**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 ACEIC.
- **Other revenue** consists of management fees earned by ACEN from its joint ventures and bulk water sales.

Costs and Expenses

			Increase (Decrease)	
In thousand Pesos	**2020**	**2019**	**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 31 December 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

In thousand Pesos	2020	2019	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

In thousand Pesos	2020	2019	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

In thousand Pesos	2020	2019	Increase (Decrease) Amount	%
Current Assets				
Cash and cash equivalents	**28,077,171**	39,630,296	(11,553,125)	(29)
Short-term investment	**–**	100,000	(100,000)	(100)
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)
Noncurrent Assets				
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 a**ccounts 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.
- **Property, plant 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.

			Increase (Decrease)	
In thousand Pesos	**2020**	**2019**	**Amount**	**%**
Current Liabilities				
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
Noncurrent Liabilities				
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)
Equity				
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)

			Increase (Decrease)	
In thousand Pesos	**2020**	**2019**	**Amount**	**%**
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 ₱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	31-Dec-19	Increase (Decrease) Amount	%
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**4.83**	9.32	(4.49)	(48%)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**4.59**	9.03	(4.44)	(49%)
Solvency Ratios					
Debt/Equity ratio	Total liabilities / Total equity	**0.36**	0.35	0.01	3%
Asset-to-equity ratio	Total assets / Total equity	**1.36**	1.35	0.01	1%
Interest Coverage Ratio	Earnings before interest & tax (EBIT) / Interest expense	**4.57**	1.75	2.82	161%
Net bank Debt to Equity ratio	Short & long-term loans - Cash & Cash Equivalents / Total Equity	**(0.01)**	(0.18)	0.17	(94%)
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Parent Company / Average stockholders' equity	**8.03%**	2.30%	5.73%	249%
Return on assets	Net income after taxes / Average total assets	**4.81%**	1.09%	3.72%	341%
Asset Turnover	Revenues / Average total assets	**15.39%**	22.50%	(7.11%)	(32%)

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 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 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

- 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.
- 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.
- 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.
- ACEN has material commitments to invest in capital expenditure projects mainly in the following:
    - 120MWdc solar power project in Alaminos, Laguna through SolarAce1;
    - 63MWdc solar power project in Palauig, Zambales through Gigasol3;
    - 75MWdc solar power project in Mexico, Pampanga through Greencore 3;
    - 75MWdc solar power project in Palauig, Zambales through Giga Ace 8, Inc.;
    - Investment in 160MW Balaoi wind project;
    - Investment into a renewable energy laboratory; and
- 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.
- 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, operation of priority-dispatch variable renewable energy, and community quarantines resulted in lower demand for electricity and have driven market prices of electricity downward.
- 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 - 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).
- 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.
- There were no operations subject to seasonality and cyclicality 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").

Item 7. Financial Statements and Supplementary Schedules

The consolidated financial statements and schedules as listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17 A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

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.

ACEN complied with SRC Rule 68, paragraph 3(b)(ix) which requires the rotation of external auditors or signing partners every seven (7) 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.

Audit and Audit-Related Fees

The total external auditors' fees of SGV in 2022 and 2021 amounted to Php 11.08 million and Php 15.45 million, including VAT, respectively:

	Amount in Million Pesos (inclusive of VAT)	
2021 External Auditor Fees	**2022**	**2021**
Audit and Audit-Related Fees	₱10.81	₱15.11
Non-Audit Fees	0.27	0.34
Grand Total	**₱ 11.08**	**₱15.45**

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.

Tax fees

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

All other fees (Non-Audit Fees)

Non-audit fees for 2022 and 2021 include transfer pricing study and training and validation of votes during the annual stockholders' meeting.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors

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

DELFIN L. LAZARO	JAIME ALFONSO ANTONIO E. ZOBEL DE AYALA
JOSE RENE GREGORY D. ALMENDRAS	CEZAR P. CONSING
JOHN ERIC T. FRANCIA	NICOLE GOH PHAIK KHIM
DEAN L. TRAVERS	MELINDA L. OCAMPO
MARIA LOURDES HERAS-DE LEON	JESSE O. ANG
GARRY K. LESTER	

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.

Melinda L. Ocampo and Maria Lourdes Heras-de Leon and Messrs. Garry K. Lester and Jesse O. Ang 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.

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.

Delfin L. Lazaro, Chairman of the Board of the Company, owns 0.00% of the outstanding capital stock of the Company. No director holds more than two percent (2%) of the outstanding capital stock of the Company.

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 undergoes an annual 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. Once every three years, the annual board performance assessment is conducted under the auspices of an independent consultant.

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://www.acenrenewables.com/wp-content/uploads/2022/03/2020-ACEN-Board-Committee-and-Individual-Effectiveness-Evaluation-Report.pdf.

Board of Directors

Delfin L. Lazaro	Chairman, Executive Committee Member
Cezar P. Consing	Vice-Chairman, Executive Committee Member
John Eric T. Francia	President and CEO, Executive Committee Member
Jose Rene Gregory D. Almendras	
Jaime Alfonso Antonio E. Zobel de Ayala	Executive Committee Member
Nicole Goh Phaik Khim	
Dean L. Travers	
Sherisa P. Nuesa	Lead Independent Director, Executive Committee Member
Melinda L. Ocampo	Independent Director
Consuelo D. Garcia	Independent Director
Ma. Aurora D. Geotina-Garcia	Independent Director

Delfin L. Lazaro, Filipino, 76, has been a director of the Company since 28 September 2022. He holds the following positions in publicly listed companies: Chairman of Integrated Micro-Electronics, Inc. and ACEN CORPORATION; and Director of Globe Telecom, Inc. ("Globe"). His other significant positions include: Chairman of Atlas Fertilizer & Chemicals Inc., Chairman and President of A.C.S.T. Business Holdings, Inc. and AYC Holdings Ltd.; Co-Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Energy and Infrastructure Corporation ("ACEIC"), AC Industrial Technology Holdings, Inc., AC International Finance, Ltd., Purefoods International Limited and Probe Productions, Inc. He is an Independent Adviser to the Board of Directors of Ayala Land, Inc. ("ALI") and a member of the BPI Advisory Council. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Cezar P. Consing, Filipino, 63, director of the Company since 19 April 2021, is the President and Chief Executive Officer of publicly-listed Ayala Corporation ("AC") and has been a Director thereof since 3 December 2020. He has been a member of the Ayala Group Management Committee since April 2013. He is also a Director of the Bank of the Philippine Islands ("BPI") and Globe, both of which are publicly-listed subsidiaries of AC. He is also advisor of the board of ALI. He is the Chairman of Philippine Dealing System Holdings and its three operating subsidiaries since 2010. He is also a Director of the Myanmar-listed First Myanmar Investment Public Company Limited. Concurrently, he is the Vice Chairman of AC Infrastructure Holdings Corporation, AC Industrial Technology Holdings, Inc., AC Energy and Infrastructure Corporation, and Ayala Healthcare Holdings, Inc., and a Director in Asiacom Philippines, Inc. Mr. Consing is Vice Chairman of BPI's executive committee, and a board director of its investment bank, microfinance bank and asset management company. He is currently a board trustee of the Philippine-American Educational Foundation, which selects the Fulbright scholars, a member of the National Mission Council of De La Salle Philippines, a board trustee of the College of St. Benilde, and a board trustee of the Manila Golf Club Foundation. He is a board director of Filgifts.com. He has been a member of the Trilateral Commission since 2014. Mr. Consing was a Senior Managing Director of AC 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 served as Chairman and President of the Bankers Association of the Philippines from 2019 – 2021, and President of Bancnet, Inc. from 2017 – 2021. Mr. Consing was a Partner of The Rohatyn Group from 2004 – 2013. He 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 – 2004. He headed the firm's investment banking business in Asia Pacific (ex-Japan) from 1997 – 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. Further, he worked for BPI from 1981 – 1985, joining as a management trainee and eventually rising to Assistant Vice President. During this period, and on a part-time basis, he taught Economics in the MBA program of De La Salle University. Mr. Consing has served as an independent board director of four publicly listed companies in Asia: Jollibee Foods Corporation (2010 – 2021), CIMB Group Holdings (2006 – 2013), First Gen Corporation (2005 – 2013), and National Reinsurance Corporation (2014 – 2019), where he also served as Chairman (2018 – 2019). He has served as a board director of the Singapore-based SQREEM Technologies, the Singapore-listed Yoma Strategic Holdings Ltd, the Hongkong-based Asian Youth Orchestra, the US-Philippines Society, Endeavor Philippines, and La Salle Greenhills. 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.

John Eric T. Francia, Filipino, 51, was elected as director on 9 May 2019, effective 15 May 2019. He is concurrently the President and Chief Executive Officer of ACEN and ACEIC. He has been a Senior Managing Director of AC and member of the Ayala Group Management Committee since January 2009. He is the Chairman of publicly listed company, ENEX Energy Corp. (PSE: ENEX) ("ENEX").

Under his leadership as President and CEO of ACEIC, Ayala established its energy platform from a standing start in 2011, to become one of the largest renewable energy platforms, with ~4,000 MW of attributable capacity from owned facilities in the Philippines, Vietnam, Indonesia, India, and Australia. He was a member of the Management Committee of AC from 2009 to 2021. He 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 Logistics, Air 21 Holdings, Inc., AC Ventures, Philwater Holdings, Inc., Michigan Holdings, Inc. Ayala Aviation, and Purefoods International Limited. 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, 62, director of the Company since 1 July 2019. He concurrently serves as Senior Managing Director and Group Head of Public Affairs of AC. He is the President & Chief Executive Officer of AC

Logistics Holdings Corporation and AC Infrastructure Holdings Corporation. He is a Director and a member of the Executive Committee of Manila Water Company, Inc. He also holds the following positions within the Ayala Group: Chairman of AA Infrastructure Projects Corporation, Entrego Fulfillment Solutions, Inc., MCX Project Company, Inc., and MCX Tollway Inc.; Vice Chairman, Chief Executive Officer and President of Air 21 Holdings, Inc.; and Vice Chairman of Airfreight 2100, Inc. and Cargohaus, Inc.; Director of ACEIC, AF Payments Inc., and Light Rail Manila Holdings, Inc.; and Executive Vice President of Asiacom Philippines, 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 position 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.

Jaime Alfonso Antonio E. Zobel de Ayala, Filipino, 32, director of the Company since 28 September 2022. He currently heads the Business Development and Digital Innovation Units of AC. He is also the Co Deputy Head of AC's Corporate Strategy Group. He is a member of the Board of Directors of Globe, AyalaLand Logistics Holdings Corp. and ENEX, all of which are publicly listed companies in the Philippines. He is also a member of the Board of Directors of Mynt (GCash), AC Ventures Corporation, BPI Capital Corporation, BPI Direct BanKo Inc., Globe STT GDC, and AC Energy International, Inc. He is a member of the Investment Committee of Kickstart Ventures and 917Ventures. Previously, he was head of Business Development (Prepaid Division) of Globe. He graduated from Harvard University, with a Primary Concentration in Government in 2013 and received his Master of Business Administration from Columbia Business School in 2019**.**

Nicole Goh Phaik Khim, Malaysian, 38, director of the Company since 18 March 2021, 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.

Dean L. Travers, Australian, 53, director of the Company since 25 April 2022, 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.

Sherisa P. Nuesa, Filipino, 68, independent director of the Company since 17 September 2019. Currently, she is an Independent Director of other publicly listed companies namely: Manila Water Company, Inc., ALI, and Integrated MicroElectronics, Inc. She is a non-executive Director of Far Eastern University, also a publicly listed company, and of FERN Realty Corporation. She is 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 Justice Reform Initiative (JRI), and the NextGen Organization of Women Corporate Directors (NOWCD), where she holds the position of Vice President. In the recent past, from 2012 to early 2021, she held the positions of President and Director of the ALFM Mutual Funds Group, and Trustee of the Institute of Corporate Directors (ICD). In addition to her background as a Chief Finance Officer and currently as a Board Director, she also held previous positions in management operations and is an accredited lecturer of both ICD and the FINEX Academy. She was the Chief Finance Officer and Chief Administration Officer of IMI from January 2009 to July 2010. She was then a Managing Director of AC and had served in various capacities in AC, ALI, and Manila Water

Company, Inc. She co-led the Initial Public Offering (IPO) teams of ALI, Cebu Holdings, Inc., Manila Water, and IMI. She was awarded as the ING-FINEX CFO of the Year for 2008. She received a Master of Business Administration degree from the Ateneo Graduate School of Business in Manila. She also attended post-graduate courses in Harvard Business School and in Stanford University. She graduated summa cum laude in 1974, with a degree of Bachelor of Science in Commerce from the Far Eastern University, which named her as one of its Outstanding University Alumni. She is a Certified Public Accountant.

Melinda L. Ocampo, Filipino, 66, independent director of the Company since 17 September 2019. She currently serves as consultant to the Ricardo Energy and Environment Consulting Firm, a United Kingdom-based company, for a project entitled, "*The Philippines Grid Diagnostic and Roadmap for Smart Grid Development*." Said project is under the funding support of the United Nations Office for Project Services, with the main task of establishing and developing governance issues to implement the project. Ms. Ocampo 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, 68, 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, GT Capital Holdings Inc., and Far Eastern University, Incorporated. . 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. She was formerly the Country Manager and Head of Clients of ING Bank N.V. Manila, Philippines from September 2008 to 15 November 2017, and Senior Consultant for Challengers and Growth Markets, Asia for ING Bank from November 2017 to June 2022. 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, 70, 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 ENEX 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 Chairperson and Trustee of the Shareholders Association of the Philippines, and a Fellow and Vice Chairperson of the Institute of Corporate Directors (ICD). 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 other women business organizations as a long-time Trustee, namely: 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 Mdmes. Nuesa, Garcia, and Geotina-Garcia (not nominated for re-election in the annual stockholders' meeting for 2023), are being nominated for re-election at the stockholders' meeting.

Mssrs. Jesse O. Ang and Garry K. Lester, and Mdme. Melinda L. Ocampo and Maria Lourdes Heras-de Leon are also being nominated to the Board of Directors as independent directors.

> ***Jesse O. Ang***, Filipino, 63, is currently an independent director of BPI Capital Corporation, BPI Asset Management and Trust Company, BPI AIA Life Assurance Corporation, BPI/MS Insurance Corporation, and BPI International Finance Limited. He was previously an independent director of BPI Securities Corporation (August 2022-February 2023), Head (Resident Representative) of the Philippine office of the International Finance Corporation (2007-2015), CFO of Philippine International Air Terminals Company, Director for Global Structured Finance, New York City branch of Australia New Zealand Bank (1994-1998), Vice President for Trade and Commodity Finance, New York City branch of Generale Bank (1988-1994), Assistant Vice President in the Asia Division, Irving Trust Company in New York City (up to 1998), Budget Analyst for the Philippine National Oil Company (1982-1983), and Lecturer at the Department of Industrial Engineering of the University of the Philippines - Diliman (1981-1982). Mr. Ang received his BS Industrial Engineering degree from the University of the Philippines in 1981 and his Master of Business Administration from the University of Pennsylvania in 1985.
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> ***Garry K. Lester***, Australian, 57, was formerly Managing Director with leading independent investment banking firm Evercore Inc. and held senior executive positions with J.P. Morgan & Co, The Rohatyn Group, and KPMG. He has advised on numerous landmark public and private market M&A transactions, private and public equity and debt investments and financings across a broad spectrum of industries including: power generation, natural gas pipelines, petroleum refining and marketing, petroleum transportation, mining, engineering/infrastructure consulting services, agricultural equipment, forestry products, pulp and paper, industrial products, airlines, telecoms, steel, automotive parts, gaming, real estate, funds management, banking, insurance, brewing, branded food products, food and general retailing and medical devices. Mr. Lester previously served as Non-Executive Director on various boards of banking, financial and investment companies during his career and has been licensed by relevant Securities, Futures and Investment Ordinances as a professional corporate adviser and investment manager in multiple jurisdictions including: U.S., Australia, Hong Kong and Singapore. Mr. Lester holds a Bachelor of Commerce Degree with First Class Honours (1988) and a Master of Financial Management Degree (1990), both from the University of Queensland and is a Chartered Accountant Fellow with Chartered Accountants Australia and New Zealand.
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> ***Maria Lourdes Heras-de Leon***, Filipino, 68, previously served as Managing Director and Member of the Management Committee of AC (2011-2015) and President of Ayala Foundation, Inc. (2011-2015). She was also Vice President for Policy, Government, and Public Affairs of Chevron Geothermal Philippines Holdings (1997-2011), where she led corporate affairs for Chevron's geothermal and natural gas interests and activities in the Philippines. Ms. Heras-de Leon has held various leadership positions in Greater Houston Partnership and First City National Bank of Texas. She was a former trustee of Assumption Antipolo, Museo de La Salle, Word Wildlife Fund-Philippines, and Asia Society Philippines. She also served on the Advisory Board of Texas Children's Hospital and Asia Society Texas. Ms. Heras-de Leon holds a Bachelor of Arts degree in Asian Studies from the University of British Columbia and a Master of Business Administration from the Thunderbird School of Global Management.

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
Juan Martin L. Syquia	Deputy CFO
John Philip S. Orbeta	Chief Administrative Officer, Chief Human Resources Officer, and Chief Risk Officer
Solomon M. Hermosura	Corporate Secretary
Dodjie D. Lagazo	General Counsel and Assistant Corporate Secretary
Alan T. Ascalon	Assistant Corporate Secretary and Data Protection Officer
Roman Miguel G. de Jesus	COO, Philippine Operations
Jose Maria Eduardo P. Zabaleta	Chief Development Officer

Patrice R. Clausse	COO, International Group
Jonathan Paul Back	Chief Strategy Officer
Kyla Kamille U. Samson	Controller
Michael E. Limbo	Chief Audit Executive

John Eric T. Francia, Filipino, 51, was elected as director on 9 May 2019, effective 15 May 2019. He is concurrently the President and Chief Executive Officer of ACEIC. He has been a Senior Managing Director of AC and member of the Ayala Group Management Committee since January 2009. He is the Chairman of publicly listed company, ENEX.

Under his leadership as President and CEO of ACEIC, Ayala established its energy platform from a standing start in 2011, to become one of the largest renewable energy platforms, with ~4,000 MW of attributable capacity from owned facilities in the Philippines, Vietnam, Indonesia, India, and Australia. He was a member of the Management Committee of AC from 2009 to 2021. He 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 Logistics, Air 21 Holdings, Inc., AC Ventures, Philwater Holdings, Inc., Michigan Holdings, Inc. Ayala Aviation, and Purefoods International Limited. 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, 59, 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 publicly listed ENEX. She previously held key positions with ALI, the publicly listed real estate vehicle of AC, 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, 61, director of the Company since 1 July 2019. He served as Managing Director and member of the AC Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He was AC'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 ACEN CORPORATION. He is also a Director of ACE Endevor, 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 Dasmarinas 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 AC, 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, 60, is the Corporate Secretary of the Company. He is a Senior Managing Director and the Group Head of Corporate Governance, Chief Legal Officer, Corporate Secretary, Compliance Officer and Data Protection Officer of AC. He has been a member of the AC Management Committee since 2009 and the Ayala Group Management Committee since 2010. He also serves as Corporate Secretary and Group General Counsel of ALI; Corporate Secretary of Integrated Micro-Electronics, Inc., Globe, AREIT, Inc. and Ayala Foundation, Inc., and as Corporate Secretary and member of the Boards 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, 43, is the General Counsel and Assistant Corporate Secretary of the Company. He is also an Executive Director of the Company. 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 ENEX, a publicly listed company, 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.

Alan T. Ascalon, Filipino, 48, is Vice President for Legal and Regulatory, Assistant Corporate Secretary, and Data Protection Officer of the Company. He currently serves as Corporate Secretary of various ACEN subsidiaries. He is also Assistant Corporate Secretary of ENEX, a publicly listed company. 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, 47, is the Company's COO for Philippine 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.

Jose Maria Eduardo P. Zabaleta, Filipino, 49, is the Company's Chief Development Officer and is concurrently the Chief Development Officer of ACEIC, Chief Executive Officer of the ACEN Global Development Group, and member of the ACEN Executive Management Committee. He also serves as Chairman and/or President of ACEN's development pipeline and land companies.

Prior to joining ACEN, 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.

Juan Martin L. Syquia, Filipino, 53, is the Deputy CFO of the Company. Mr. Syquia has over 15 years of banking experience primarily in debt capital markets and structured financing, having worked at Barclays Capital, Deutsche Bank, and Nomura. While based in Hong Kong, he covered the Philippines and other regional markets. Mr. Syquia graduated with a BS Management Engineering degree from the Ateneo de Manila University and has an MBDA from Carnegie Mellon University.

Patrice R. Clausse, Luxembourgeoise, 43, is the COO of the International Group of the Company and concurrently the Chief Executive Officer of ACEN International. He joined AC in May 2010 as an advisor to the Strategy and Business Development team and became a founding member of the AC Energy management in 2011 where he led the business development and operations teams. Currently, he is heading ACEN'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 also holds a Master of Business Administration degree from Harvard Business School where he graduated with high distinction as Baker Scholar. He also received his Master's and Bachelor's degrees in Manufacturing Engineering from Cambridge University (UK).

Jonathan Paul Back, British, 56, is the Chief Strategy Officer of the Company. He is a lawyer and banker with over 25 years of experience in the legal, investment banking, and private investment sectors with significant experience in equity capital markets, corporate finance, and in advising on large infrastructure, power, and telecom projects.

Mr. Back was previously a director and the Executive Chairman of BPI International Finance Ltd., the Hong Kong banking subsidiary of BPI and concurrently, co-head of Wealth Management and head of international businesses of BPI. He was also a director of Schools Relief Initiative Ltd., a Hong Kong based charity supporting education in Southern Sri Lanka. Previously, Mr. Back served as an Executive Director in Goldman Sachs, Hong Kong (Corporate Finance and Equity Capital Markets) and Managing Director and Head of Asian Equity Capital Markets in JP Morgan, Hong Kong.

Mr. Back holds a Bachelor of Civil Laws degree from the University of Oxford, where he graduated with First Class Honours. He also received first class honours in the solicitors final exam.

Kyla Kamille U. Samson, Filipino, 34, is the Company's Controller. She worked in SyCip Gorres Velayo & Co. from July 2010 to June 2021, where she rose to the position of Assurance Senior Director in October 2019. She graduated in 2009 from De La Salle University – Manila with a degree in Bachelor of Science in Accountancy.

Michael E. Limbo, Filipino, 45, is the Company's Chief Audit Executive. He has more than 20 years of combined internal and external audit experience, having previously served as the Internal Audit Head of Global Business Power Corporation as well as Senior Auditor at Punongbayan & Araullo. He also assumed various accounting and audit roles in the Power Sector Assets & Liabilities Management Corporation (PSALM). Mr. Limbo is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and Certified Information Systems Auditor (CISA). He graduated from the University of the East, Manila with a bachelor's degree in Accountancy.

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.

Family Relationships

There are no known family relationships between the current members of the Board and key officers.

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.

Ownership structure and parent company

The parent company of ACEN is ACEIC. As of 28 February 2023, ACEIC owns 60.11% of the outstanding voting shares of the Company.[8] 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.

[8] This includes the 938,641,249 indirect shares which were declared by AC as property dividends but have yet to be distributed to its stockholders as disclosed under AC's PSE Edge Disclosure Report No. C00247-2023 dated 10 January 2023. Until such actual distribution, ACEIC retains beneficial ownership of the indirect shares, being a 100% subsidiary of AC.

Independent Directors

The independent directors of ACEN for the year ending 31 December 2022 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.

Involvement in Certain Legal Proceedings

As of 28 February 2023, 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 February 2023, 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
Libel during Ms. Geotina-Garcia's term as director of the Bases Conversion and Development Authority ("BCDA") Board (Crim. Case No. 150045-PSG)	Branch 167 of the Pasig City Regional Trial Court Case elevated to the Court of Appeals is pending.	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. 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. 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.

Offense charged / investigated	Tribunal / agency involved	Status
		The Court of Appeals issued a Resolution dated 2 June 2022, directing the parties to file their respective memoranda. On 27 July 2022, the accused-respondents filed their Memorandum. Private complainant filed his Memorandum dated 12 August 2022. The petition has been submitted for decision.
Criminal complaint for acts of the BCDA's Board during Ms. Geotina-Garcia's term as BCDA director (OMB-C-C-12-0287-G)	Case filed with the Office of the Ombudsman was dismissed. Case elevated to the Supreme Court by complainant is pending.	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.
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.

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-Garica'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.

In a letter dated 20 April 2022, the OCP confirmed that the Prosecution Office has not received any Motion for Reconsideration from the complainant nor was notified that a Petition for Review was filed by the complainant, such that the Resolution dated 30 June 2021 dismissing the complaint has already become final on 30 August 2021.

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.

Resignation of Directors/Management Committee members/Key Officers

To date, 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.

Item 10. Executive Compensation

a. Executive Compensation

For the calendar years ended 31 December 2022, 31 December 2021, and 31 December 2020, the total salaries, allowances, and bonuses paid to the directors and executive officers of ACEN are as follows:

Name/Position	Year	Salaries	Bonus	Others
CEO and Top 4 Most Highly Compensated Executive Officers (Total Compensation)				
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[9]				
Alan T. Ascalon – Vice President, Legal & Regulatory				
	2022	61,206,111	50,438,790	6,208,682
	2021	42,758,279	7,881,015	2,885,739
	2020	15,703,929	2,920,702	2,487,596

[9] Mr. Cuadro served as VP – Finance and Controller of the Company until 1 October 2022.

Name/Position	Year	Salaries	Bonus	Others
All Other Officers and Directors as a Group (Total Compensation)				
	2022	85,557,723	55,755,810	8,782,982
	2021	86,263,095	36,752,738	5,589,101
	2020	20,790,154	10,678,528	3,409,929

For 2023, 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
CEO and Top 4 Most Highly Compensated Executive Officers (Estimated Total Compensation) 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 General Counsel Roman Miguel G. De Jesus – Executive Director and COO for Philippine Operations				
	2023	97,241,275	17,879,506	51,890,898
All Other Officers and Directors as a Group (Estimated Total Compensation)				
	2023	48,689,216	12,877,784	28,518,607

In 2022, the directors of the Company (including independent directors) received retainer fees and per diems for Board and committee meetings attended, net of tax, as follows:

Director	Total Net Amount (in Php)
Delfin L. Lazaro	360,000.00
Cezar P. Consing	2,674,000.00
Jose Rene Gregory D. Almendras	1,980,000.00
John Eric T. Francia	None (executive director)
Jaime Alfonso Antonio E. Zobel de Ayala	340,000.00
Nicole Goh Phaik Khim	3,132,000.00
Dean L. Travers	2,160,000.00
Consuelo D. Garcia	3,798,000.00
Ma. Aurora D. Geotina-Garcia	3,276,000.00
Sherisa P. Nuesa	3,816,000.00
Melinda L. Ocampo	3,438,000.00
John Philip S. Orbeta[10]	None (executive director)
Fernando M. Zobel de Ayala[11]	1,667,397.40
Jaime Augusto M. Zobel de Ayala[12]	2,160,000.00

Below are the estimated retainer fees and per diems to be received by the directors of the Company (including independent directors) in 2023:

Director	Total Gross Amount (Estimate) in Php
Delfin L. Lazaro	2,600,000.00
Jose Rene Gregory D. Almendras	2,600,000.00
Cezar P. Consing	2,700,000.00

[10] Served as director of the Company until 25 April 2022.
[11] Resigned as director of the Company effective 12 September 2022.
[12] Resigned as director of the Company effective 28 September 2022.

Director	Total Gross Amount (Estimate) in Php
John Eric T. Francia	None (executive director)
Jaime Alfonso Antonio E. Zobel de Ayala	2,600,000.00
Nicole Goh Phaik Khim	3,400,000.00
Dean L. Travers	2,600,000.00
Melinda L. Ocampo	3,500,000.00
Maria Lourdes Heras-de Leon	3,000,000.00
Jesse O. Ang	3,000,000.00
Garry K. Lester	3,400,000.00

Compensation of Directors

Executive directors are not entitled to allowances, per diem, or bonuses.

The non-executive directors, including independent directors, are entitled to receive allowances of Php200,000.00 per Board meeting attended, and Php100,000.00 per Committee meeting attended. In addition, the following receive an annual retainer fee as below:

a. Non-executive and/or independent directors – Php 1,000,000.00
b. Chairperson of the Audit Committee – Php 1,500,000.00
c. Chairman of the Board – Php 2,000,000.00

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.

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.

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.

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 (10) years. On 4 March 2022, the SEC confirmed that the Plan is an exempt transaction under Section 10.2 of the Securities Regulation Code.

There were no grants and availments during 2020.

In 2021, a total of 8,188,097 shares at a subscription price of Php 6.96 per share were granted under the Plan, of which 8,188,097 shares were issued in 2022, resulting to an adjustment of 900 shares in the grants.

On 19 August 2022, a total of 32,622,666 shares at a subscription price of Php 6.50 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 in 2021.

There are no proposed adjustments or amendments to the Plan.

Item 11. Security Ownership of Certain Beneficial Owners and Management

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 2023:

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**") 35th 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 the following, being members of the Board of Directors of ACEIC: Jaime Augusto Zobel de Ayala, Delfin L. Lazaro, Cezar P. Consing, Gerardo C. Ablaza, Jr., John Eric T. Francia, Alberto M. de Larrazabal, and Jose Rene Gregory D. Almendras all with addresses at 35th Floor, Tower One & Exchange Plaza, Ayala Triangle Gardens, Ayala Avenue, Makati City ACEIC has appointed Jaime Augusto Zobel de Ayala, or in his absence, Cezar P. Consing, or in his absence, Delfin L. Lazaro, as proxy to vote on ACEIC's behalf.	Filipino	23,849,363,022	60.11%[13]
Common	PCD Nominee Corporation[14] 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	5,192,651,269	26.25%

[13] This includes the 938,641,249 indirect shares which were declared by AC as property dividends but have yet to be distributed to its stockholders as disclosed under AC's PSE Edge Disclosure Report No. C00247-2023 dated 10 January 2023. Until such actual distribution, ACEIC retains beneficial ownership of the indirect shares, being a 100% subsidiary of AC.

[14] 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 938,641,249 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.

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	PCD Nominee Corporation[15] 29/F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder	Arran's 6,689,521,680 indirect shares are 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)	10,416,926,417	26.25%
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	16.87%

As of 28 February 2023, ACEIC owns 60.11% of the outstanding voting shares of the Company.[16]

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[15] 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 938,641,249 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.

[16] On 10 May 2022, ACEIC sold 1,861,000,000 ACEN shares to ACEIC's parent company, Ayala Corporation ("AC"), pursuant to a regular block sale. ACEIC retained beneficial ownership of the shares being a 100% subsidiary of AC. On 29 April 2022, AC then declared these 1,861,000,000 ACEN shares as property dividends to its shareholders as of 27 May 2022.

As of 11 January 2023, AC distributed a total of 922,358,751 ACEN shares to its qualified shareholders pursuant to its Declaration of Property Dividends as disclosed under AC's PSE Edge Disclosure Report No. C00247-2023 dated 10 January 2023.

As of 28 February 2023, ACEIC has a total of 23,849,363,022 ACEN shares, of which 938,641,249 are indirect shares, corresponding to 60.11% of the Company's outstanding shares. The indirect shares are the remaining ACEN shares that were declared by AC as property dividends but have yet to be distributed to its stockholders as disclosed under AC's PSE Edge Disclosure Report No. C00247-2023 dated 10 January 2023. Until such actual distribution, ACEIC retains beneficial ownership of the indirect shares, being a 100% subsidiary of AC.

Security Ownership of Directors and Management as of 28 February 20223

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 February 2023:

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[2] 950,450	Direct Indirect[1]	0.00
Common	Cezar P. Consing	Filipino	1[2]	Direct	0.00
Common	John Eric T. Francia	Filipino	5,442,357[2] 108,019,360	Direct Indirect[1]	0.29
Common	Delfin L. Lazaro	Filipino	1 1,000	Direct Indirect[1]	0.00
Common	Nicole Goh Phaik Khim	Malaysian	1	Indirect	0.00
Common	Dean L. Travers	Australian	1	Indirect	0.00
Common	Jaime Alfonso Antonio E. Zobel de Ayala	Filipino	1 107,039	Direct Indirect[1]	0.00
Common	Consuelo D. Garcia	Filipino	1,900	Indirect[1]	0.00
Common	Ma. Aurora D. Geotina-Garcia	Filipino	1	Direct	0.00
Common	Sherisa P. Nuesa	Filipino	90,000 2,766,880	Direct Indirect[1]	0.01
Common	Melinda L. Ocampo	Filipino	1 24,000	Direct Indirect[1]	0
Common	Maria Corazon G. Dizon	Filipino	1,381,374 43,751,905	Direct Indirect[3]	0.11
Common	John Philip S. Orbeta	Filipino	1[2] 12,108,619	Direct Indirect[1]	0.03
Common	Gabino Ramon G. Mejia	Filipino	580,159 6,390,219	Direct Indirect[3]	0.02
Common	Roman Miguel G. de Jesus	Filipino	688,315 19,461,979	Direct Indirect[3]	0.05
Common	Solomon M. Hermosura	Filipino	0 400,000	Direct Indirect[3]	0
Common	Dodjie D. Lagazo	Filipino	6,526,166 2,354,782	Direct Indirect[3]	0.02
Common	Alan T. Ascalon	Filipino	560,173 1,096,979	Direct Indirect[3]	0
Common	Irene S. Maranan	Filipino	398,635 2,926,422	Direct Indirect[3]	0.01
Common	Jose Maria Eduardo P. Zabaleta	Filipino	0 5,175,177	Direct Indirect[3]	0.01
Common	Patrice R. Clausse	Luxembourg eoise	1,946,430 31,714,424	Direct Indirect[3]	0.08
Common	Juan Martin L. Syquia	Filipino	184,387	Indirect[3]	0.00
Common	Kyla Kamille U. Samson	Filipino	0 199,800	Direct Indirect[3]	0.00
Common	Michael E. Limbo	Filipino	0	N/A	0
Common	Jonathan Paul Back	British	0	N/A	0
TOTAL			**17,613,616** **237,635,324** **255,248,940**	**Direct** **Indirect** **Total**	**0.04%** **0.60%** **0.64%**

[1] *The indirect shares held by the following directors: Messrs. Jose Rene Gregory D. Almendras, John Eric T. Francia, Delfin L. Lazaro, and Jaime Alfonso Antonio E. Zobel de Ayala, and Mdmes. Sherisa P. Nuesa, Consuelo D. Garcia, Ma. Aurora Geotina-Garcia, and Melinda L. Ocampo are lodged with the PCD Nominee. The shares of Dean Travers and Nicole Goh Phaik Khim that are classified above as "Indirect" are actually shares held in their respective names, but are lodged with the PCD Nominee.*

[2] *The one (1) nominal share of each of Messrs. Jose Rene Gregory D. Almendras, Cezar P. Consing, and John Eric T. Francia are qualifying shares held in trust for AC Energy and Infrastructure Corporation.*

[3] *The indirect shares held by the following officers: Messrs. John Philip S. Orbeta, Roman Miguel G. de Jesus, Gabino Ramon G. Mejia, Solomon M. Hermosura, Dodjie D. Lagazo, Alan T. Ascalon, Jose Maria Eduardo P. Zabaleta, Patrice R. Clausse, and Juan Martin L. Syquia, and Mdmes. Maria Corazon G. Dizon, Irene S. Maranan, and Kyla Kamille U. Samson are lodged with the PCD Nominee and/or held by the ESOWN Administrator.*

Delfin L. Lazaro, Chairman of the Board of Directors ("Board") of the Company, owns 0.00% 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.

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.

Changes in Control

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

Item 12. 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 ACEN 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. Material related party transactions are reviewed and approved by the Board Risk Management and Related Party Transactions Committee and approved by the Board of Directors in accordance with the Company's Related Party Transactions ("RPT") Policy.

All directors and employees of the Company and its subsidiaries and associates are required to disclose any business and family-related transactions with the Company to ensure that potential RPTs are identified and subsequently processed in accordance with the Company's RPT Policy. In addition, directors and officers with personal interest in a transaction are prohibited from participating in the discussion, approval, and voting thereon.

During the regular meeting of the Board of Directors on 8 March 2022, in relation to the proposed additional omnibus credit lines with ING Bank, Philippine National Bank, and Sun Life, Ms. Consuelo D. Garcia disclosed that she was then a senior consultant for ING Bank and an independent director and trustee of ING Foundation Philippines, Inc. Ms. Garcia duly recused herself from the deliberations and approval of the transaction.

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 years ended 31 December 2022, 2021, and 2020 with related parties are as follows (see Note 26 of the Audited Consolidated Financial Statements):

Transaction with ACEIC, the Parent Company

In thousand Php

Nature	Amount/ Volume			Outstanding Balance		Terms / Conditions
	2022	2021	2020	**2022**	2021	
Development loans	**(₱9,596,286)**	₱–	₱–	**₱–**	₱9,596,286	Interest bearing; unsecured; no impairment
Interest receivable; interest income	**107,000**	142,152	–	**–**	144,621	Non-interest bearing; due and demandable
Management fee income	**24,919**	34,785	387,138	**10,002**	26,196	Unsecured; no impairment
Management fee (expense)	**26,041**	456,026	462,602	**(23,421)**	(132,893)	Non-interest bearing; due and demandable
SAP IT support services	**–**	–	8,744	**–**	–	30-day, non-interest bearing
Lease assignment	**–**	–	50,767	**–**	–	30-day, non-interest bearing
Due from related parties	**–**	–	–	**167,572**	110,373	Non-interest bearing; due and demandable
Due to related parties	**–**	–	6,809	**(80,194)**	–	Non-interest bearing; due and demandable

On 14 May 2021, ACEN and ACEIC entered into an uncommitted interest-bearing short-term loan facility. The principal and interest are payable within one year from the drawdown date. First drawdown was made on 17 May 2021.

As at 31 December, 2021, the outstanding balance of interest-bearing loan amounted to US$189.00 million (₱9,596.29 million). This was fully settled on May 27, 2022.

Notes Receivables

In thousand Php

Nature		Outstanding Balance		Terms / Conditions
		2022	2021	
Development loans				
Joint Venture				
	UPC-AC Energy Solar Limited (UPC-ACE Solar)	**₱1,115,100**	₱1,015,480	Due in 2023; interest bearing; unsecured; no impairment
	Greencore 3	**–**	212,292	Due in 2022; interest bearing; unsecured; no impairment
Associate				
	TBC	**–**	658,437	Due in 2022; interest bearing; unsecured; no impairment
Affiliate				
	Yoma Strategic Investments Ltd (Yoma)	**1,339,072**	1,219,173	Due in 2023; interest bearing; unsecured; no impairment
		₱2,454,172	₱3,105,382	
Debt replacements				
Joint Venture				
	BIM Wind	**₱4,749,490**	₱4,325,183	Due in 2030 interest bearing; unsecured; no impairment
	Greencore 3	**4,225,946**	2,078,400	Due in 2023; interest bearing; unsecured; no impairment
	Asian Wind 1	**3,087,433**	2,883,963	Due in 2023; interest bearing; unsecured; no impairment
	Lac Hoa	**2,643,403**	–	Due in 2024; interest bearing; unsecured; no impairment
	Asian Wind 2	**2,435,262**	2,414,151	Due 2045 interest bearing; unsecured; no impairment
	Hoa Dong	**2,318,792**	–	Due in 2024; interest bearing; unsecured; no impairment
	NEFIN Solar	**574,834**	–	Due in 2024; interest bearing; unsecured; no impairment
	VWEL	**59,614**	3,637,879	Due in 2022; interest bearing; unsecured; no impairment

Nature		Outstanding Balance 2022	2021	Terms / Conditions
	BIMRE	–	1,914,180	Due in 2022; interest bearing; unsecured; no impairment
		₱20,094,774	₱17,253,756	
Other Loans				
Joint Venture	Ingrid	**₱500,000**	₱–	Due in 2023; interest bearing; unsecured; no impairment
Joint Venture	Infineum 4 Energy, Inc.	**43,466**	–	Due in 2024; interest bearing; unsecured; no impairment
		₱543,466	₱–	

Except for the discussion above, the movement in the notes receivable from related parties are revaluation of US$ denominated notes receivable to Philippine peso from 31 December 2021 to 31 December 2022.

Development Loan
Development loan facilities are provided to related parties and third parties to fund the development of renewable power plant projects (see Note 5 of the Audited Consolidated Financial Statements).

Debt replacement
Debt replacement facilities are provided to related parties to fund investment requirements of renewable power plants while under construction and undergoing implementation or release of project financing from financial institutions (see Note 5 of the Audited Consolidated Financial Statements).

Other Loans

Receivables from Ingrid
In September 2022, the Group and Ingrid entered into a short-term loan agreement for the latter's working capital requirements. The interest-bearing loan bears an annual fixed rate and principal is payable 30 to 120 days from drawdown.

Receivables from Infineum 4, Inc.
On 7 January 2022, the ACED, Maraj Energy and Development, Inc. (MEDI) and Infineum 4 entered into an Omnibus Loan and Security Agreement in which the Parent Company will lend to the amount of Php150.00 million to Infineum 4 with an annual interest of 8% payable in full on the repayment date to be used for the pre-development and development activities of the proposed floating solar power project in Lake Mapanuepe in San Marcelino, Zambales. The Loan shall be made available for a period of two (2) years from the date of the agreement which may be extended upon mutual agreement by the parties.

Interest Income and Receivable

This account consists of:

In thousand Php

Related Party	Amount/Volume 2022	2021	2020	Outstanding Balance Receivable (Payable) 2022	2021	Terms
Other Financial Assets at Amortized Cost						
Redeemable preferred shares	**₱2,251,145**	₱1,151,895	557,237	**₱2,487,852**	₱946,559	various dates
Convertible loans	**1,223,766**	1,146,918	537,463	**1,071,551**	1,421,565	various dates
Development Loans						
Joint Venture						
UPC-ACE Solar	**95,725**	80,211	47,269	**242,890**	–	various dates
UPC-ACE Australia	**7,087**	–	–	–	–	various dates
Associate						
TBC	**60,390**	56,572	58,110	–	74,101	various dates
Affiliate						
Yoma Strategic	**52,427**	48,324	33,757	**146,341**	84,490	various dates

Related Party	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	**2022**	2021	
Debt replacements						
Joint Venture						
VWEL	**59,043**	306,768	22,441	**431,899**	394,970	various dates
Greencore 3	**228,241**	57,387	–	**276,357**	51,618	30-day, non-interest bearing
Asian Wind 2	**199,560**	233,424	13,440	**67,648**	253,989	various dates
BIM Wind	**380,250**	248,334	3,036	**88,657**	140,212	various dates
Lac Hoa	**96,629**	–	–	**97,896**	–	various dates
Hoa Dong	**86,371**	–	–	**87,504**	–	various dates
NEFIN Solar	**26,480**	–	–	**22,084**	–	various dates
BIMRE	**10,370**	186,173	54,751	**–**	192,216	various dates
Asian Wind 1	**269,291**	208,839	207,462	**–**	–	various dates
Others						
Ingrid	**12,367**	–	–	**9,166**	–	30-day, non-interest bearing
Infenium 4	**1,876**	–	–	**1,876**	–	30-day, non-interest bearing
Others						
Affiliates	–	–	–	**5,408**	–	30-day, non-interest bearing
	5,061,018	3,724,845	1,534,966	**₱ 5,037,129**	₱3,559,720	

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

Loans Payable

In thousand Php

Related Party	Amount / Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	**2022**	2021	
BPI						
Interest Expense / Interest Payable	**371,212**	115,256	–	**8,834**	(9,533)	30 days, unsecured
Long-term loans	**–**	–	–	**(1,766,487)**	(2,079,133)	12 years, interest bearing
UPC Holdco II						
Interest Expense / Interest Payable	**–**	**–**	15,308	**–**	**–**	30 days, unsecured

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.

In thousand Php

Related Party	Amortization / Interest Expense			Right-of-use assets / (Lease Liabilities)		Terms
	2022	2021	2020	**2022**	2021	
ALI						
Right of use Assets	**₱114,880**	₱93,899	₱13,998	**₱926,451**	₱930,453	10 years, unsecured
Lease Liabilities	**41,550**	38,847	1,270	**(1,008,858)**	(990,107)	10 years, unsecured
FBDC						
Right of use Assets	**9,227**	9,227	–	**4,573**	11,500	3 years, unsecured
Lease Liabilities	**182**	435	–	**(9,771)**	(9,771)	3 years, unsecured

Other Related Party Transactions

In thousand Php

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	**2022**	2021	
Management fee income	**₱46,148**	₱53,160	₱35,290	**8,019**	₱25,860	30-days, unsecured
Rental income	**17,337**	16,737	3,376	**2,118**	1,674	30-days, unsecured
Revenue from power supply contracts	**33,721**	–	–	**–**	–	30-days, unsecured
Cost of sale of electricity	**911,744**	472,004	116,378	**(92,591)**	(94,110)	30-days, unsecured
Due from related parties	**–**	3,465	–	**422,796**	168,386	On demand, Unsecured
Due to related parties	**–**	–	–	**(1,585,951)**	(596,079)	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 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.

Receivables from Employees and Officers

Receivables from officers and employees amounting to Php₱301.17 million and Php₱78.36 million as at 31 December 2022 and 31 December 2021, respectively, pertain to housing, car, salary and other loans granted to the Group's officers and employees.

Payable to Directors and Stockholders

In thousand Php

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	**2022**	2021	
Accrued director's and annual incentives						
Directors' fee and annual incentives	**₱35,155**	₱23,352	30,574	**(₱58,507)**	(₱23,352)	On demand, Unsecured
Due to stockholders						
Cash dividends	**2,298,000**	1,197	547	**(16,585)**	(16,585)	On demand, Unsecured

Compensation of key management personnel

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

In thousand Php

	2022	2021	2020
Short-term employee benefits	**₱54,431**	₱64,215	₱46,195
Post-employment benefits	**4,132**	2,691	2,532
	₱58,563	₱66,906	₱48,727

Identification, Review and Approval of Related Party Transactions
All (1) SEC-defined material related party transactions ("**RPTs**"), *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 RPT/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 RPTs, 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 RPTs may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

The Company complies with its RPT Policy and ensures that all transactions with related parties are reasonable, fair, and on arm's length basis. Material RPTs are disclosed, reviewed, and approved, in accordance with the Company's RPT Policy.

PART IV. CORPORATE GOVERNANCE AND SUSTAINABILITY

Item 13.A. Corporate Governance

For the full details and discussion, please refer to the Definitive Information Sheet and Annual Corporate Governance Report posted in the Company's Official Website www.acenergy.ph. The detailed discussion of the Annual Corporate Governance Section was deleted as per SEC Memorandum Circular No. 5, series of 2013, issued last March 20, 2013.

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 on boarding 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 2019 and

2020 on 2 September 2020 and 30 June 2021, respectively.7F7F[17] For the fiscal year 2021, the Company submitted its I-ACGR on 30 May 2022.

As of 31 December 2022, 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 2021 Integrated Report may be accessed *via* https://www.acenrenewables.com/ir2021/pdf/ACEN-Integrated-Report-2021.pdf.

A copy of the Company's Integrated Report for the year 2022 will be provided to stockholders of record *via* https://www.acenrenewables.com/acen-2022-ir/.

Item 13.B. Sustainability Report

More information on the Company's sustainability efforts can be viewed at https://www.acenrenewables.com/sustainability/esg/.

A copy of the Company's 2021 Integrated Report may be accessed *via* https://www.acenrenewables.com/ir2021/pdf/ACEN-Integrated-Report-2021.pdf.

A copy of the Company's Integrated Report for the year 2022 will be provided to stockholders of record *via* https://www.acenrenewables.com/acen-2022-ir/.

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/.

PART V. EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C (Current Report)

(a) Exhibits - See accompanying Index to Financial Statements and Supplementary Schedules

(b) Reports on SEC Form 17-C

Aside from compliance with periodic reporting requirements, Ayala promptly discloses major and market sensitive information such as dividend declarations, joint ventures and acquisitions, the sale and disposition of significant assets, and other information that may affect the decision of the investing public.

The Company submitted SEC form 17-C and Press Statements to PSE, SEC on the following matters in 2022:

(For Q1 2022)

1. January 12, 2022 – Submission of SEC Form 23-B of John Philip S. Orbeta
2. January 14, 2022 –Report of attendances of the Company's Directors in the meetings of calendar year 2021.
3. January 18, 2022 – Disbursement of Proceeds and Progress Report in connection with the proceeds generated from the Company's Stock Rights Offering (in compliance with the Notice of Approval from PSE dated December 18, 2020).

[17] On 27 July 2021, 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 then 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.

4. January 18, 2022 – Disbursement of Proceeds and Progress Report in connection with the proceeds generated from the Company's Follow-On Offering (in compliance with the Notice of Approval from PSE dated April 23, 2021).
5. January 19, 2022 – Change in Number of Issued and/or Outstanding Shares
6. January 19, 2022 – Public Ownership Report
7. January 20, 2022 – Amendment of Public Ownership Report
8. January 20, 2022 – List of Top 100 Stockholders for the period ended 31 December 2021
9. January 24, 2022 – Notice of Annual Stockholders' Meeting
10. January 24, 2022 – Change in Directors and/or Officers
11. January 24, 2022 – Material Information/Transactions – Matters approved at the special meeting held on 21 January 2022, via video conference:
    a. Schedule and agenda of the 2022 annual stockholders meeting;
    b. Amendment to the Administration and Management Agreement with South Luzon Thermal Energy Corp. ("SLTEC") to include, among others, the provision of operations and maintenance services by the Company to SLTEC;
    c. Appointment of Mr. John Eric T. Francia as the Company's proxy to vote the Company's shares at SLTEC's stockholders' meeting on 26 January 2022 (and any adjournment or rescheduling thereof);
    d. Resignation of Mr. Henry T. Gomez, Jr. as Chief Audit Executive effective 1 February 2022; and
    e. Appointment of Mr. Arnel A. Racelis as OIC Chief Audit Executive effective 1 February 2022.
12. January 25, 2022 – Update on Corporate Actions/Material Transactions – Signing of Asset Purchase Agreement in connection with the sale of Power Barge 101to MORE Power Barge, Inc.
13. January 27, 2022 – Amendment of the disclosure on the Executive Committee's approval of the sale of Power Barge (PB) 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary.
14. January 31, 2022 – Press Release on ACEN and UPC Renewables to construct their largest solar project in India.
15. February 02, 2022 – Press Release on ACEN to acquire 49% interest in Vietnam solar platforms of Super Energy Corporation.
16. February 02, 2022 – Certification on Participation of Directors and Officers in Corporate Governance Training for the year ended 31 December 2021
17. February 04, 2022 –Submission of SEC Form 23-A of Arnel A. Racelis
18. February 04, 2022 –Change in the Company's Business Address.
19. February 04, 2022 – Material Information/Transactions - Amendment of Disclosure on Matters approved at the special board meeting held on January 21, 2022, via video conference.
    a. Schedule and agenda of the 2022 annual stockholders meeting;
    b. Amendment to the Administration and Management Agreement with South Luzon Thermal Energy Corp. ("SLTEC") to include, among others, the provision of operations and maintenance services by the Company to SLTEC;
    c. Appointment of Mr. John Eric T. Francia as the Company's proxy to vote the Company's shares at SLTEC's stockholders' meeting on 26 January 2022 (and any adjournment or rescheduling thereof);
    d. Resignation of Mr. Henry T. Gomez, Jr. as Chief Audit Executive effective 1 February 2022; and
    e. Appointment of Mr. Arnel A. Racelis as OIC Chief Audit Executive effective 1 February 2022.
20. February 09, 2022 – Update on Corporate Actions/Material Transactions – Property for shares swap between ACE Enexor, Inc. and AC Energy Corporations.
21. February 15, 2022 – Acquisition by the Company of shares in Buendia Christiana Holdings Corp.
22. February 22, 2022 – Submission of SEC Form 23-B of Jaime Augusto Zobel de Ayala.
23. February 23, 2022 – Press Release on ACEN powers up country's first solar and storage project.
24. February 24, 2022 –Disposition of Power Barge 102.
25. February 28, 2022 – Submission of SEC Form 23-B of Ronald F. Cuadro
26. March 02, 2022 –Notice of Full Year 2021 Analyst and Investor Briefing on 09 March 2022.
27. March 09, 2022 – Matters approved at the regular board meeting held on March 08, 2022:
    a. Procurement of (i) additional omnibus credit lines of up to PhP7.5 billion from banks, and the co-use of these facilities with the Company's subsidiaries, and (ii) additional term loan facilities of up to PhP23 billion;
    b. Declaration of cash dividends of six centavos (PhP0.06) per share on the 38,315,838,177 outstanding shares of the Company, to be paid on or before 19 April 2022 to stockholders of record as of 5 April 2022;
    c. Endorsement to the stockholders of the revised compensation of Directors;

d. Revision to the list of subscribers to the 389,995,833 shares (UPC Philippines and affiliates) as approved by the stockholders on 15 December 2021 under Resolution No. S-2021-018;
e. Amendment to the Agenda of the 25 April 2022 Annual Stockholders' Meeting as follows:
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. Issuance of up to 390 million shares to UPC Philippine Wind Partners and Affiliates
VIII. Approval of the Management Agreement with South Luzon Thermal Energy Corporation
IX. Election of Directors (Including Independent Directors)
X. Appointment of External Auditor and Fixing of its Remuneration
XI. Consideration of Such Other Business as May Properly Come Before the Meeting
XII. Adjournment
f. The Company's 2021 Audited Financial Statements; and
g. Re-appointment of SGV & Co. as the Company's external auditor for 2022 subject to approval of the stockholders during the 2022 Annual Stockholders' Meeting.

28. March 09, 2022 – Amendment of Notice of Annual Stockholders' Meeting
29. March 09, 2022 –Declaration and Payment of Cash Dividends to Stockholders.
30. March 14, 2022 – Update on Acquisition by ACEN of the effective ownership interest of UPC Renewables Asia Pacific Holdings Pte Limited ("UPCAPH") and Mr. Anton Rohner ("Rohner") in UPC-AC Renewables Australia.
31. March 15, 2022 – Acquisition by ACEN of the effective ownership interest of UPCAPH and Mr. Rohner UPC-AC Renewables Australia.
32. March 21, 2022 – Material Information/Transactions - Acquisition by ACEN of the ownership interest of UPC Philippines Wind Investment Co. BV ("UPC Philippines") and Stella Marie L. Sutton in their Philippine renewable energy companies and businesses.
33. March 21, 2022 – Amendment of Disclosure on Acquisition by ACEN of the ownership interest of UPC Philippines and Stella Marie L. Sutton in their Philippine renewable energy companies and businesses.
34. March 22, 2022 – Submission of SEC Form 23-B of Ronald F. Cuadro.
35. March 22 , 2022 – Update on Acquisition by ACEN of the effective ownership interest of UPCAPH and Mr. Rohner in UPC-AC Renewables Australia. =
36. March 22, 2022 – Material Information/Transactions – Subscription by UPCAPH Mr. Rohner to Shares in the Company.
37. March 22, 2022 – Amendment of Disclosure on Acquisition by ACEN of the effective ownership interest of UPCAPH and Mr. Rohner in UPC-AC Renewables Australia.
38. March 23, 2022 – Update on Acquisition by ACEN by the ownership interest of UPC Philippines and Stella Marie L. Sutton in their Philippine renewable energy companies and businesses.
39. March 23, 2022 – Material Information/Transactions – Subscription by UPC Philippines Group to shares in the company.
40. March 23, 2022 - Amendment of Disclosure on Acquisition by ACEN of the ownership interest of UPC Philippines and Stella Marie L. Sutton in their Philippine renewable energy companies and businesses.
41. March 25, 2022 – Acquisition by the Company of shares in Nature Renewable Energy Devt. (NAREDCO) Corporation.
42. March 25, 2022 –Approval of joint venture with Clean Tech Global Renewables, Inc.
43. March 28, 2022 – Press release on ACEN and CleanTech finalize Cagayan solar far joint venture.
44. March 28, 2022 – Amendment of Notice of Annual Stockholders' Meeting.
45. March 31, 2022 – Acquisition by the Company of shares in ACEN Renewables International.
46. April 04, 2022 – Press release on ib vogt and ACEN to set up 1,000 MW asset platform for solar in Asia.
47. April 04, 2022 –Company's Definitive Information Statement for the 2022 Annual Stockholders' Meeting.
48. April 05, 2022 – Press release on ACEN and Citicore energize solar plant in Pampanga.
49. April 06, 2022 –ACEN Executive Committee approval of sponsor documents for SLTEC Refinancing.
50. April 11, 2022 –ACEN and SLTEC signing of Amended and Restated Omnibus Loan and Security Agreement, Administration and Management Agreement, and Operations and Maintenance Agreement.
51. April 11, 2022 – Press release on ACEN pioneers' energy transition financing to enable more renewables.

(For Q2 2022)

1. April 04, 2022 – Press Release on ib vogt and ACEN to set up 1,000 MW asset platform for solar in Asia.
2. April 04, 2022 – Company's Definitive Information Statement for the 2022 Annual Stockholders' Meeting.
3. April 05, 2022 – Press Release on ACEN and Citicore energize solar plant in Pampanga.
4. April 06, 2022 – Material Information/Transactions - ACEN Executive Committee approval of sponsor documents for SLTEC Refinancing.
5. April 11, 2022 – Material Information/Transactions - ACEN and SLTEC signing of Amended and Restated Omnibus Loan and Security Agreement, Administration and Management Agreement, and Operations and Maintenance Agreement.
6. April 11, 2022 – Press Release on ACEN pioneers' energy transition financing to enable more renewables.
7. April 19, 2022 – Public Ownership Report
8. April 19, 2022 – Disbursements of the Proceeds and Progress Report in connection with the proceeds generated from the Company's Stock Rights Offering
9. April 19, 2022 – Disbursements of the Proceeds and Progress Report in connection with the proceeds generated from the Company's Follow-On Offering
10. April 19, 2022 – List of Top 100 Stockholders for the period ending 31 March 2022
11. April 19, 2022 – Disposition of Power Barge 103
12. April 19, 2022 – Acquisition of shares from the Company's Follow-on Public Offering of Common shares, which were listed on 14 May 2021
13. April 22, 2022 – Amendment of Public Ownership Report
14. April 26, 2022 – Results of the 2022 Annual Stockholders' Meeting
15. April 26, 2022 – Results of the 2022 Organizational Meeting of Board of Directors
16. April 26, 2022 – Acquisition of shares through Employee Stock Ownership Plan (ESOWN)
17. April 26, 2022 – Acquisition of shares through Employee Stock Ownership Plan (ESOWN)
18. April 26, 2022 – Submission of SEC Form 23-A of Mr. Dean L. Travers
19. April 26, 2022 – Press Release on ACEN enters partnership to repower wind farms in the US
20. April 27, 2022 – Clarification of the news article in Manila Bulletin (Online Edition) on April 26, 2022 entitled, "ACEN sets P900-B capital for massive RE pipeline"
21. April 28, 2022 – Acquisition of shares through Employee Stock Ownership Plan (ESOWN)
22. April 29, 2022 – Notice of Q1 2022 Analyst and Investor Briefing on 11 May 2022
23. May 04, 2022 – Annual Report for the fiscal year ended 31 December 2021
24. May 05, 2022 – Submission of 23-B of Dean Travers
25. May 11, 2022 – Material Information/Transactions - Q1 2022 Earnings of AC Energy Corporation and Subsidiaries
26. May 11, 2022 – Press Release on ACEN Reports P405 Million Net Income for First Quarter of 2022
27. May 13, 2022 – Matters approved at the regular board meeting held on 12 May 2022:
    a. Appointment of Mr. Juan Martin L. Syquia as the Company's Deputy Chief Finance Officer effective 16 May 2022;
    b. Additional term loan facilities of up to Php6 billion to support the Company's growth plans; and
    c. Issuance of corporate guarantees in support of the Company's Australia projects for an aggregate of up to AUD360 million.
28. May 13, 2022 – Appointment of Officer, Mr. Juan Martin L. Syquia as Deputy Chief Finance Officer
29. May 13, 2022 – Submission of SEC Form 23-A of Mr. Juan Martin L. Syquia
30. May 13, 2022 – Additional Issuance of Common Shares
31. May 13, 2022 – Public Ownership Report
32. May 13, 2022 – Submission of Form 23-B of AC Energy and Infrastructure Corporation
33. May 16, 2022 - Material Information/Transactions - ACEN partners with the Puri Usaha group to invest in Suryagen, a renewable energy developer in Indonesia
34. May 16, 2022 – Press Release on ACEN partners with the Puri Usaha group to invest in Suryagen, a renewable energy developer in Indonesia
35. May 17, 2022 – Quarterly Report for period ended 13 March 2022
36. May 24, 2022 – Material Information/Transactions - New South Wales supports battery energy storage development of ACEN Australia's New England Solar Farm
37. May 24, 2022 – Press Release on New South Wales supports battery energy storage development of ACEN Australia's New England Solar Farm

38. May 26, 2022 – Material Information/Transactions - Omnibus Agreement among AC Energy Corporation, ACE Endevor, Inc, Greencore Power Solutions 3, Inc., and Citicore Solar Energy Corporation
39. May 30, 2022 – Notice on Revised Corporate Governance Manual availability
40. May 30, 2022 – 2021 Integrated Annual Corporate Governance Report
41. May 31, 2022 – 2022 General Information Sheet
42. June 03, 2022 – Matters approved at the special board meeting held on 3 June 2022:
    d. Cancellation of (a) the property-for-shares swap between the Company and ACE Enexor, Inc. and (b) the Deed of Assignment dated 29 December 2021, as amended on 31 January 2022, that was executed to implement the property-for-shares swap, as previously disclosed under Disclosure Report No. C06940-2021 dated 19 October 2021, Disclosure Report No. C08737-2021 dated 31 December 2021, and Disclosure Report No. C00724-2022 dated 9 February 2022; and
    e. The withdrawal of (a) the request for confirmation of valuation in relation to the property-for-shares swap and currently pending with the Securities and Exchange Commission, and (b) the application for a certificate authorizing registration (CAR) that is pending with the Bureau of Internal Revenue in relation to the property-for-shares swap.
43. June 03, 2022 – Material Information/Transactions - Deed of Cancellation between AC Energy Corporation and ACE Enexor, Inc.
44. June 03, 2022 – Update on Corporate Actions/Material Transactions/Agreements - Cancellation of the Property-for-Shares Swap between AC Energy Corporation and ACE Enexor, Inc.
45. June 06, 2022 – Press Release on ACEN and ENEX unwind property-for-share swap agreement
46. June 17, 2022 – Disposal of 200,000 shares of Mr. Ronald F. Cuadro
47. June 30, 2022 – Notice of Briefing on First Half 2022 Results for Analysts and Investors on 9 August 2022

(For Q3 2022)

1. July 6, 2022 – Material Information/Transactions - Executive Committee approval of the Company's Php-denominated ASEAN Green Fixed Rate 5-year Bond
2. July 8, 2022 – Clarification of the news article in Inquirer (Online Edition) posted on July 8, 2022 entitled, "ACEN boosts RE portfolio with P17-B project"
3. July 12, 2022 – Filing of Registration Statement with the Securities and Exchange Commission for the Company's Securities Program and Php-denominated ASEAN Green Fixed Rate 5-year Bond
4. July 12, 2022 – Press Release on ACEN Approves Debut Issuance of Peso-denominated Green Bonds
5. July 14, 2022 – List of top 100 Stockholders for the period ended 30 June 2022
6. July 15, 2022 – Public Ownership Report as of 30 June 2022
7. July 15, 2022 – Approval of joint venture with CleanTech Global Renewables, Inc.
8. July 18, 2022 – Disbursements of the proceeds as of 30 June 2022 generated from the Company's Follow-On Offering
9. July 18, 2022 – Disbursements of the proceeds as of 30 June 2022 generated from the Company's Stock Rights Offering
10. July 22, 2022 – Amendments to the Articles of Incorporation approved by the SEC on 20 July 2022
11. July 22, 2022 – Amendments to the By-Laws approved by the SEC on 20 July 2022
12. July 22, 2022 – Change in corporate name of the Company from AC Energy Corporation to ACEN CORPORATION
13. July 22, 2022 – Disposal of 2,000,000 shares of Gabino Ramon G. Mejia
14. July 26, 2022 – Matters approved at the special board meeting on 25 July 2022:
    a. (i) Issuance of a notice to proceed for the 70 MW Amihan (Caparispisan 2) wind power project in Pagudpud, Ilocos Norte (the "Amihan Project"), (ii) issuance of a parent company guarantee for the Amihan Project in relation to the contracts with Siemens Gamesa Renewable Energy for the benefit of Amihan Renewable Energy Corp. ("AREC"), in exchange for a guarantee fee, (iii) procurement of a Performance Bond for the Green Energy Auction Program for the account of AREC, in exchange for a fee payable by AREC, and (iv) infusion of up to Php1 billion as equity into AREC, either directly or through AREC's parent company and the Company's subsidiary, North Luzon Renewable Energy Corp.;
    b. Issuance of a parent company guarantee for the benefit of Ingrid Power Holdings, Inc. ("Ingrid") in connection with Ingrid's Bid Security and Performance Security for the National Grid Corporation's Competitive Selection Process for Ancillary Services, in exchange for an annual guarantee fee;
    c. (i) Additional investment in the San Marcelino Solar Energy Power Plant Project (Phases 1 and 2) and funding into the project company, Santa Cruz Solar Energy, Inc., by way of equity and/or loans/advances,

and (ii) the use of ACEN lines and/or issuance by the Company of a corporate guarantee that may be needed for purposes of implementing the additional investments into the project;

d. Issuance of corporate guarantees, comfort letters, letters of awareness, and similar documents in support of the Company's Australia projects of up to an aggregate of AUD 1.0 billion with initial issuance of up to AUD 622 million for AUD Revolver/Term/Club Loan financing; and

e. (i) Sale of the Company's common shares in South Luzon Thermal Energy Corporation ("SLTEC") to ETM Philippines Holdings, Inc. ("EPHI"), consistent with the Company's announced efforts on the early retirement of the SLTEC coal power plant in Calaca, Batangas by 2040 (15 years ahead of its technical life) under an Energy Transition Mechanism, which aims to leverage a market-based approach to accelerate the transition from fossil fuels to clean energy, and (ii) extension of a bridge loan to EPHI subject to definitive documentation and agreed conditions precedent.

15. July 26, 2022 – Material Information / Transactions - ACEN approves the final tranche of its energy transition financing
16. July 26, 2022 – Press Release on ACEN approves the final tranche of its energy transition financing
17. July 29, 2022 – Material Information/Transaction - ACEN is set for its next wind farm in Ilocos Norte
18. August 8, 2022 – Matters approved at the special board meeting on 5 August 2022:
    a. The Company's Interest Rate Risk Management Policy; and
    b. The retirement of the Company's business office / permit for its office located on the 22nd Floor of the 6750 Office Tower, Ayala Avenue, Makati City

19. August 8, 2022 – Amended 2022 General Information Sheet to report the change of name to ACEN CORPORATION
20. August 8, 2022 – Material Information/Transaction - ACEN targets 20 GW renewables by 2030
21. August 9, 2022 – Material Information/Transaction, Q2 2022 Earnings of ACEN CORPORATION and Subsidiaries
22. August 9, 2022 – Press Release on ACEN net income reaches Php2.2 billion in the first half of 2022
23. August 11, 2022 – Quarterly Report for the period ended 30 June 2022
24. August 17, 2022 – Approval of joint venture with CleanTech Global Renewables, Inc.
25. August 17, 2022 – Subscription by the Company to shares in Natures Renewable Energy Devt. (NAREDCO) Corporation
26. August 17, 2022 – Submission of SEC Form 23-B of Ronald F. Cuadro to report the disposal of 200,000 ACEN shares
27. August 18, 2022 – Issuance of Corporate Guarantee in Support of the Company's Australia Projects
28. August 18, 2022 – Press Release on ACEN-DBS Green Long-Term Revolver
29. August 25, 2022 – Submission of SEC Form 23-B of Alan T. Ascalon to report the acquisition of 152,904 shares of the Company through the Employee Stock Ownership Plan ("ESOWN")
30. August 25, 2022 – Submission of SEC Form 23-B of Dodjie D. Lagazo to report the acquisition of 1,327,169 shares of the Company through the ESOWN
31. August 26, 2022 – Submission of SEC Form 23-B of John Eric T. Francia to report the acquisition of 7,261,692 shares of the Company through the ESOWN
32. August 26, 2022 – Submission of SEC Form 23-B of Maria Corazon G. Dizon to report the acquisition of 2,611,835 shares of the Company through the ESOWN
33. August 26, 2022 – Submission of SEC Form 23-B of Patrice R. Clause to report the acquisition of 3,846,153 shares of the Company through the ESOWN
34. August 26, 2022 – Submission of SEC Form 23-B of Jose Maria Eduardo P. Zabaleta to report the acquisition of 3,846,153 shares of the Company through the ESOWN
35. August 26, 2022 – Submission of SEC Form 23-B of Gabino Ramon G. Mejia to report the acquisition of 976,425 shares of the Company through the ESOWN
36. August 26, 2022 – Submission of SEC Form 23-B of Ronald F. Cuadro to report the acquisition of 226,153 shares of the Company through the ESOWN
37. August 26, 2022 – Submission of SEC Form 23-B of Irene S. Maranan to report the acquisition of 477,835 shares of the Company through the ESOWN
38. August 26, 2022 – Submission of SEC Form 23-B of Roman Miguel G. De Jesus to report the acquisition of 1,328,896 shares of the Company through the ESOWN
39. August 30, 2022 – Press Release on 72 MW Arayat-Mexico Solar Farm now operational

40. September 5, 2022 – Submission of SEC Form 23-B of Roman Miguel G. De Jeses to report the acquisition of 1,000,000 shares of the Company
41. September 8, 2022 – Clarification of news article entitled, “SEC approves ACEN’s P30-billion green bond issue” posted in BusinessWorld (Online Edition) on September 08, 2022
42. September 9, 2022 – Update on the Company's Securities Program and Php-denominated ASEAN Green Fixed Rate 5-year Bond
43. September 9, 2022 – Press Release on SEC Approves ACEN’s Maiden Peso Fixed-Rate Green Bond Issuance
44. September 12, 2022 - Submission of SEC Form 23-B of Solomon M. Hermosura to report the acquisition of 100,000 shares of the Company
45. September 12, 2022 – Resignation of Fernando Zobel de Ayala as member and Chairman of the Board of Directors effective 12 September 2022
46. September 14, 2022 – Additional Issuance of 32,622,666 Common Shares to various employees of the Company through the ESOWN
47. September 15, 2022 – Issuance of Corporate Guarantee in Support of the Company’s Australia Projects
48. September 20, 2022 – Press Release on ACEN - MUFG green term loan agreement
49. September 22, 2022 – Issue and Listing of ACEN's Php-denominated ASEAN Green Fixed Rate 5-year Bonds
50. September 22, 2022 – Press Release on ACEN Successfully Issues PhP10 Billion in Green Bonds, 8.6 Times Oversubscribed
51. September 23, 2022 – Submission of SEC Form 23-B of Solomon M. Hermosura to report the acquisition of 100,000 shares of the Company
52. September 27, 2022 – Submission of SEC Form 23-B of Arran Investment PTE LTD to report the change in the percentage shareholding to the Company from 16.87% to 16.86%
53. September 29, 2022 – Matters approved at the special board meeting on 28 September 2022:
    a. Election of (i) Mr. Delfin L. Lazaro as director to replace Mr. Fernando Zobel de Ayala to serve his unexpired term; and (ii) Mr. Jaime Alfonso Antonio Zobel de Ayala as director to replace Jaime Augusto Zobel de Ayala to serve his unexpired term;
    b. Appointment of (i) Mr. Delfin L. Lazaro as Chairman of the Board and Chairman of the Executive Committee; (ii) Mr. Cezar P. Consing as Vice-Chairman of the Board and Vice-Chairman of the Executive Committee; and (iii) Mr. Jaime Alfonso Antonio Zobel de Ayala as a member of the Executive Committee;
    c. The Company’s Long Term Incentive Plan, on terms as presented;
    d. The Company’s Succession Policy, as presented;
    e. (i) Commitment of up to AUD800 million (in any combination of equity, credit support, and guarantees, and similar arrangements) in relation to the construction of the 520MWdc Stubbo Solar Farm Project in Australia, on terms as presented; and (ii) Authority to ACEN Australia and its relevant subsidiaries to enter into PV module supply agreement for the project;
    f. Investment in and construction of the 300MWp/237MWac Giga Ace 8 Solar Power Project (including transmission line for 1200 MWac) of Giga Ace 8, Inc. in Palauig, Zambales;
    g. Funding of the 208 MWdc NAREDCO Solar Power Plant Project (including a 100MWdc expansion) in La-lo, Cagayan;
    h. Investment in a 60MWp solar plant in Pangasinan through the acquisition of Sinocalan Solar Power Corporation, the project SPV, and the execution of a Technical Services Agreement with Sungrow Power Renewables Corp, on terms as presented, and subject to agreed conditions precedent and applicable regulatory approvals;
    i. (i) new Omnibus Credit Lines with Maybank, AUB and CTBC, and increased Omnibus Credit Lines with BDO on terms as presented; and (ii) authority to (a) share such credit facilities with its subsidiaries under a co-use arrangement and (b) provide guarantees to its subsidiaries in proportion to its percentage of interest for the use of such facilities;
    j. Negotiation of terms and upsizing of the Company’s term loan with BDO, as presented;
    k. Updating of the list of the Company’s authorized representatives/signatories; and
    l. Appointment of Ms. Kyla Kamille U. Samson as Controller to replace Mr. Ronald F. Cuadro effective 1 October 2022.
54. September 29, 2022 – Resignation of director, Election of directors, and Appointment of officers, as amended:
    a. Resignation of Jaime Augusto Zobel de Ayala as director and Vice Chairman effective 28 September 2022
    b. Resignation of Ronald F. Cuadro as Controller effective 10 October 2022

c. Election of Delfin L. Lazaro as director, Chairman of the Board and Chairman of the Executive Committee effective 28 September 2022
d. Election of Cezar P. Consing as Vice Chairman of the Board and Vice Chairman of the Executive Committee effective 28 September 2022
e. Election of Jaime Alfonso Antonio E. Zobel de Ayala as Director and member of the Executive Committee effective 28 September 2022
f. Appointment of Kyla Kamille U. Samson as Controller effective 1 October 2022

55. September 29, 2022 – Submission of SEC Form 23-A of Jaime Alfonso Antonio E. Zobel de Ayala as newly elected Director of the Company
56. September 29, 2022 – Submission of SEC Form 23-A of Kyla Kamille U. Samson as newly appointed Controller of the Company
57. September 29, 2022 – Submission of SEC Form 23-B of Solomon M. Hermosura to report the acquisition of 200,000 shares of the Company
58. September 30, 2022 – Submission of SEC Form 23-B of Kayla Kamille U. Samson to report the acquisition of 98,800 shares of the Company
59. September 30, 2022 – Submission of SEC Form 23-A of Delfin A. Lazaro as newly elected Director of the Company

(For Q4 2022)

1. October 3, 2022 - Resignation of director, Election of directors, and Appointment of officers, as amended:
    a. Resignation of Jaime Augusto Zobel de Ayala as director and Vice Chairman effective 28 September 2022;
    b. Resignation of Ronald F. Cuadro as Controller effective 1 October 2022;
    c. Election of Delfin L. Lazaro as director, Chairman of the Board and Chairman of the Executive Committee effective 28 September 2022;
    d. Election of Cezar P. Consing as Vice Chairman of the Board and Vice Chairman of the Executive Committee effective 28 September 2022;
    e. Election of Jaime Alfonso Antonio E. Zobel de Ayala as Director and member of the Executive Committee effective 28 September 2022;
    f. Appointment of Kyla Kamille U. Samson as Controller effective 28 September 2022.
2. October 12, 2022 - Resignation of director, Election of directors, and Appointment of officers, as amended:
    a. Resignation of Jaime Augusto Zobel de Ayala as director and Vice Chairman effective 28 September 2022;
    b. Resignation of Ronald F. Cuadro as Controller effective 1 October 2022;
    c. Election of Delfin L. Lazaro as director, Chairman of the Board and Chairman of the Executive Committee effective 28 September 2022;
    d. Election of Cezar P. Consing as Vice Chairman of the Board and Vice Chairman of the Executive Committee effective 28 September 2022;
    e. Election of Jaime Alfonso Antonio E. Zobel de Ayala as Director and member of the Executive Committee effective 28 September 2022;
    f. Appointment of Kyla Kamille U. Samson as Controller effective 28 September 2022.
3. October 12, 2022 – Submission of the amended SEC Form 23-A of Jaime Alfonso Antonio E. Zobel de Ayala as newly elected director
4. October 12, 2022 – Disbursements of the proceeds generated from the Company’s Stock Rights Offering as of 30 September 2022
5. October 12, 2022 – Disbursements of the proceeds from the Company’s Follow-On Offering as of 30 September 2022
6. October 17, 2022 – List of Top 100 Stockholders as of 30 September 2022
7. October 17, 2022 – Public Ownership Report as of 30 September 2022
8. October 18, 2022 – Amended Public Ownership Report as of 30 September 2022
9. October 18, 2022 – Notice of Briefing on Nine Months 2022 Financial and Operating Results for Analyst and Investors on 7 November 2022
10. October 24, 2022 – Partial redemption by South Luzon Thermal Energy Corporation (SLTEC) of SLTEC Preferred Shares owned by ACEN CORPORATION
11. October 25, 2022 – Amended Notice of Briefing on Nine Months 2022 Financial and Operating Results for Analyst and Investors on 8 November 2022

12. October 25, 2022 – Material Information/Transactions – Execution of the Option Agreements between ACEN CORPORATION and The Insular Life Assurance Company Ltd. And ETM Philippines Holdings Inc. to implement the overall energy transition mechanism for South Luzon Thermal Energy Corporation
13. October 25, 2022 – Material Information/Transactions - Board approval of Power Purchase and Supply Agreement with GNPower Dinginin Ltd. Co.
14. October 28, 2022 – Issuance of Corporate Guarantee in Support of the Company’s Australia Projects
15. October 28, 2022 – Press release on CEFC backs clean energy developer ACEN to develop 8 GW renewables portfolio
16. October 28, 2022 – Retirement by South Luzon Thermal Energy Corporation (SLTEC) of a portion SLTEC Common Shares held by ACEN CORPORATION
17. November 7, 2022 – Press release on ACEN Australia presses Go on Stubbo Solar Project
18. November 7, 2022 – Redemption by South Luzon Thermal Energy Corporation (SLTEC) of remaining SLTEC Preferred Shares owned by ACEN CORPORATION
19. November 7, 2022 – Material Information/Transactions - Execution of Option Agreements between ACEN CORPORATION (ACEN) and Government Service Insurance System and between ACEN and ETM Philippines Holdings Inc. to implement the overall energy transition mechanism for South Luzon Thermal Energy Corporation
20. November 7, 2022 – Sale of South Luzon Thermal Energy Corporation Common Shares owned by ACEN CORPORATION
21. November 7, 2022 – Press release on ACEN completes the world’s first Energy Transition Mechanism transaction for the 246-MW SLTEC coal plant
22. November 8, 2022 – Redemption by South Luzon Thermal Energy Corporation of remaining SLTEC Preferred Shares owned by ACEN CORPORATION
23. November 8, 2022 – Sale of South Luzon Thermal Energy Corporation Common Shares owned by ACEN CORPORATION
24. November 8, 2022 – Material Information/Transactions - Q3 2022 Earnings of ACEN CORPORATION and subsidiaries ended 30 September 2022
25. November 8, 2022 – Press release on ACEN books ₱4.1 billion in net income for the first nine months of 2022
26. November 11, 2022 – Amended 2022 General Information Sheet to reflect the (i) election of Delfin Lazaro as director and appointment as Chairman of the Executive Committee;(ii) appointment of Jaime Alfonso Antonio Zobel de Ayala as director and member of Executive Committee; (iii) appointment of Cezar P. Consing as Vice Chairman of the board and Vice Chairman of the Executive Committee; and (iv) appointment of Kyla Kamille U. Samson as Controller
27. November 11, 2022 – Matters approved at the regular board meeting on 10 November 2022:
    a. Extension of the tenor of the Php150 million loan to subsidiary ACE Enexor, Inc. (ACEX) and issuance of a letter of support to ACEX;
    b. Appointment of Mr. Roman Miguel G. de Jesus as Chief Operating Officer for Philippine Operations effective 1 January 2023;
    c. Appointment of Mr. Michael E. Limbo as Chief Audit Executive effective 10 November 2022;
    d. Engagement of Stock Transfer Services, Inc. as the Company’s Stock Transfer Agent to replace BPI Stock Transfer Office effective 1 February 2023;
    e. Revisions to the Company’s Insider Trading Policy;
    f. Revisions to the Multi-employer Retirement Plan of the Company;
    g. Enterprise Risk Management Policy of the Company;
    h. Short-term credit facility from Metrobank for working capital and general corporate requirements;
    i. Advances to Ingrid Power Holdings, Inc., a joint venture company with Axia Power Philippines Holdings Inc.; and
    j. The Company’s 2023 business plan and budget;
    k. Appointment of Mr. Patrice Clausse as Chief Executive Officer of ACEN International; and
    l. Appointment of Mr. Jose Maria Eduardo P. Zabaleta as Global Head of Development.
28. November 11, 2022 – Resignation of Officer, and Appointment of Officers:
    a. Resignation of Arnel A. Racelis as OIC-Chief Audit Executive effective 10 November 2022;
    b. Election of Roman Miguel G. de Jesus as Chief Operating Officer for Philippine Operations effective 10 November 2022; and
    c. Election of Michael E. Limbo as Chief Audit Executive effective 10 November 2022.
29. November 11, 2022 – Change in Stock Transfer Agent to Stock Transfer Services, Inc. effective 1 February 2023

30. November 14, 2022 – Submission of SEC Form 23-A of Michael E. Limbo as the newly elected Chief Audit Executive
31. November 15, 2022 – Quarterly Report as of 30 September 2022
32. November 24, 2022 – Subscription by the Company to shares in Pagudpud Wind Power Corp.
33. November 24, 2022 – Subscription by the Company to shares in Bayog Wind Power Corp.
34. November 28, 2022 – Subscription by the Company to additional shares in Natures Renewable Energy Devt. (NAREDCO) Corporation
35. December 1, 2022 – Material Information/Transactions - Execution of a Share Purchase Agreement among ACEN CORPORATION, Sungrow Power Renewables Corp., and Havilah AAA Holdings Corp.
36. December 7, 2022 – Amended 2022 General Information Sheet reporting the appointment of Michael E. Limbo as Chief Audit Executive
37. December 19, 2022 – Subscription by the Company of shares in Giga Ace 8, Inc.
38. December 19, 2022 – Acquisition of shares in Sinocalan Solar Power Corp.
39. December 22, 2022 – Subscription by the Company to additional shares in Natures Renewable Energy Devt. (NAREDCO) Corporation
40. December 27, 2022 – Submission of the revised Related Party Transactions Policy as of 13 December 2021

Clarification of News Reports

Structured Reports submitted to SEC and PSE

1. Top 100 Stockholders Report
2. Public Ownership Reports
3. Statement of Changes in Beneficial Ownership of Securities of directors, officers, and 10% owners
4. Initial Statement of Beneficial Ownership of Securities of directors, officers, and 10% owners
5. Quarterly Financial Reports
6. Annual Report

ACEN

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 04 2023.

ACEN CORPORATION
By:

Delfin L. Lazaro
Chairman of the Board

John Eric T. Francia
President and Chief Executive Officer

Maria Corazon G. Dizon
Treasurer and Chief Finance Officer,
Chief Compliance Officer and Finance Group Head

Solomon M. Hermosura
Corporate Secretary

Kyla Kamille U. Samson
Assistant Vice-President for Finance and Controller

Roman Miguel G. De Jesus
Chief Operating Officer for Philippine Operations

SUBSCRIBED AND SWORN to before me this APR 04 2023 at Makati City, affiants exhibiting to me his/their respective passports/driver's license, to wit:

Delfin L. Lazaro	P7392634B	13 Aug 2021	DFA Manila
John Eric T. Francia	P3923362B	21 Nov 2019	DFA Manila
Maria Corazon G. Dizon	P6253635A	2 Mar 2018	DFA NCR East
Solomon M. Hermosura	P3081434B	3 Oct 2019	DFA NCR East
Kyla Kamille U. Samson	P4126250B	6 Jan 2020	DFA Manila
Roman Miguel G. De Jesus	N03-92-119972	09 Feb 2024 (exp)	LTO

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AMIRAH L. PEÑALBER NOTARY PUBLIC ROLL NO. 66353 MAKATI CITY, PHILIPPINES

AMIRAH L. PEÑALBER
Notary Public for Makati City
Appointment No. M-252 valid until 31 December 2023
Attorney's Roll No. 66353; 22 June 2016
PTR No. MKT 9566243 / 03 January 2023/Makati City
IBP No. 268250/04 January 2023
MCLE Compliance No. VII-00 21507 valid until 14 April 2025 35/F Ayala Triangle Gardens Tower 2
Makati Avenue corner Paseo de Roxas, Makati City
Tel No. 77306300

35F Tower 2
Ayala Triangle Gardens
Paseo de Roxas cor. Makati Ave.
Makati City, Philippines 1226

Report of the Audit Committee to the Board of Directors
For the Year Ended 31 December 2022

The Board-approved Audit Committee ("the Committee") Charter defines the duties and responsibilities of the Committee. In accordance with the Charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to the:

- Integrity of the Company's financial statements and the financial reporting process;
- Appointment, remuneration, qualification, independence and performance of the external auditors and the integrity of the audit process as a whole;
- Effectiveness of the system of internal control;
- Performance and leadership of the internal audit function; and
- Company's compliance with applicable legal and regulatory requirements.

In compliance with the Audit Committee Charter, we confirm that:

- All the Audit Committee members are non-executive directors. The Chairman of the Committee is an independent director.

- We had four (4) regular meetings and one (1) executive session with the external auditors and the internal auditors;

- We recommended for approval of the Board and endorsement to the shareholders the reappointment of SGV & Co. as the Company's 2022 external auditors and the related audit fee;

- We reviewed and approved the quarterly unaudited and the annual audited parent and consolidated financial statements of ACEN and Subsidiaries, including the Management's Discussion and Analysis of Financial Condition and Results of Operations and the significant impact of new accounting standards, with management, internal auditors and SGV & Co. These activities were performed in the following context:
  - Management has the primary responsibility for the financial statements and the financial reporting process; and
  - SGV & Co. is responsible for expressing an opinion on the conformity of ACEN's audited parent and consolidated financial statements with the Philippine Financial Reporting Standards.

- We approved the overall scope and the respective audit plans of the Company's internal auditors and SGV & Co. We reviewed the adequacy of resources, the competencies of staff and the effectiveness of the auditors to execute the audit plans ensuring that resources are reasonably allocated to the areas of highest risks. We also discussed the results of their audits, their assessment of the Company's internal controls, and the overall quality of the financial reporting process including their management letter of comments;

- We reviewed the reports and updates of the internal and external auditors ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues. Based on the assurance provided by the internal audit as well as SGV & Co. as a result of their audit activities, the Committee assessed that the Company's system of internal controls, risk management, compliance, and governance processes are adequate;

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Ayala Triangle Gardens
Paseo de Roxas cor. Makati Ave.
Makati City, Philippines 1226

- We reviewed and approved the changes to the Policy on Pre-approval of Audit and Non-Audit Services (NAS) to define the pre-approved limit for audit-related and NAS, including the threshold of NAS against the total external audit fees;

- We reviewed and approved all audit, audit-related and NAS provided by SGV & Co. to ACEN and the related fees. We also assessed the compatibility of the NAS with the auditors' independence to ensure that such services will not impair their independence;

- We reviewed and approved the changes in the Audit Committee and Internal Audit Charters to ensure that these are updated and aligned with regulatory requirements;

- We endorsed for Board approval the appointment of Mr. Michael E. Limbo as the Company's Chief Audit Executive effective November 10, 2022;

- We evaluated the performance of the Chief Audit Executive and the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing; and

- We conducted an annual assessment of our performance, in accordance with Securities and Exchange Commission guidelines, and confirmed that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited financial statements be included in the Annual Report for the year ended December 31, 2022 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange. We are also recommending the reappointment of SGV & Co. as ACEN CORPORATION's external auditors and the related audit fee for 2023 based on their performance and qualifications.

27 February 2023

Signed by:

		DocuSigned by: Nicole Goh Phaik Khim 71C23ADBAC9B4CF...
MA. AURORA D. GEOTINA-GARCIA	**CONSUELO D. GARCIA**	**NICOLE GOH PHAIK KHIM**
Chairperson	Member	Member

35F Tower 2
Ayala Triangle Gardens
Paseo de Roxas cor. Makati Ave.
Makati City, Philippines 1226

EXHIBIT A

ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2022 and 2021
And Years Ended December 31, 2022, 2021 and 2020

ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES
Financial Highlights
(in thousand pesos except ratios)

	2022	**2021**	**2020**
Current Assets	70,022,580	64,271,969	60,242,419
Total Assets	232,772,563	171,161,387	141,815,820
Current Liabilities	17,696,536	7,828,772	12,481,526
Total Liabilities	83,179,120	53,192,625	37,536,485
Total Equity	149,593,443	117,968,762	104,279,335
Paid-in Capital	147,184,138	136,382,358	22,399,512
Total Revenues	35,238,551	26,081,441	20,488,235
Net Income	14,597,888	7,666,035	6,402,151
Earnings Per Share	0.33	0.18	0.40
Current Ratio	3.96:1	8.21:1	4.83:1
Acid Test Ratio	3.68:1	7.64:1	4.59:1
Debt/Equity Ratio	0.56:1	0.45:1	0.36:1
Asset-to-Equity Ratio	1.56:1	1.45:1	1.36:1
Interest Rate Coverage Ratio	6.91:1	5.61:1	4.57:1
Net Bank Debt to Equity Ratio	0.19:1	0.12:1	(0.01):1
Return on Equity	12.69%	7.40%	8.03%
Return on Assets	7.23%	4.90%	4.81%
Asset Turnover	17.45%	16.67%	15.39%

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

069-039274

COMPANY NAME

ACEN CORPORATION (Formerly AC ENERGY CORPORATION) AND SUBSIDIARIES

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

35TH FLOOR, AYALA TRIANGLE GARDENS TOWER 2, PASEO DE ROXAS CORNER MAKATI AVENUE, MAKATI CITY 1226

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	7730-6300	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,182	04/24	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alan T. Ascalon	ascalon.at@acenergy.com.ph	(02) 7730-6300	–

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.*

ACEN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **ACEN CORPORATION,** formerly AC Energy Corporation, **and Subsidiaries**, (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, 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.

DELFIN L. LAZARO
Chairman of the Board

JOHN ERIC T. FRANCIA
President and Chief Executive Officer

MARIA CORAZON G. DIZON
Treasurer and Chief Financial Officer

Signed this 7th day of March 2023

SUBSCRIBED AND SWORN to before me this MAR 24 2023 at Makati City, affiants exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Delfin L. Lazaro	P7392634B	13 Aug 2021	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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JORDAN MAE T. CHUA
Notary Public for Makati City
Appointment No. M-148 valid until 31 December 2023
Attorney's Roll No. 63561; 8 May 2014
PTR No. MKT 9566244/ 03 January 2023/Makati City IBP
Lifetime No. 012851/2 April 2015/Quezon City
MCLE Compliance No. VII-0017361 valid until 14 April 2025
35/F Ayala Triangle Gardens Tower 2
Makati Avenue corner Paseo de Roxas, Makati City
Tel No. 77306300

JORDAN MAE T. CHUA
NOTARY PUBLIC
ROLL NO. 63561
MAKATI CITY, PHILIPPINES

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

35F Tower 2
Ayala Triangle Gardens
Paseo de Roxas cor. Makati Ave.
Makati City, Philippines 1226

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
ACEN CORPORATION (formerly AC Energy Corporation)
35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner,
Makati Avenue, Makati City

Opinion

We have audited the consolidated financial statements of ACEN CORPORATION (formerly AC Energy Corporation) and its Subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 Acquisition of UPC-AC Energy Australia HK Ltd.

On March 21, 2022, the Group, through its subsidiary, ACEN Renewables International (ACRI) acquired additional 30% interest in UPC-AC Energy Australia HK Ltd. (UPC-ACE Australia) increasing ACRI's ownership to 80%. However, by virtue of agreed governance structure between UPC Renewables Asia Pacific Holdings (UPC APH) and ACRI, the investment was treated as joint venture and accounted for using equity method. On November 8, 2022, the Group and UPCAPH executed a proxy-rights assignment in favor of ACRI which resulted in ACRI gaining control over UPC-ACE Australia. Accordingly, the Group recognized a gain of ₱10,921.03 million from the remeasurement of its previously held interest in UPC-ACE Australia.

Also, the Group performed a notional purchase price allocation using the provisional fair values of the underlying assets and liabilities of UPC-ACE Australia which resulted in the recognition of goodwill amounting to ₱21,544.49 million.

This matter is important to our audit because the amounts involved are material and it required significant management judgment in determining the date when the control is obtained and thus for the previously held interest to be remeasured. It also required significant estimation in the determination of acquisition date fair value of previously held interest, and the determination of the fair values of the underlying acquired assets and liabilities of UPC-ACE Australia for the purchase price allocation.

The Group's disclosure are included in Notes 3 and 23 to the consolidated financial statements.

Audit Response

We sent instructions to the statutory auditors of ACRI to perform an audit on the relevant financial information of ACRI for the purpose of our audit of the consolidated financial statements of the Group. These audit instructions contained a discussion of their scope of work, risk assessment procedures and reporting requirements. We discussed with the statutory auditors of ACRI their identified key audit areas, including the significant areas of estimation and judgment, planning and execution of audit procedures, and results of their work for the year ended December 31, 2022.

We reviewed the audit working papers of the statutory auditor of ACRI particularly the audit procedures performed in relation to this transaction. We also reviewed the procedures performed in assessing the competence, capabilities and objectivity of the external specialist who prepared the purchase price allocation report.

For the gain on remeasurement of previously held interest, we reviewed the procedures performed by the statutory auditor on the determination of the basis of acquisition date and the previously held interest to be remeasured based on support such as Sale and Purchase Agreement, proxy rights assignment, pricing spreadsheet and consideration paid by ACRI. We also recomputed the gain on remeasurement, and reviewed the presentation and disclosures related to this transaction in the consolidated financial statements.

For the notional purchase price allocation and goodwill recognition, we reviewed the procedures performed on the identification of UPC-ACE Australia's underlying assets and liabilities and the methodologies and assumptions used in determining their fair values. We recomputed the Group's share in the net fair values of UPC-ACE Australia's identifiable assets and liabilities and the resulting goodwill from the total consideration transferred. We also reviewed the presentation and disclosures related to this transaction in the consolidated financial statements.

Accounting for the Divestment of South Luzon Thermal Energy Corporation (SLTEC)

In 2021, the Board of Directors of ACEN approved and authorized management to work towards the early retirement of SLTEC coal plant by 2040 using an Energy Transition Mechanism (ETM), which includes the redemption, retirement and sale of common and redeemable preferred shares held by ACEN. In 2022, SLTEC executed the notice of retirement of common shares and notice of redemption of preferred shares. In addition, ACEN and ETM Philippines Holdings Inc. (EPHI) executed the Deed of Absolute Sale over the SLTEC common shares and preferred shares to qualified third-party investors (the "Transaction"). In addition, option agreements over the SLTEC shares were executed, which entitled ACEN and the investors, severally, to exercise the call and put options, respectively, based on certain pre-agreed conditions.

The Transaction was accounted for as a loss of control transaction which resulted in the deconsolidation of the assets and liabilities of SLTEC in the Group's consolidated financial statements as at the date of loss of control. The Group recognized loss on deconsolidation amounting to ₱121.11 million. We considered the accounting for the Transaction as a key audit matter due to the complexity and financial impact of the Transaction to the Group.

The Group's disclosures about the divestment of SLTEC are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained and reviewed the relevant contracts and agreements pertaining to the Transaction. We obtained and reviewed management's assessment of ACEN's loss of control over SLTEC considering the control criteria under Philippine Financial Reporting Standard 10, *Consolidated Financial Statements*. We traced the proceeds received by ACEN from the sale, retirement and redemption of the SLTEC common and preferred shares to supporting documents such as bank statements. We tested management's accounting for the loss of control transaction by checking the deconsolidation of SLTEC's assets and liabilities as at the date of loss of control. We recomputed the loss on deconsolidation based on proceeds received against the carrying amount of net assets of SLTEC as at the date of loss of control. We also reviewed the presentation and disclosures in the notes to consolidated financial statements.

Recoverability of Deferred Tax Assets

The Parent Company recognized deferred tax assets of ₱1,228.29 million as at December 31, 2022 on net operating loss carry over (NOLCO) which resulted in an equivalent amount of benefit from deferred income tax in the consolidated statement of income in 2022. The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income that are affected by expected future market or economic conditions and the expected performance of the Parent Company.

The disclosures in relation to deferred tax assets are included in Notes 3 and 24 to the consolidated financial statements.

Audit Response

We evaluated management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We obtained and reviewed revenue contracts with its customers and forecasted volume. We evaluated management's financial forecast by testing the assumptions used by management. These assumptions include forecasted revenue growth rates and gross margin and prices in the energy spot market. We compared the key assumptions used against the historical performance of the Parent Company and other relevant external data. We re-performed the calculation of the deferred tax assets. We also assessed the timing of the reversal deferred tax assets on NOLCO.

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, 2022 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, 2022 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

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. 111562-SEC (Group A),
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A),
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-120-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9566017, January 3, 2023, Makati City

March 7, 2023

ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 29)	**₱34,630,011**	₱26,445,429
Accounts and notes receivable - net (Notes 5, 26 and 29)	**30,503,231**	33,309,297
Fuel and spare parts	**806,986**	1,490,559
Financial assets at fair value through profit or loss (FVTPL) (Note 9)	**42,863**	–
Current portion of:		
Input value added tax (VAT)	**2,132,179**	1,173,169
Creditable withholding taxes	**940,403**	837,472
Other current assets (Notes 14 and 29)	**966,907**	812,579
	70,022,580	64,068,505
Noncurrent assets held for sale (Note 6)	–	203,464
Total Current Assets	**70,022,580**	64,271,969
Noncurrent Assets		
Investments in:		
Associates and joint ventures (Note 7)	**24,766,433**	21,358,301
Other financial assets at amortized cost (Note 8)	**21,260,907**	26,085,959
Financial assets at FVTPL (Note 9)	**1,260,023**	406,739
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	**366,844**	354,868
Property, plant and equipment (Note 11)	**58,398,228**	36,038,563
Right-of-use assets (Note 12)	**3,726,647**	2,135,479
Accounts and notes receivable - net of current portion (Notes 5, 26 and 29)	**16,387,729**	13,191,314
Goodwill and other intangible assets (Note 13)	**23,268,743**	2,375,980
Net of current portion:		
Input VAT	**2,336,747**	524,733
Creditable withholding taxes	**752,317**	726,804
Deferred income tax assets - net (Note 24)	**1,730,194**	512,366
Other noncurrent assets (Notes 14 and 29)	**8,495,171**	3,178,312
Total Noncurrent Assets	**162,749,983**	106,889,418
TOTAL ASSETS	**₱232,772,563**	₱171,161,387

(Forward)

	December 31	
	2022	2021
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 15, 26 and 29)	**₱13,322,569**	₱6,280,829
Short-term loans (Notes 16 and 32)	**2,900,000**	–
Current portion of:		
Long-term loans (Notes 16, 29 and 30)	**719,385**	824,488
Lease liabilities (Notes 12, 29 and 30)	**258,562**	536,950
Income and withholding taxes payable	**479,435**	169,920
Due to stockholders (Note 26)	**16,585**	16,585
Total Current Liabilities	**17,696,536**	7,828,772
Noncurrent Liabilities		
Notes payable (Notes 16, 29 and 30)	**32,093,314**	20,195,054
Long-term loans – net of current portion (Notes 16, 29 and 30)	**28,051,903**	20,117,733
Lease liabilities – net of current portion (Notes 12, 29 and 30)	**4,206,459**	2,159,302
Pension and other employee benefits (Note 25)	**76,997**	80,422
Deferred income tax liabilities - net (Note 24)	**226,268**	74,422
Other noncurrent liabilities (Note 17)	**827,643**	2,736,920
Total Noncurrent Liabilities	**65,482,584**	45,363,853
Total Liabilities	**83,179,120**	53,192,625
Equity		
Capital stock (Notes 1 and 18)	**39,691,895**	38,338,527
Additional paid-in capital (Notes 1 and 18)	**107,492,243**	98,043,831
Other equity reserves (Note 18)	**(56,585,740)**	(56,604,532)
Unrealized fair value loss on equity instruments at FVOCI (Note 10)	**(114,566)**	(90,089)
Unrealized fair value gain on derivative instruments designated as hedges – net of tax (Note 29)	**326,676**	6,228
Remeasurement loss on defined benefit plans – net of tax (Note 25)	**(43,910)**	(24,436)
Accumulated share in other comprehensive (loss) gain of associates and joint ventures (Note 7)	**(5,794)**	29,723
Cumulative translation adjustments	**7,449,690**	(359,910)
Retained earnings (Note 18)	**19,551,839**	8,707,301
Treasury shares (Note 18)	**(28,657)**	(28,657)
Total equity attributable to equity holders of the Parent Company	**117,733,676**	88,017,986
Non-controlling interests (Note 18)	**31,859,767**	29,950,776
Total Equity	**149,593,443**	117,968,762
TOTAL LIABILITIES AND EQUITY	**₱232,772,563**	₱171,161,387

See accompanying Notes to Consolidated Financial Statements.

ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31		
	2022	2021	2020
REVENUES			
Revenue from sale of electricity (Note 19)	**₱34,995,488**	₱25,878,039	₱20,283,303
Rental income	**68,469**	61,466	86,622
Dividend income	**3,635**	11,725	14,034
Other revenues	**170,959**	130,211	104,276
	35,238,551	26,081,441	20,488,235
COSTS AND EXPENSES			
Costs of sale of electricity (Note 20)	**34,183,239**	21,469,733	13,420,538
General and administrative expenses (Note 21)	**3,901,817**	2,785,549	3,017,665
	38,085,056	24,255,282	16,438,203
INTEREST AND OTHER FINANCE CHARGES (Note 22)	**(2,357,531)**	(1,694,380)	(1,988,086)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES (Note 7)	**937,834**	1,952,753	1,490,192
OTHER INCOME - NET (Note 23)	**18,201,992**	5,723,640	3,551,889
INCOME BEFORE INCOME TAX	**13,935,790**	7,808,172	7,104,027
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**415,325**	297,689	404,053
Deferred	**(1,077,423)**	(155,552)	297,823
	(662,098)	142,137	701,876
NET INCOME	**₱14,597,888**	₱7,666,035	₱6,402,151
Net Income Attributable To:			
Equity holders of the Parent Company	**₱13,055,119**	₱5,250,972	₱4,288,102
Non-controlling interests	**1,542,769**	2,415,063	2,114,049
	₱14,597,888	₱7,666,035	₱6,402,151
Basic/Diluted Earnings Per Share (Note 27)	**₱0.33**	₱0.18	₱0.40

See accompanying Notes to Consolidated Financial Statements.

ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱14,597,888**	₱7,666,035	₱6,402,151
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	**7,780,911**	3,155,451	(3,552,333)
Unrealized fair value (loss) gain on derivative instruments designated as hedges - net of tax	**362,555**	(47,029)	72,151
	8,143,466	3,108,422	(3,480,182)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Net changes in the fair value of equity instruments at FVOCI	**(24,477)**	(44,909)	92,821
Remeasurement loss on defined benefit plans – net of tax	**(25,265)**	(17,437)	35
	(49,742)	(62,346)	92,856
	8,093,724	3,046,076	(3,387,326)
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES (Note 7)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Unrealized fair value gain (loss) on derivative instruments designated as hedges - net of tax	**45,224**	104,994	(32,997)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit plans - net of tax	**7,628**	(54,608)	(28,693)
	52,852	50,386	(61,690)
TOTAL OTHER COMPREHENSIVE INCOME	**8,146,576**	3,096,462	(3,449,016)
TOTAL COMPREHENSIVE INCOME	**₱22,744,464**	₱10,762,497	₱2,953,135
Total Comprehensive Income Attributable To:			
Equity holders of the Parent Company	**₱21,188,277**	₱8,281,629	₱841,484
Non-controlling interests	**1,556,187**	2,480,868	2,111,651
	₱22,744,464	₱10,762,497	₱2,953,135

See accompanying Notes to Consolidated Financial Statements.

ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 18)	Additional Paid-in Capital	Other Equity Reserves (Note 18)	Unrealized Fair Value Loss on Equity Instruments at FVOCI	Unrealized Fair Value Gain on derivative instruments designated as hedge – net of tax (Note 29)	Remeasurement Loss On Defined Benefit Plans – net of tax	Accumulated Share in Other Comprehensive Income (Loss) gain of Associates and Joint Ventures (Note 7)	Cumulative Translation Adjustments	Retained Earnings (Note 18)	Treasury Shares (Note 18)	Total	Non-controlling Interests (Note 18)	Total Equity
Balances at January 1, 2022	**₱38,338,527**	**₱98,043,831**	**(₱56,604,532)**	**(₱90,089)**	**₱6,228**	**(₱24,436)**	**₱29,723**	**(₱359,910)**	**₱8,707,301**	**(₱28,657)**	**₱88,017,986**	**₱29,950,776**	**₱117,968,762**
Net income (loss)	–	–	–	–	–	–	–	–	**13,055,119**	–	**13,055,119**	**1,542,769**	**14,597,888**
Other comprehensive income (loss)	–	–	–	**(24,477)**	**320,448**	**(25,265)**	**52,852**	**7,809,600**	–	–	**8,133,158**	**13,418**	**8,146,576**
Total comprehensive income (loss)	–	–	–	**(24,477)**	**320,448**	**(25,265)**	**52,852**	**7,809,600**	**13,055,119**	–	**21,188,277**	**1,556,187**	**22,744,464**
Dividends declared (Note 18)	–	–	–	–	–	–	–	–	**(2,298,950)**	–	**(2,298,950)**	**(1,504,247)**	**(3,803,197)**
Issuance of capital stock (Note 18)	**1,320,746**	**9,237,832**	–	–	–	–	–	–	–	–	**10,558,578**	–	**10,558,578**
Grants through Employee Stock Ownership Plan (Note 18)	**32,623**	**210,586**	–	–	–	–	–	–	–	–	**243,209**	–	**243,209**
Adjustment in grants through Employee Stock Ownership Plan	**(1)**	**(6)**	–	–	–	–	–	–	–	–	**(7)**	–	**(7)**
Changes due to loss of control	–	–	–	–	–	**5,791**					**5,791**	–	**5,791**
Business combination during the year	–	–	–	–	–	–	**(88,369)**	–	**88,369**	–	–	–	–
Non-controlling interest arising from a business combination (Note 18)	–	–	–	–	–	–	–	–	–	–	–	**1,947,104**	**1,947,104**
Effects of common control business combination (Note 18)	–	–	**121,830**	–	–	–	–	–	–	–	**121,830**	**(105,192)**	**16,638**
Acquisition of non-controlling interest in a subsidiary (Note 18)	–	–	**(110,463)**	–	–	–	–	–	–	–	**(110,463)**	**15,139**	**(95,324)**
*Others	–	–	**7,425**	–	–	–	–	–	–	–	**7,425**	–	**7,425**
	1,353,368	**9,448,412**	**18,792**	–	–	**5,791**	**(88,369)**	–	**(2,210,581)**	–	**8,527,413**	**352,804**	**8,880,217**
Balances at December 31, 2022	**₱39,691,895**	**₱107,492,243**	**(₱56,585,740)**	**(₱114,566)**	**₱326,676**	**(₱43,910)**	**(₱5,794)**	**₱7,449,690**	**₱19,551,839**	**(₱28,657)**	**₱117,733,676**	**₱31,859,767**	**₱149,593,443**
Balances at January 1, 2021	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
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 18)	–	–	–	–	–	–	–	–	(1,195,787)	–	(1,195,787)	(2,231,038)	(3,426,825)

(Forward)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 18)	Additional Paid-in Capital	Other Equity Reserves (Note 18)	Unrealized Fair Value Loss on Equity Instruments at FVOCI	Unrealized Fair Value Gain on derivative instruments designated as hedge – net of tax (Note 29)	Remeasurement Loss On Defined Benefit Plans – net of tax	Accumulated Share in Other Comprehensive Income (Loss) gain of Associates and Joint Ventures (Note 7)	Cumulative Translation Adjustments	Retained Earnings (Note 18)	Treasury Shares (Note 18)	Total	Non-controlling Interests (Note 18)	Total Equity
Issuance of capital stock (Note 18)	24,623,381	89,851,457	–	–	–	–	–	–	–	–	114,474,838	–	114,474,838
Reissuance of treasury shares (Note 18)	–	127,746	–	–	–	–	–	–	–	67,457	195,203	–	195,203
Grants through Employee Stock Ownership Plan (Note 18)	8,189	52,360	–	–	–	–	–	–	–	–	60,549	–	60,549
Stock issuance costs (Note 18)	–	(680,287)	–	–	–	–	–	–	–	–	(680,287)	–	(680,287)
Acquisition of treasury shares (Note 18)	–	–	–	–	–	–	–	–	–	(55,184)	(55,184)	–	(55,184)
Reversal of unrealized fair value gain upon redemption (Note 10)	–	–	–	(25,906)	–	–	–	–	–	–	(25,906)	–	(25,906)
Acquisition of non-controlling interest in a subsidiary (Note 18)	–	–	(985,702)	–	–	–	–	–	–	–	(985,702)	(313,598)	(1,299,300)
Capital redemption of non-controlling interest in a subsidiary (Note 18)	–	–	–	–	–	–	–	–	–	–	–	(20,386,275)	(20,386,275)
Capital infusion of non-controlling interest in a subsidiary (Note 18)	–	–	–	–	–	–	–	–	–	–	–	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)
	24,631,570	89,351,276	(85,266,889)	(188,805)	–	–	209,181	–	(2,892,753)	12,273	25,855,853	(22,928,923)	2,926,930
Balances at December 31, 2021	₱38,338,527	₱98,043,831	(₱56,604,532)	(₱90,089)	₱6,228	(₱24,436)	₱29,723	(₱359,910)	₱8,707,301	(₱28,657)	₱88,017,986	₱29,950,776	₱117,968,762
Balances at January 1, 2020	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	–	–	–	–	–	–	–	–	(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

See accompanying Notes to Consolidated Financial Statements.

ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱13,935,790**	₱7,808,172	₱7,104,027
Adjustments for:			
Interest and other finance charges (Note 22)	**2,357,531**	1,694,380	1,988,086
Depreciation and amortization (Notes 20 and 21)	**2,178,408**	2,005,865	1,810,743
Employee stock ownership plan expense (Note 18)	**31,161**	3,553	–
Interest and other financial income (Note 23)	**(5,639,184)**	(4,376,158)	(2,060,084)
Equity in net income of associates and joint ventures (Note 7)	**(937,834)**	(1,952,753)	(1,490,192)
Foreign exchange (gains) losses - net	**(100,538)**	49,230	(45,759)
Pension and other employee benefits	**(19,463)**	12,056	(20,071)
Dividend income	**(3,635)**	(11,725)	(14,034)
Provision for (reversal of):			
Impairment loss on:			
Other financial assets at amortized cost (Notes 8 and 21)	**1,284,409**	–	–
Property, plant and equipment - net (Notes 11, 21 and 23)	**41,444**	211,405	381,105
Advances to contractors, net (Notes 14, 21 and 23)	**(1,256)**	(22,447)	49,884
Investments in associates and joint ventures (Note 21)	**–**	–	186,513
Probable losses on deferred exploration costs (Notes 13 and 21)	**584**	23,379	–
Expected credit losses (Notes 5, 21 and 23)	**(13,755)**	873	(32)
Loss (gain) on:			
Remeasurement of previously held interest (Notes 23 and 28)	**(10,921,026)**	–	–
Divestment of investment in associate (Notes 7 and 23)	**(734,672)**	(37,635)	–
Settlement of derivatives (Notes 23 and 31)	**(297,342)**	(41,802)	3,414
Sale of inventories and by-product (Note 23)	**(32,953)**	(24,733)	(15,354)
Unrealized commodity swaps (Note 23)	**(1,647)**		
Bargain purchase (Note 23)	**(138)**	–	(49,970)
Fair value adjustment on financial asset at FVTPL (Notes 9 and 23)	**124,513**	–	–
Change due to loss of control (Note 2, 7, and 23)	**121,107**	(21,808)	–
Discount on long-term receivables (Note 23)	**82,508**	–	–
Sale of noncurrent assets held for sale (Notes 6 and 23)	**8,400**	–	–
Sale of property and equipment (Note 23)	**7,049**	(1,095)	4,280
Write-off of FVOCI (Notes 23)	**500**		–
Recovery of tax credit certificate on real property tax (Note 23)	**–**	(69,154)	–
Sale of investments (Note 23)	**–**	–	(867,067)
Operating income before working capital changes	**1,469,961**	5,249,603	6,965,489
Decrease (increase) in:			
Accounts and other receivable	**(998,413)**	(1,120,936)	(3,292,512)
Fuel and spare parts	**(139,581)**	(74,486)	(426,969)
Other current assets	**(1,945,311)**	(606,418)	182,026
Increase in accounts payable and other current liabilities	**3,772,606**	324,303	(353,687)
Cash generated from operations	**2,159,262**	3,772,066	3,074,347
Interest received	**202,706**	124,485	294,313
Income and withholding taxes paid	**(66,062)**	(472,425)	(244,917)
Net cash flows from operating activities	**2,295,906**	3,424,126	3,123,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Loans to related parties (Note 26)	**(20,319,739)**	(27,374,988)	(11,488,821)
Property, plant and equipment (Note 11)	**(20,717,831)**	(5,816,321)	(6,259,461)
Investments in subsidiaries, net of cash acquired (Note 28)	**(4,033,180)**	–	(4,026,861)
Investments in redeemable preferred shares (Note 8)	**(3,571,739)**	(866,258)	(2,899,776)
Investments in associates and joint venture, net (Note 7)	**(2,996,379)**	(536,189)	(2,853,713)
Issuance of convertible loans (Notes 8 and 28)	**(2,807,214)**	(6,542,561)	(5,983,388)
Financial assets at FVTPL (Note 9)	**(912,534)**	(402,680)	(5,474,708)

(Forward)

	Years Ended December 31		
	2022	2021	2020
Subscription deposits (Note 8)	**(₱180,448)**	(₱3,150,370)	(₱2,087,275)
Deferred exploration costs (Note 13)	**(1,471)**	(19,766)	(13,836)
Investment properties	–	(109,910)	(44,605)
Short-term investments	–	(68,310)	–
Right-of-use assets	–	–	(378,492)
Proceeds from:			
Collection of loans to related parties (Note 26)	**25,251,588**	7,488,683	3,523,334
Change due to loss of control, net of cash surrender (Note 2)	**5,494,611**	–	–
Divestment of investment in associate (Note 7)	**734,672**	–	–
Sale of noncurrent assets held for sale (Notes 6)	**193,525**	4,963	–
Termination of short-term investments (Note 14)	**67,782**	–	100,000
Redemption of convertible loan (Note 8)	**14,508**	791,328	–
Sale of property, plant and equipment (Note 11)	**3,933**	19,445	2,627
Redemption of financial assets at FVOCI (Note 10)	–	12,687,858	7,275,900
Sale of investments in financial assets at FVTPL	–	–	6,346,901
Insurance claim	–	–	35,282
Dividends received from:			
Investments in associates and joint ventures (Note 7)	**2,222,356**	1,693,682	2,162,400
Financial assets at FVOCI (Note 10)	**3,635**	11,725	14,034
Interest received	**4,200,750**	1,599,069	1,508,615
Increase in other noncurrent assets, non-current portion of input VAT and CWT	**(6,984,890)**	(2,478,046)	(1,766,093)
Net cash flows used in investing activities	**(24,338,065)**	(23,068,646)	(22,307,936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term debts (Notes 16 and 32)	**23,259,020**	3,000,000	14,184,275
Availment of long-term debts (Notes 16 and 32)	**23,012,509**	848,276	3,807,614
Issuance of capital stock (Notes 18 and 32)	**10,558,578**	27,581,162	–
Issuance of notes payable (Note 16)	**10,000,000**	20,383,600	–
Reissuance of treasury shares	–	195,202	86,833
Capital infusion of non-controlling interest in subsidiaries (Note 18)	–	1,988	9,776,936
Payments of:			
Short-term loans (Notes 16 and 32)	**(20,359,020)**	(7,635,000)	(9,630,319)
Long-term loans (Notes 16 and 32)	**(7,387,050)**	(2,188,811)	(4,602,920)
Cash dividends (Notes 18 and 32)	**(3,803,197)**	(3,410,239)	(2,507,813)
Interest on short-term and long-term loans (Note 32)	**(1,955,949)**	(1,165,047)	(1,682,101)
Debt issue cost (Note 16)	**(390,065)**	(133,396)	(28,500)
Interest on lease liabilities (Notes 12 and 22)	**(198,050)**	(164,416)	(171,097)
Acquisition of non-controlling interest (Note 18)	**(95,324)**	(280,500)	–
Lease liabilities (Notes 12 and 32)	**(93,035)**	(285,855)	(68,670)
Capital redemption of non-controlling interest in subsidiary (Note 18)	–	(20,386,275)	–
Stock issuance costs	–	(680,287)	(94,782)
Treasury shares (Note 18)	–	(55,184)	(28,657)
Decrease in due to stockholders	–	(18,272)	1,678
Increase in other noncurrent liabilities	**(1,040,364)**	1,016,196	27,263
Net cash flows from financing activities	**31,508,053**	16,623,142	9,069,740
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,281,312)**	1,389,636	(1,438,672)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**8,184,582**	(1,631,742)	(11,553,125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**26,445,429**	28,077,171	39,630,296
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱34,630,011**	₱26,445,429	₱28,077,171

See accompanying Notes to Consolidated Financial Statements.

ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except When Otherwise Indicated)

1. **Corporate Information**

ACEN CORPORATION, formerly AC Energy Corporation ("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. ACEN and its subsidiaries are referred to as "the Group".

The direct parent company (or intermediate parent company) of ACEN is AC Energy and Infrastructure Corporation ("ACEIC"), a wholly owned subsidiary of Ayala Corporation ("AC"). AC is a publicly listed company which is 47.91% owned by Mermac, Inc. (ultimate parent company), and the rest by the public. AC is a listed entity incorporated in the Philippines.

As at December 31, 2022 and 2021, ACEIC owns 57.74% and 64.65%, respectively, of ACEN's total outstanding shares of stock.

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".

On the same date, the SEC approved the proposed amendments to ACEN's By-Laws and are intended to reflect the change in corporate name and principal office of ACEN.

On March 3, 2022, Bureau of Internal Revenue (BIR) Certificate of Registration was updated.

On July 20, 2022, the amendment to the Articles of Incorporation was approved by the SEC.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 7, 2023.

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), equity instruments at fair value through other comprehensive income (FVOCI) and derivative financial instruments 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022. 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:

		Percentage of Ownership (%)			
		2022		2021	
Subsidiaries	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
ACEN International, Inc. (“ACEN International”; formerly AC Energy International, Inc.)	International investment holding	**100.00**	**–**	100.00	–
ACEN Renewables International Pte. Ltd.(“ACRI”; formerly AC Renewables International Pte. Ltd.)[a]	International investment holding	**–**	**100.00**	–	100.00
ACEN Cayman Limited (“ACEC”; formerly AC Energy Cayman)[b]	International investment holding	**–**	**100.00**	–	100.00
ACEN Investments HK Limited (“ACEN HK”, formerly ACE Investments HK Limited)[c]	International investment holding	**–**	**100.00**	–	100.00
UPC-AC Energy Australia (HK) Ltd. (“UPC-ACE Australia”)	Power generation	**–**	**80.00**	–	–
ACEN Finance Limited (“ACEN Finance”)[b]	Investment holding	**100.00**	**–**	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
ENEX Energy Corp. (“ENEX”; formerly ACE Enexor, Inc.)	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	–
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. ("Giga Ace 8")	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.	Power generation	**100.00**	**–**	100.00	–
Giga Ace 12, Inc.	Power generation	**100.00**	**–**	100.00	–
Giga Ace 14, Inc.	Power generation	**100.00**	**–**	100.00	–
Giga Ace 15, Inc.	Power generation	**100.00**	**–**	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 Endevor, Inc. (“ACE Endevor”)	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**	**–**	100.00	–
Ingrid5 Power Corp.	Advisory/Consultancy	**100.00**	**–**	100.00	–
Ingrid6 Power Corp.	Advisory/Consultancy	**100.00**	**–**	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**	**–**	100.00	–
Gigasol 5, Inc.	Power generation	**100.00**	**–**	100.00	–
Gigasol 6, Inc.	Power generation	**100.00**	**–**	100.00	–

Subsidiaries	Principal Activities	Percentage of Ownership (%) 2022 Direct	Indirect	2021 Direct	Indirect
Gigasol 7, Inc.	Power generation	**100.00**	**–**	100.00	–
Gigasol 8, Inc.	Power generation	**100.00**	**–**	100.00	–
Gigasol 9, Inc.	Power generation	**100.00**	**–**	100.00	–
Gigasol 10, Inc.	Power generation	**100.00**	**–**	100.00	–
GigaWind1 Inc.	Power generation	**–**	**100.00**	–	100.00
GigaWind2 Inc.	Power generation	**–**	**100.00**	–	100.00
GigaWind3 Inc.	Power generation	**100.00**	**–**	100.00	–
GigaWind4 Inc.	Power generation	**100.00**	**–**	100.00	–
GigaWind5 Inc.	Power generation	**100.00**	**–**	100.00	–
GigaWind6 Inc. [d]	Power generation	**100.00**	**–**	–	–
GigaWind7 Inc. [e]	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.[f]	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	**40.00**	**60.00**	–	60.00
Manapla Sun Power Development Corporation ("MSPDC")	Leasing and land development	**36.37**	**63.63**	36.37	63.63
ACE Renewables Philippines, Inc.	Investment holding	**100.00**	**–**	100.00	–
NorthWind Power Development Corporation ("NorthWind")	Wind power generation	**51.73**	**48.27**	51.73	48.27
Viage Corporation	Investment holding	**100.00**	**–**	100.00	–
ACTA Power Corporation	Coal power generation	**100.00**	**–**	100.00	–
UAC Energy Holdings Pty Ltd	Investment holding	**–**	**100.00**	–	75.00
Buduan Wind Energy Co, Inc.	Power generation	**–**	**100.00**	–	–
Caraballo Mountains UPC Asia Corporation	Power generation	**–**	**100.00**	–	–
Pangasinan UPC Asia Corporation	Power generation	**–**	**100.00**	–	–
Sapat Highlands Wind Corporation	Power generation	**–**	**100.00**	–	–
UPC Mindanao Wind Power Corp.	Power generation	**–**	**100.00**	–	–
Itbayat Island UPC Asia Corporation	Power generation	**–**	**100.00**	–	–
Laguna Central Renewables, Inc.	Power generation	**–**	**100.00**	–	–
Laguna West Renewables, Inc.	Power generation	**–**	**100.00**	–	–
Suyo UPC Asia Corporation	Power generation	**–**	**100.00**	–	–
Natures Renewable Energy Devt. Corporation ("NAREDCO")	Power generation	**60.00**	**–**	–	–
Sinocalan Solar Power Corp. ("SSPC")	Power generation	**100.00**	**–**	–	–

[a] *Incorporated in Singapore*
[b] *Incorporated in Cayman Islands*
[c] *Incorporated in Hong Kong*
[d] *Incorporated on March 16, 2022*
[e] *Incorporated on June 23, 2022*
[f] *70% effective ownership in 2021, with pending application of increase in Authorized Capital Stock and issuance of shares to minority owners.*

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 interests.

The following were the changes in the Group structure in 2022:

Acquisition of additional 50% interest in UPC-AC Energy Australia (HK) Ltd. ("UPC-ACE Australia")

On March 11, 2022, ACRI, and UPC Renewables Asia Pacific Holdings Ltd. (UPCAPH) and Mr. Rohner (collectively "the UPC AU Sellers") signed a Share Purchase Agreement for the Group's acquisition of 50% effective ownership interest of UPCAPH and Mr. Rohner in UPC-ACE Australia.

On March 21, 2022, ACRI, UPCAPH, and Mr. Rohner signed separate instruments of transfer for the transfer to ACRI of UPCAPH's 7,150 ordinary shares in UPC-ACE Australia for US$78.34 million (₱4,070.40 million) and Rohner's 1,000,054 ordinary class B shares in UPC-ACE Australia for US$9.36 million (₱486.42 million), thereby completing the first tranche of the acquisition. The aggregate consideration paid by ACRI to UPCAPH and Mr. Rohner is US$87.70 million (₱4,556.82 million) (see Note 9).

On November 8, 2022, UPC Renewables, executed proxy rights in favor of ACRI, providing ACRI with 100% voting rights in the consolidated group of UPC-ACE Australia.

UPC-ACE Australia is a holding company of ACRI and UPCAPH for Australia energy and power projects and investment.

ACEN Australia, a subsidiary of UPC-ACE Australia, started the construction of 520MW New England Solar Farm (NESF) located in Uralla, New South Wales and 520MW Stubbo Solar Farm (Stubbo) located in Stubbo, New South Wales. ACEN Australia also has further development portfolio located in Tasmania, Victoria and South Australia.

The Group remeasured its previously held interest in UPC-ACE Australia based on its acquisition date fair value which resulted in a remeasurement gain of USD$189.67 million (₱10,921.03 million) (see Note 13).

A series of transactions entered into by ACRI together with UPCAPH and Mr.Rohner for the investment UPC-ACE Australia were accounted for as a single transaction and resulted in control acquisition. Detailed information on the accounting for ownership interest in UPC-ACE Australia is disclosed in Note 28.

On November 8, 2022, UPCAPH, executed proxy rights in favor of the Group, providing the ACRI with 100% voting rights in the consolidated group of UPC-ACE Australia (see Note 28)

Acquisition of 100% interest in UPC Philippine renewable companies and businesses

On March 18, 2022, ACEN, its wholly owned subsidiary ACE Endevor, UPC Philippines Wind Investment Co. BV ("UPC Philippines"), and Ms. Stella Marie L. Sutton ("Sutton") signed a Share Purchase Agreement for the Group's acquisition of the 100% ownership interest of UPC Philippines and Ms. Sutton's in their Philippine renewable companies and businesses see Note 28).

Acquisition of 60% interest in NAREDCO

On March 24, 2022, ACEN, ACE Endevor, CleanTech Renewable Energy 4 Corp. ("CREC4"), and NAREDCO executed a Shareholder's Agreement for the acquisition for a collective 60% interest in NAREDCO. NAREDCO owns and is currently constructing a 133MW solar power plant (Phase 1) in Lal-lo, Cagayan. The total capacity of the solar power plant is 200MW..

Cancellation of the Property-for-Shares Swap between ENEX and ACEN, Stock Rights Offering, Follow-On Offering, and Shelf Registration

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 ENEX in the form of a property-for-share swap.

On the same date, the ENEX BOD approved the property-for-share swap with ACEN whereby ACEN will assign 100% of its equity in Palawan55 Exploration & Production Corporation (Palawan55), Bulacan Power Generation Corporation (BPGC), One Subic Power Generation Corporation (One Subic Power), CIP II Power Corporation (CIP II), and Ingrid3 Power Corp. (Ingrid3), valued at ₱3.390.76 million, in exchange for 339 million primary shares to be issued by ENEX to ACEN at a price of ₱10.00 per share, as supported by a fairness opinion from FTI Consulting Philippines, Inc. and subject to compliance with applicable regulatory requirements.

As a result of the issuance of primary shares to ACEN, the ENEX BOD also approved the conduct of a Stock Rights Offer (SRO) of up to 105,000,000 of ENEX’s shares at ₱10.00 per share, subject to regulatory approvals. The ACEN BOD approved the underwriting of this SRO in relation to the share swap.

On December 29, 2021, ENEX and ACEN signed the Deed of Assignment wherein ENEX will issue 339,076,058 shares of stock in ENEX 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 BPGC representing 100% of the issued and outstanding shares in BPGC; (c) 6,351,000 common shares in CIP II with a par value of ₱50 per share representing 100% of the issued and outstanding shares in CIP II; (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.

After the property-for-share swap, ACEN’s total direct and indirect interest in ENEX is expected to go up from 76.32% to 89.78%, prior to the conduct of the SRO.

On June 3, 2022, ACEN BOD approved the cancellation of the property-for-share swap and Deed of Assignment between ACEN and ENEX due to unfavorable market conditions. As a result, the Request for Confirmation of the Valuation of the Asset in exchange for the shares filed with the SEC, and the Issuance of the Certificate Authorizing Registration filed with the Bureau of Internal Revenue are being withdrawn.

On the same date, ENEX’s BOD also approved the cancellation of the conduct of a Stock Rights Offer of up to 105,000,000 of ENEX’s shares at ₱10.00 per share; the cancellation of the issuance of up to 74,000,000 shares of the ENEX pursuant to ENEX’s planned follow-on offering (“FOO”) at an FOO price range of ₱10.00 to ₱11.84 per share; and the cancellation of filing by ENEX with the SEC of a registration statement covering a three-year shelf registration of up to 650,000,000 primary common shares.

Full divestment of the SLTEC coal plant using the Energy Transition Mechanism (ETM)

a. Divestment in SLTEC

On October 18, 2021, the BOD of the Parent Company approved and authorized management to work towards the early retirement of SLTEC coal plant by 2040 using an ETM, which includes the redemption, retirement and sale of common and redeemable preferred shares held by ACEN.

On April 8, 2022, SLTEC refinanced the existing ₱9,800.00 million SLTEC loan and upsized it by ₱3,900.00 million pursuant to the Amended and Restated Omnibus Loan and Security Agreement ("AROLSA") executed on April 11, 2022.

On April 11, 2022, SLTEC applied with the SEC for the reduction in authorized capital stock ("ACS") from 35,830,250 common shares to 832,500 common shares. On the same date, SLTEC applied for the amendment of features of the SLTEC redeemable preferred shares from voting to non-voting. Both applications were approved on October 7, 2022.

SLTEC redeemed all of the redeemable preferred shares held by the Parent Company for a total redemption price of ₱3,583.03 million in three tranches: (1) 32,000,000 on October 21, 2022, (2) 2,480,000 on November 7, 2022 and (3) 1,350,250 also on November 7, 2022.

On October 28, 2022, SLTEC retired 34,997,750 common shares held by ACEN at par value of ₱100/share or a total of ₱3,499.78 million. After retirement, the Parent Company held the remaining 832,500 common shares of SLTEC.

On November 7, 2022, SLTEC redeemed 3,830,250 common shares held by ACEN at par value for a total redemption price of ₱383.03 million.

On November 7, 2022, the Parent Company and ETM Philippines Holdings Inc. ("EPHI") (a third party) executed a share purchase agreement covering the sale of 832,500 common shares with a purchase price of ₱83.25 million (equivalent to ₱100/share). The deed of absolute sale was executed on the same date.

After sale to EPHI, ACEN has fully divested its interest in SLTEC. ACEN recognized loss of ₱121.11 million which represents the difference between the total SLTEC carried in ACEN of ₱7,287.16 million and proceeds from divestment of ₱7,166.05million.

SLTEC accounts have been classified in the Group's consolidated financial statement as at December 31, 2022 as follows:

a. Balance sheet accounts were deconsolidated.
b. Income statement accounts for the period January 1 to October 31, 2022 are included in the consolidated statement of income.

The net assets of SLTEC as at October 31, 2022 and proceeds from divestment are as follow:

Assets	
Cash and cash equivalents	₱1,671,439
Accounts and notes receivable	1,080,420
Fuel and spare parts	857,660
Other current assets	7,33,748
Property, plant and equipment (Note 11)	14,221,341
Other noncurrent assets	442,220
	19,006,828
Liabilities	
Accounts payable and other current liabilities	1,759,669
Income and withholding taxes payable	30,090
Long-term loans (Note 16)	13,380,340
Deferred income tax liabilities	45,911
Pension and other employee benefits	9,227
Equity	
Remeasurement loss on defined benefit plans	(5,791)
	15,219,446
Total identifiable net assets	3,787,382
Add redemption of ACEN shares	6,947,775
Less:	
GSIS investments	(2,200,000)
InLife investments	(1,000,000)
EPHI investments	(248,000)
Net assets attributable to ACEN	7,287,157
Less cash consideration	7,166,050
Loss on deconsolidation (Note 23)	(₱121,107)

After the sale to EPHI, the Group has fully divested its interest in SLTEC. The acquisition resulted in a loss which is recognized under “Other income - net” account in the consolidated statement of income (see Note 23).

Net cash inflow on acquisition is as follows:

Cash consideration	₱7,166,050
Less cash surrendered with the subsidiary[a]	1,671,439
Net cash inflow	₱5,494,611

[a] *Cash surrendered with the subsidiary is included in cash flows from investing activities.*

The Group also paid donor’s tax amounting to ₱6.90 million which is presented as “Others” under “General and administrative expenses” in the consolidated statement of income.

b. Execution of Option Agreements between ACEN and InLife, GSIS and EPHI to implement the overall energy transition mechanism for SLTEC

   On October 24, 2022 and November 7, 2022, the Parent Company executed separate Option Agreements with InLife, GSIS and EPHI, (collectively the “Investors”) involving SLTEC, following the issuance of SLTEC redeemable preferred shares to these Investors and purchase by EPHI of the common shares.

The Option Agreements entitle ACEN and the Investors, severally, to exercise call and put options, respectively, based on certain pre-agreed conditions, to enable the early retirement of the coal plant by 2040, and its transition to cleaner technology. The call options for common and redeemable preferred shares are exercisable only beginning 2031 to 2040, while the put option on redeemable preferred shares is exercisable only on 2040. Both options are accounted as derivative asset and liability. As at December 31, 2022, derivative asset on call options on common and redeemable preferred shares amounted to ₱16.43 million and the derivative liability on put options on redeemable preferred shares amounted to ₱7.16 million.

The Option Agreements do not give ACEN control over SLTEC as at December 31, 2022 as these exercisable beginning 2031 only.

c. Administration and Management Agreement ("AMA") and Operations and Maintenance Agreement ("O&M Agreement") with SLTEC

   Executed on October 4, 2019, ACEN and SLTEC entered into an 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. On April 11, 2022, ACEN and SLTEC terminated the AMA and executed a new AMA where, in addition to ACEN's right and obligation to administer and manage the entire capacity of SLTEC, ACEN shall pay SLTEC regardless of availability based on a pricing formula that will ensure SLTEC has sufficient cash to cover debt service and distributions to shareholders.

   On April 11, 2022, ACEN entered into an Operations and Maintenance Agreement ("O&M Agreement") with SLTEC, wherein ACEN shall provide operation, maintenance, and administrative services to SLTEC to ensure the proper and efficient operation and maintenance of the power plant. The O&M Agreement is valid for a period of five (5) years effective from April 11, 2022 and shall automatically renew for successive five (5) year terms from April 11, 2022 until December 25, 2040.

   The AMA and O&M does not give ACEN control over SLTEC. The rights of ACEN and the terms and conditions under this agreements are subject to review and approval of SLTEC BOD. The agreement shall have a term of until December 25, 2040 or such period as may be agreed by the parties.

Acquisition of shares in Sinocalan Solar Power Corp.("SSPC")

On November 29, 2022, ACEN, Sungrow Power Renewables Corp. ("Sungrow"), and Havilah AAA Holdings Corp. ("Havilah") signed an agreement for the sale and purchase of Sungrow's and Havilah's shares and/or subscription rights in Sinocalan Solar Power Corp. ("SSPC") to ACEN (see Note 13).

The following were the changes in the Group structure in 2021:

Acquisitions of ACEIC's investee companies through share swap

On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for subscription by ACEIC to, and the issuance to ACEIC of 16,685,800,533 common shares at a subscription price of ₱5.15 per common share, or an aggregate subscription price of ₱85,931.87 million in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in ACE International which holds ACEIC's international renewable assets. The closing date of the share swap transaction was on June 7, 2021.

On June 27, 2021, the transfer value was approved by the SEC together with its approval of the application for the increase in ACEN's capital stock. The closing date of the transaction was June 27, 2021 (see Note 28).

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.

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 ₱1,093.00 million. 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 90,000,000 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 18).

<u>Material partly-owned subsidiaries with material economic ownership interest</u>
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.

UPC-AC Energy Australia (HK) Limited (UPC-ACE Australia)

UPC-ACE Australia, a subsidiary of ACRI, is a company incorporated and domiciled in Hong Kong, with principal address Suite 1201, 12th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

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.

BWPC

BWPC's principal and registered office address is 4F Delgado-Adiarte Building, Rizal Street corner Gen. Segundo Avenue, Laoag City, 2900, Ilocos Norte.

UACH

UACH, a subsidiary of ACRI, is a company incorporated and domiciled in Australia, with principal address Suite 2, Level 2, 13-17 Castray Esplanade, Battery Point TAS 7004. Following ACRI's gaining control over UPC-ACE Australia, the Parent Company resulted to owning 100% indirect interest in UACH which resulted to increase in NCI amounting to ₱105.19 million (Note 18).

The summarized financial information of these subsidiaries is provided below. This information is based on the amounts before intercompany eliminations.

2022	**ISLASOL**	**UPC-ACE Australia**	**ACEC**
Proportion of equity interests held by NCI	**40.00%**	**20.00%**	**99.99%**
Voting rights held by NCI	**34.00%**	**20.00%**	**–**
Accumulated balances of NCI	**₱1,199,461**	**₱1,894,901**	**₱28,784,436**
Net income (loss) allocated to NCI	**81,936**	**(51,752)**	**1,528,770**
Comprehensive income (loss) allocated to NCI	**81,936**	**(51,108)**	**1,499,431**
Dividends paid to NCI	**–**	**–**	**1,504,247**

2021	**BWPC**	**ISLASOL**	**UACH**	**ACEC**
Proportion of equity interests held by NCI	**40.00%**	**40.00%**	**25.00%**	**99.99%**
Voting rights held by NCI	**40.00%**	**34.00%**	**25.00%**	**–**
Accumulated balances of NCI	**(₱67,154)**	**₱1,117,524**	**₱105,172**	**₱28,789,252**
Net income (loss) allocated to NCI	**(10,122)**	**61,450**	**10,467**	**2,234,317**
Comprehensive income (loss) allocated to NCI	**(5,970)**	**61,450**	**10,523**	**2,295,915**
Dividends paid to NCI	**–**	**–**	**–**	**2,141,568**

Summarized financial information of these subsidiaries are as follows:

2022	ISLASOL	UPC-ACE Australia	ACEC
	(In Thousands)		
Statements of financial position			
Current assets	**₱1,111,093**	**₱771,997**	**₱234,037**
Noncurrent assets	**2,531,400**	**24,590,707**	**31,277,680**
Current liabilities	**(176,574)**	**(9,825,777)**	**–**
Noncurrent liability	**(4,260,882**	**(5,297,215)**	**–**
Statements of comprehensive income (loss)			
Revenues	**650,196**	**–**	**–**
Cost and expenses	**410,834**	**(362,929)**	**–**
Other income (expenses)	**2,553**	**(235,899)**	**–**
Provision for (benefit from) income tax	**490**	**259,553**	**–**
Profit (loss) attributable to:			
Equity holders of the parent	**159,490**	**(344,889)**	**(29,017)**
Non-controlling interests	**81,936**	**(51,752)**	**1,528,770**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	**159,490**	**(325,115)**	**(29,020)**
Non-controlling interests	**81,936**	**(51,108)**	**1,499,431**
Statements of cash flows			
Operating activities	**447,009**	**3,387,349**	**(539)**
Investment activities	**(12,781)**	**(10,935,711)**	**1,529,342**
Financing activities	**(812,970)**	**4,455,262**	**(1,529,339)**
Net increase (decrease) in cash and cash equivalents	**(₱378,742)**	**(₱3,093,100)**	**(₱536)**

2021	BWPC	ISLASOL	UACH	ACEC
		(In Thousands)		
Statements of financial position				
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**	–	**–**
Statements of comprehensive income (loss)				
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**
Statements of cash flows				
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**

2020	BWPC	ISLASOL	UACH	ACEC
	(In Thousands)			
Statements of financial position				
Current assets	₱9,768	₱830,148	₱6,182,605	₱43,798
Noncurrent assets	277,682	2,855,627	–	45,778,308
Current liabilities	8,692	232,475	13,983	–
Noncurrent liability	420,810	3,875,453	–	–
Statements of comprehensive income (loss)				
Revenues	₱27	₱224,726	₱868,958	₱1,872,815
Cost and expenses	41,850	332,219	213,856	829
Other income (expenses)	15,948	(624)	–	–
Provision for income tax	–	57	–	–
Profit (loss) attributable to:				
Equity holders of the parent	(10,406)	(64,904)	531,096	(2,357)
Non-controlling interests	(15,469)	(43,270)	124,006	1,874,343
Total comprehensive income (loss) attributable to:				
Equity holders of the parent	(10,406)	(64,904)	531,096	(2,357)
Non-controlling interests	(15,469)	(43,270)	124,006	1,871,945
Statements of cash flows				
Operating activities	(₱20,367)	₱82,640	₱–	(₱805)
Investment activities	(58,997)	(2,024)	8,450,360	(26,776,897)
Financing activities	73,316	153,044	(8,228,176)	7,147,274
Net increase (decrease) in cash and cash equivalents	(₱6,048)	₱233,660	₱222,184	(₱19,630,428)

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, 2022. Unless otherwise indicated, adoption of the new standard did not have an impact on the consolidated financial statements of the Group.

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

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

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

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

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

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".

The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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

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

Standards Issued but not yet Effective

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, 2023

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023.

Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material 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.

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

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

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

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

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.

Business 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.

Remeasurement of Previously Held Interest

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

Acquiree remeasures all identifiable assets that it had rights to, and liabilities that it had obligations for, relating to the previously held interest, immediately before it obtains control. The acquiree remeasures its previously held interests in all identifiable assets and liabilities, regardless of whether it recognized those assets and liabilities in its financial statements before obtaining control.

The Group derecognizes its investment asset in an entity in its consolidated financial statements when it achieves control.

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 14)
- Quantitative disclosures of fair value measurement hierarchy (see Note 32)
- Financial instruments (including those carried at amortized cost, see Note 32)

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 32, 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, 2022 and 2021, the Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments, accounts and other 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, 8, 14 and 31).

Financial Assets at FVOCI
<u>Debt instruments</u>
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, 2022 and 2021, the Group does not have debt instruments at FVOCI.

<u>Equity instruments</u>
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, 2022 and 2021, the Group's investments in quoted and unquoted equity securities and golf club shares are classified as financial asset at FVOCI (see Notes 10 and 31).

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.

As at December 31, 2022 and 2021, the Group has Compulsorily Convertible Debentures accounted as FVTPL (Note 9).

<u>Derivative financial instruments and hedge accounting</u>
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 29).

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, 2022 and 2021, 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 15, 16, 17 and 31).

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, 2022 and 2021.

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 and other 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 and other 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	40
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.

<u>Borrowing Costs</u>
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.

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 7). 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 and water 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.

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 and water rights are assessed as finite. The amortization expense on leasehold and water 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.

Development Costs
Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in expenses. During the period of development, the asset is tested for impairment annually. Development costs is presented under "Other noncurrent assets" in the consolidated statement of financial position.

Advances for Land Acquisitions

Advances for land acquisitions are carried at less impairment losses, if any and is classified as current or non current based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for. Advances for land acquisition is presented under "Other noncurrent assets" in the consolidated statement of financial position.

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^{th}) 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 and Developments Costs
Goodwill and development costs are tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and development costs by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill and development costs relate. 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 and water rights
Right of use assets and leasehold and water 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.

NorthWind, ACES, BWPC and ISLASOL 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.

<u>Capital Stock</u>
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.

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 33 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.

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:

Determination of Acquisition Date in Business Combinations
The acquisition date is the date the acquirer obtains control of the acquiree, generally the specified closing or completion date of the business combination.

The date on which control passes is a matter of fact. In determining the acquisition date, the Group considers all the terms and conditions of the arrangements and their economic effects. One or more of pertinent facts and circumstances surrounding a business combination are considered in assessing when the acquirer has obtained control of the acquiree:

- When the consideration is transferred;
- When acquiree shares or underlying net assets are acquired;
- When the acquirer 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;
- Agreement date designed to achieve an overall commercial effect of business combination and economically justified by the parties;

The date on which the Group obtains control over UPC-ACE Australia is the date on which the Group legally transfers the consideration, acquires the assets, and assumes the liabilities of UPC-ACE Australia.

Management has assessed that ACRI has obtained control over UPC -ACE Australia upon UPCAPH execution of proxy rights in favor of ACRI on November 8, 2022. Management has assessed that at the time of control, its previously held interest is at 80% and that its fair value is determined based on management's valuation.

Assessment of Loss of Control Over a Subsidiary
The Group determined that it has control over its subsidiaries (see Note 2) by considering, among others, its power over 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 following were also considered:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements;
- The Group's voting rights and potential voting rights.

Management has exercised significant judgement in assessing that the Group has lost control over SLTEC on the basis of the following:

- It does not any have voting and economic rights over SLTEC
- The call option is considered non-substantive as it exercisable beginning only 2031-2040
  The AMA and O&M agreements are considered service contracts arrangements (see Note 28)

As at December 31, 2022, the Group lost its control over SLTEC following the sale of SLTEC's common and preferred shares to qualified third-party investors (Note 28).

Assessment of Acquisitions as 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 acquisitions of the Group were accounted for as business combinations (see Note 28).

Assessment of Joint Control over Joint Ventures
The Group's investments in joint ventures are structured in separate incorporated entities. The investments in Philippine Wind Holdings Corp.("PhilWind"), North Luzon Renewable Energy Corp. (NLR) and BIM Wind Joint Stock Company ("BIM Wind") are accounted for as investments in joint venture since the fundamental business and operational matters requires unanimous consent from all parties (see Note 7).

Even though the Group holds 69.81%, 33.30% and 65.00% ownership interests in PhilWind, NLR and BIM Wind, respectively, their joint arrangement agreement requires unanimous consent from all parties 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 terms of the contractual arrangements.

Write-off of Claims from PEMC Multilateral Agreements
In December 2013, there were elevated WESM prices because of a Malampaya outage. As a result, ERC issued an Order imposing administered/regulated pricing, which was lower than the WESM rate at that time. ACEN was a net buyer and already paid these higher WESM prices to PEMC for purchased power. In July 2022, the Supreme Court declared the administered / regulated pricing void and upheld the December 2013 Meralco rate hike for recovery of costs. In October 2022, the Supreme Court denied all Motion of Reconsiderations. The ERC has not yet issued guidance on the method of implementation of these adjustments.

With the Supreme Court's denial, the management deemed to write off the Group's claims from PEMC Multilateral Agreements which include noncurrent receivable amounting to ₱1,193.36 million, net of ₱17.75 million allowance for credit losses (see Note 5), booked as additional cost of purchased power for the net buyer position, while noncurrent payable amounting ₱115.07 million booked as additional revenue for the net seller position.

While it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, a reliable estimate cannot be made yet since ERC has yet to instruct IEMOP to recalculate the rates and issue adjustments.

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 2022 and 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
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 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.

Classification as 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 8).

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.

Remeasurement of Previously-Held Equity Interest in a Business Combination
In business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

The Group remeasured its interest in UPC-ACE Australia, previously a joint venture, to fair value as a result of its step-acquisition upon obtaining control (see Note 28).

Purchase Price Allocation and Goodwill Impairment Assessment
The Group made several acquisitions in 2022 accounted for using the acquisition method which require extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize gain on bargain purchase or goodwill. The Group's acquisitions have resulted in goodwill. See Note 28 for related balances.

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 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.

Impairment Assessment 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, 2022. Except for the matters discussed in Notes 12 and 13, based on the Group's review of key assumptions, management has assessed that there were no significant changes in the assumptions used and therefore no impairment losses were recognized in 2022 and 2021 (see Notes 7, 11, 12 and 14).

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 and quoted prices for publicly traded shares in estimating the fair value of the financial assets at FVTPL and FVOCI (see Notes 9 and 10).

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.

As at December 31, 2022 and 2021, 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 and other 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 (see Notes 5 and 8).

Recognition of Deferred Tax Assets
The Group reviewed its business and operations 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 tax assets to be utilized (see Note 24).

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 25.

Assessment of Contingencies
The Group is currently involved in various legal proceedings and assessments for local and national taxes (see Note 35). 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. The Group also invokes limited disclosures on certain matters due to their prejudicial nature.

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	**₱11,205,281**	₱22,990,899
Cash equivalents	**23,424,730**	3,454,530
	₱34,630,011	₱26,445,429

Cash in banks earn interest at the respective bank deposit rates for its peso and dollar accounts.

Cash equivalents are made for varying periods between one day and three months depending on the immediate cash requirements for the Group and earn interest at the respective short-term deposit rates.

Interest income earned on cash and cash equivalents in 2022, 2021 and 2020 at the range of 1.25% to 5.55%, 0.90% to 1.21%, and 0.99% to 3.20%, respectively, amounted to ₱285.20 million, ₱129.55 million and ₱253.97 million, respectively (see Note 23).

Cash equivalents include SLTEC's debt service accrual account (DSAA) amounted to nil and ₱56.98 million as at December 31, 2022 and 2021, respectively.

5. Accounts and Notes Receivable

This account consists of:

	2022	2021
Accounts and other receivable	**₱11,938,538**	₱8,880,659
Notes receivable (Note 26)		
Debt replacement loan	**20,094,774**	17,253,756
Development loan	**8,299,937**	15,549,644
Other loan	**1,552,543**	1,060,868
Accrued interest receivable	**5,173,012**	3,937,283
	47,058,804	46,682,210
Allowance for expected credit losses	**167,844**	181,599
	46,890,960	46,500,611
Less noncurrent portion	**16,387,729**	13,191,314
Current portion	**₱30,503,231**	₱33,309,297

Accounts and other receivable
This account consists of:

	2022	2021
Trade receivables		
Third party		
Independent Electricity Market Operator of the Philippines ("IEMOP")	**₱3,995,641**	₱2,219,536
RES Buyer	**3,630,872**	2,002,655
National Transmission Corporation ("TransCo")	**1,772,553**	1,727,488
National Grid Corporation of the Philippines ("NGCP")	**146,922**	179,076
Philippine Electricity Market Corporation ("PEMC")	**51,025**	75,752
PEMC Multilateral Agreements	–	1,137,262
Others	**63,258**	268,267
Other Receivables		
Third party	**1,387,897**	1,008,996
Related party (Note 26)	**890,370**	261,627
	11,938,538	8,880,659
Allowance for expected credit losses	**167,844**	181,599
	11,770,694	8,699,060
Less noncurrent portion	**1,507,126**	2,093,042
Current portion	**₱10,263,568**	₱6,606,018

Trade Receivables
Trade receivables mainly represents receivables from IEMOP, TransCo, PEMC, and from bilateral customers. Trade receivables consists of interest-bearing and non-interest-bearing receivables. The terms are generally thirty (30) to sixty (60 days).

Noncurrent trade receivables consist of FIT system adjustment that is expected to be realized beyond 12 months after the end of the reporting period. FIT system adjustments are discounted using the PHP BVAL reference rates on transaction date ranging from 2.06%-6.50%.

Trade receivables consists of both noninterest-bearing and interest-bearing receivables. The term is generally thirty (30) to sixty (60) days. Noncurrent trade receivables which consist of the refundable amount from PEMC as well as FIT system adjustments that are expected to be realized beyond 12 months after the end of reporting period. FIT system adjustments are discounted using the PHP BVAL Reference rates on transaction date ranging from 5.21%-6.47%.

Receivables from NGCP
Receivables from NGCP are from the sale of transmission assets and submarine cable. These are non-interest-bearing and are collectible within 3 years. This is discounted using PHP BVAL reference rates on transaction date ranging from 2.14%-4.56%.

Receivables from PEMC Multilateral Agreements
In December 2013, there were elevated WESM prices because of a Malampaya outage. As a result, ERC issued an Order imposing Administered/Regulated Pricing, which was lower than the WESM rates at the time. The receivables from PEMC Multilateral Agreements is the refundable amount from the PEMC arising from recalculation of November and December 2013 spot prices as directed by the ERC. In 2014, ACEN, 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 Group recorded collections in relation to the Multilateral Agreement amounting to ₱1,123.51 million. Collections are presented as “Trade payables” under “Other noncurrent liabilities” (Note 17).

In July 2022, the Supreme Court declared the administered regulated pricing void and upheld the December 2013 Meralco hike for recovery costs. In October 2022, the Supreme Court denied all Motions for Reconsideration.

The ERC has not yet issued guidance on the method of implementation of these adjustments. Consequently, the Group has reversed its receivables amounting to ₱1,123.51 million and recorded additional cost of purchased power of equivalent amount. The unpaid cost of purchased power is presented as “Trade payables” under accounts payable and other current liabilities.

Other Receivables
Other receivables are comprised of outstanding balance from NGCP for the sale of transmission line assets, refundable deposits, receivable from employees and dividends receivables.

Notes receivable
This account consists of:

	2022	2021
Debt replacement - related party (Note 26)	**₱20,094,774**	₱17,253,756
Development loan:		
Third party	**5,845,766**	2,847,976
Related party (Note 26)	**2,454,171**	12,701,668
Other loans:		
Third party	**1,009,077**	1,060,868
Related party (Note 26)	**543,466**	–
	29,947,254	33,864,268
Less noncurrent portion	**11,974,612**	9,586,187
Current portion	**₱17,972,642**	₱24,278,081

Debt replacement
Debt replacement facilities are provided to related parties to fund investment requirements for renewable power plants while under construction and undergoing implementation or release of project financing from financial institutions (see Note 26).

a. BIM Wind (Joint Venture)

   In 2020, the Group and BIM Wind entered into an interest-bearing debt replacement facility to provide bridge financing to fund the construction of 88MW wind project in Vietnam for an aggregate principal for an aggregate principal amount of USD$45.00 million. This loan is repayable upon maturity. The loan is repayable upon maturity on the 5th month from initial utilization date. On May 19, 2021, the short-term debt replacement facility was refinanced to a long-term facility with an aggregate principal amount of USD$91.00 million and a 10-year maturity from the utilization date. On August 12, 2021, the long-term debt replacement facility was amended to increase in aggregate principal amount to USD$102.00 million.

   As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US$ 85.19 million (₱4,749.49 million) and to US$ 75.79 million (₱4,325.18 million), respectively.

b. Greencore Power Solutions 3, Inc. (Joint Venture)

   On February 4, 2021, the Group and Greencore 3, entered into an interest-bearing Omnibus Agreement amounting to ₱2,680.00 million in order to finance a 50MW solar power plant in Mexico, Pampanga (Arayat Phase 1). On February 9, 2022, the Omnibus Agreement was amended to increase the loan facility to ₱2,860.00 million and extend the maturity from March 1, 2023 to June 30, 2023. This loan is repayable upon maturity.

   On May 25, 2022, the Group and Greencore entered into an interest-bearing Omnibus Agreement amounting to ₱1,990.00 million in order to finance a 30MW solar power plant in Mexico, Pampanga (Arayat Phase 2).

   As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to ₱4,225.95 million and ₱2,290.69 million, respectively.

c. Asia Wind Power 1 HK (Asia Wind 1) (Joint venture)

   In 2020, the Group and Asia Wind 1 entered into an interest-bearing debt replacement facility to provide bridge financing during the construction of Dai Phong Wind Project in Vietnam for an aggregate principal amount of USD$61.00 million. The loan is repayable on earlier of 12 months from commissioning date or upon project financial close. On December 29, 2021, the debt replacement facility maturity date was amended to June 30, 2022. On September 5, 2022, the debt replacement facility maturity date was amended to June 30, 2023.

   As at December 31,2022 and 2021, outstanding balance of the interest-bearing loan amounted to US$55.38 million (₱3,087.43 million) and US$56.80 million (₱2,883.96 million) respectively.

d. Asia Wind Power 2 HK (Asia Wind 2) (Joint venture)

   In 2020, the Group entered into an interest-bearing Pref B Facility with Asia Wind 2 provide bridge financing to fund the construction of 42MW wind project in Vietnam, for an aggregate principal amount of USD$54.00 million. The loan is repayable on earlier of Project Financial

Close, or 5 business days from the date from drawdown of Debt Replacement Facility, or 25th anniversary from drawdown date.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US$ 43.68 million (₱2,435.26 million) and US$ 21.55 million (₱2,414.15 million), respectively.

e. Wind Power Hoa Dong (Hoa Dong) and Wind Power Lac Hoa (Lac Hoa) (Joint Venture)

On April 4, 2022, the Group entered into an interest-bearing loan facility with Hoa Dong and Lac Hoa 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$41.59 million for Hoa Dong and US$47.41 million for Lac Hoa and bears an annual fixed rate payable. Principal is payable in full on June 1, 2024, in case of third-party financing or in tranches every first calendar quarter of the fourth period or every end of the calendar quarter, until full payment of the loan in case of no third-party refinancing.

As at December 31, 2022 the outstanding balance of the interest-bearing loan receivables from Hoa Dong and Lac Hoa amounted to US$ 41.59 million (₱2,318.79 million) and US$ 47.41 million (₱2,643.40 million), respectively.

f. NEFIN Limited (Joint Venture)

On January 6, 2022, the Group and NEFIN Limited entered into an interest-bearing debt replacement facility to NEFIN Limited to provide bridge financing and partially fund the development and construction of NEFIN rooftop solar projects. The loan is repayable on earlier of 24 months from first issuance date or upon securing project financing or debt financing of NEFIN Limited.

As at December 31, 2022, outstanding balance of the interest-bearing loan amounted to US$ 10.31 million (₱574.83 million).

g. Vietnam Wind Energy Limited (VWEL) (Joint Venture)

In 2020, the Group and VWEL entered into an interest-bearing facility with an aggregate principal of USD$56.00 million, to provide bridge financing to fund the construction of 67MW wind project in Vietnam. 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 USD$86.00 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 USD$89.00 million and extend the maturity date to June 30, 2022.

As at December 31, 2022 and 2021, the outstanding balance of the interest-bearing loan receivables is US$1.07 million (₱59.61 million) and US$ 71.64 million (₱3,637.88 million) , respectively.

h. BIM Renewable Energy Joint Stock Company (BIMRE) (Joint venture)

In 2020, the Group and BIMRE entered into an interest-bearing debt replacement facility to provide bridge financing and partially fund the construction of the solar power plant expansion in Ninh Thuan Province Vietnam for an aggregate principal amount of up to USD$40.00 million. The loan is repayable on earlier of 12 months from drawdown date or 10 days from BIMRE's availment of additional senior debt for Project 18Nx.

As at December 31, 2022 and 2021, the outstanding balance of the interest-bearing loan receivables is nil and US$37.70 million (₱1,921.15 million), respectively

Debt replacement bear interest ranging from 8.00% to 12.00% per annum in 2022 and 7.00% to 12.00% in 2021.

Development Loan
Development loan facilities are provided to related parties and third parties to fund the development of renewable power plant projects.

a. UPC Solar Asia Pacific Ltd. (UPC-ACE Solar) (Related Party)

In 2019, the Group and UPC-ACE Solar entered into an interest-bearing loan agreement with an aggregate amount of USD$20.00 million to fund development of projects across India, Taiwan, and Korea. The loan is repayable on 10 years from first utilization date.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US$ 20.00 million (₱1,115.10 million) and USUS 20.00 million (₱1,015 million) respectively.

b. Yoma Strategic Investments (Related Party)

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, 2023.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US$24.01 million (₱1,339.07 million) and US$24.01 million (₱1,219.17 million), respectively.

c. The Blue Circle (Related Party)

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 has an initial aggregate principal amount of up to USD$10.00 million which was further extended to USD$20.00 million in February 2019. The loan is repayable upon maturity on June 30, 2022. Total drawdowns and payments made in 2022 amounted to US$10.13 million (₱564.80 million) and US$23.1 million (₱1,287.82 million), respectively.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to nil and 12.97 million (₱658.44 million), respectively.

d. AC Energy and Infrastructure Corporation (ACEIC) (Related Party)

On May 14, 2021, ACEN and ACEIC entered into an uncommitted interest-bearing short-term loan facility. The principal and interest are payable within one year from the drawdown date. First drawdown was made on May 17, 2021.

As at December 31, 2021, the outstanding balance of interest-bearing loan amounted to US$189.00 million (₱9,596.29 million). This was fully settled on May 27, 2022.

e. BIM Energy Holdings (BIMEH) (Third Party)

In 2020, the Group and BIMEH entered into an interest-bearing ST loan replacement facility for the implementation of BIMEH's' business plans. The facility has an aggregate principal amount of USD$21.00 million. The loan is repayable 11 months from the initial drawdown date. In May 2021, the ST loan replacement facility was refinanced by a Term Loan Facility, with the same aggregate principal amount and with a new maturity date of June 2023.

As at December 31, 2022, the receivable amount is USD$6.53 million (₱364.23 million) and USD$9.80 million (₱497.59 million), respectively.

f. BEHS Joint Stock Company (BEHS) (Third Party)

In 2020, the Group and BEHS entered into an interest-bearing ST loan replacement facility for the implementation of BEHS' business plans. The facility has an aggregate principal amount of USD$9.00 million. The loan is repayable 11 months from the initial drawdown date. In May 2021, the ST loan replacement facility was refinanced by a Term Loan Facility, with the same aggregate principal amount and with a new maturity date of June 2023.

As at December 31, 2022, the receivable amount is USD$10.23 million (₱570.76 million and USD$9.00 million (₱456.97 million), respectively.

g. Provincia Investments Corporation (PIC) (Third Party)

In 2021, the Group and ACEN entered into an interest-bearing term loan facility to fund its various acquisition of project sites for solar power projects. The interest-bearing loan has a total facility of ₱1,000.00 million and bears annual fixed interest rate and payable upon maturity. On July 2, 2021, Provincia made an initial drawdown amounting ₱150.00 million. The principal and interest of the loan are payable on July 2, 2026.

As at December 31, 2022 and 2021, the outstanding loans receivable amounts to ₱150.00 million.

h. UPC Renewables Asia Pacific Holdings Ltd. (UPCAPH) (Third Party)

In 2019, the Group and UPCAPH entered into an interest-bearing loan facility agreement to fund the development of renewable energy and energy storage projects in the Asia Pacific, with an aggregate principal amount of USD$33.00 million. The loan is repayable upon maturity on January 31, 2023. As at December 31, 2022 and 2021, the outstanding loans receivable amount is nil and US$29.3 million (₱1,489.56 million), respectively.

In 2022, the Group and UPCAPH entered into an interest-bearing loan facility to fund the payment of UPCAPH Subscription Agreement, with an aggregate principal amount of USD$85.40 million. The loan is repayable on completion of the second and final tranche of ACRI's acquisition of ACEN Australia. As at December 31, 2022, the receivable amount is $85.40 million (₱4,760.97 million).

i. NEFIN Solar Asset Limited (NEFIN Solar) (Third Party)

In 2021, the Group and NEFIN Solar entered into an interest-bearing loan facility to fund rooftop solar power projects of NEFIN in SouthEast Asia, with an aggregate principal amount of USD$5.00 million. The loan is is repayable upon maturity, 12 months after the drawdown date of the first tranche. As at December 31, 2022 and 2021, the outstanding loans receivable amount is nil and US$5.00 million (₱253.87 million), respectively.

Development loans bear interest ranging from 4.00% to 10.85% per annum in 2022 and 4.00% to 10.50% in 2021.

Other Loan
Other loans receivable from third parties includes long term loan receivables for land acquisitions. There are interest bearing and payable upon maturity.

Accrued interest receivable:

This account consists of:

	2022	2021
Debt replacements:		
Third party	**₱–**	₱5,786
Related party (Note 26)	**1,072,045**	1,033,005
Development loans:		
Third party	**43,705**	118,898
Related party (Note 26)	**389,231**	305,360
Other financial assets at amortized cost – related party (Note 26)		
Redeemable preferred shares	**2,487,852**	946,559
Convertible loans	**1,071,551**	1,421,565
Other loans:		
Third party	**31,846**	100,557
Related party (Note 26)	**11,042**	–
Trade receivables		
Third party	**60,332**	5,553
Related party (Note 26)	**5,408**	–
	5,173,012	3,937,283
Less noncurrent portion	**2,905,991**	1,512,085
Current portion	**₱2,267,021**	₱2,425,198

Interest income

The Group earns interest income from its accounts and notes receivable amounting to:

	2022	2021	2020
Debt replacements			
Related Paty			
BIM Wind	**380,250**	248,334	3,036
Asian Wind Power 1 HK Ltd (Asian Wind 1)	**269,291**	208,839	207,462
Greencore 3	**228,241**	57,387	–
Asian Wind Power 2 HK Ltd (Asian Wind 2)	**199,560**	233,424	13,440
Lac Hoa	**96,629**	–	–
Hoa Dong	**86,371**	–	–
VWEL	**59,043**	306,768	22,441
NEFIN Solar	**26,480**	–	–
BIMRE	**10,370**	186,173	54,751
	1,356,235	1,240,925	301,130
Development Loans			
Third Party			
Provincia	**12,000**	5,786	–
BIMEH	**9,982**	78,590	56,903
BEHS	**49,887**	34,868	24,387
NEFIN Solar	–	5,665	–
UPCAPH	**60,203**	118,988	120,937
Related Party			
ACEIC	**107,000**	141,568	–
UPC Solar	**95,725**	80,211	47,269
UPC-ACE Australia	**7,087**	–	–
TBC	**60,390**	56,572	58,110
Yoma	**52,427**	48,324	33,757
	454,701	570,572	341,363
Other Loans			
Third Party			
Various (for Land Acquisition)	**15,802**	11,220	13,740
Related Party			
Ingrid Power Holdings, Inc. (Ingrid)	**12,367**	–	–
Infenium 4 Energy, Inc. (Infenium 4)	**1,876**	–	–
	30,045	11,220	13,740
Accounts and other Receivables			
Third Party	**38,096**	125,075	55,183
	₱1,879,077	₱1,947,792	₱711,416

6. **Noncurrent Assets Held for Sale**

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.

On September 16, 2021, the Asset Purchase Agreement for the sale of PB 102 and 103 was signed. An impairment loss amounting to ₱8.71 million was recognized for the year ended December 31, 2021, to bring down the carrying amounts of PB 102 and 103 to their estimated net realizable values.

On December 21, 2021, ACEN signed the Asset Purchase Agreement for the sale of PB 101 to MORE Power Barge, Inc. An impairment loss amounting to ₱69.15 million was recognized for the year ended December 31, 2021, to bring down the carrying amount of PB 101 to its estimated net realizable value.

On January 21, 2022, ACEN and MORE Power Barge, Inc. executed the Deed of Absolute Sale and Assignment implementing the sale of PB 101 at carrying amount for ₱126.00 million, inclusive of VAT.

On February 22, 2022, ACEN and SPC Island Power Corporation executed the Deed of Absolute Sale and Assignment implementing the sale of PB 102 for ₱39.20 million, inclusive of VAT. Conditions precedent to closing of the transaction include the approval of PSALM of the assignment of the Lease Agreement covering the mooring site of PB 102. The sale resulted in a loss of ₱4.20 million.

On April 18, 2022, ACEN and SPC Power Corporation executed the Deed of Absolute Sale and Assignment implementing the sale of PB 103 for ₱39.20 million, inclusive of VAT. The sale resulted to a loss of ₱4.20 million.

7. Investments in Associates and Joint Ventures

The Group's investment in associates and joint ventures and the corresponding effective percentage of ownership are shown below:

	Percentage of ownership		Carrying amount	
	2022	2021	**2022**	2021
Investments in associates:				
Star Energy Geothermal (Salak-Darajat) B.V. (Salak-Darajat)	**19.80**	19.80	**₱11,550,597**	₱10,652,033
Maibarara Geothermal, Inc. (MGI)	**25.00**	25.00	**823,357**	785,042
Others	**various**	various	**40,423**	631
			12,414,377	11,437,706
Interests in joint ventures:				
Philippine Wind Holdings Corporation (PhilWind)	**69.81**	69.81	**5,779,741**	5,765,677
North Luzon Renewable Energy Corp. (NLR)	**33.30**	–	**2,306,315**	–
BIM Renewable Energy Joint Stock Company (BIMRE)	**30.00**	30.00	**1,802,627**	1,597,533
Ingrid Power Holdings, Inc. (Ingrid)	**50.00**	50.00	**1,168,629**	1,210,658
NEFIN Limited (NEFIN)	**50.00**	–	**520,173**	–
Greencore Power Solutions 3, Inc. (Greencore 3)	**50.00**	–	**216,729**	–
AMI AC Renewables Corporation (AAR)	**50.00**	50.00	**128,577**	275,573
BIM Energy Joint Stock Company (BIME)	**30.00**	30.00	**116,179**	111,825
UPC-ACE Australia (Note 28)	**–**	50.00	**–**	903,333
Others			**313,086**	55,996
			12,352,056	9,920,595
			₱24,766,433	₱21,358,301

The details and movements of investments in associates and joint ventures accounted for under the equity method are as follows:

	2022	2021
Investment in associates and joint ventures		
Acquisition costs:		
Balance at beginning of year	**₱19,908,130**	₱18,015,097
Additions	**7,575,323**	536,189
Conversion from subscription deposits (Note 8)	**134,228**	–
Acquired from business combination (Note 28)	**41,866**	–
Reclassification from other noncurrent asset	**22,997**	–
Acquisition of control (Note 28)	**(7,005,539)**	–
Divestment	**(94,339)**	(186,738)
Cumulative translation adjustment	**1,974,366**	562,682
Interest retained in a former subsidiary	–	980,900
Balance at end of year	**22,557,032**	19,908,130
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**1,422,007**	1,197,907
Acquisition of control	**1,984,930**	–
Equity in net earnings	**937,834**	1,952,753
Dividends received	**(2,222,356)**	(1,693,682)
Divestment	**94,339**	(34,971)
Balance at end of year	**2,216,754**	1,422,007
Accumulated share in other comprehensive income (loss):		
Balance at beginning of year	**29,723**	(229,844)
Unrealized fair value gain on derivative instruments designated as hedges - net of tax	**45,224**	104,994
Remeasurement gain (loss) on defined benefit plans - net of tax	**7,628**	(54,608)
Effect of business combinations (Note 28)	**(88,369)**	–
Effect of business combinations under common control	–	209,181
Balance at end of year	**(5,794)**	29,723
Accumulated impairment losses		
Balance at beginning of year	**(1,559)**	(188,072)
Divestment	–	186,513
Balance at end of year	**(1,559)**	(1,559)
Total investments	**₱24,766,433**	₱21,358,301

Investments in Associates

a. Salak-Darajat

In 2017, the Group acquired an interest in Salak-Darajat, an investment holding company incorporated in Netherlands, with assets and operations in Salak and Darajat geothermal fields in West Java, Indonesia, with a combined capacity of 637MW of steam and power. Its principal place of business and country of incorporation is in Indonesia.

The Group received dividends from Salak-Darajat amounting to US$26.53 million (₱1,479.29 million) and US$6.93 million (₱336.41 million) in 2022 and 2021, respectively.

b. MGI

MGI was incorporated in 2010 and operates a 32MW geothermal power plant in Sto. Tomas, Batangas. Its principal place of business and country of incorporation is in Philippines.

The Group received dividends amounting to ₱20.00 million in 2021 (nil in 2022).

c. TBC *(included under "Others" in 2021)*

In 2018, the Group acquired 25% interest in TBC, a regional development and operations company that has platform of wind projects in Southeast Asia. Its principal place of business and country of incorporation is in Singapore.

In September 2022, the Group disposed its 25% interest in TBC to Jetfly Asia Pte. Ltd. for a total consideration of $12.77 million (₱734.67 million) which resulted to a gain on divestment of same amount since the carrying amount is nil.

Interest in Joint Ventures

a. PhilWind and NLR

In 2013, ACEN signed an Investment Framework Agreement and Shareholder's Agreement with UPC Philippines Wind Holdco I BV and the Philippine Investment Alliance for Infrastructure fund (PINAI) to develop a wind power project in Ilocos North through North Luzon Renewable Energy Corporation (NLR).

The principal place of business and country of incorporation of PhilWind and NLR is in Philippines.

In 2020, ACEN purchased all the shares of PINAI in PhilWind for ₱2,573.30 million through its wholly owned subsidiary, Giga Ace 1. Giga Ace 1 was incorporated in 2019 and is engaged in the power generation business, both from renewable and non-renewable energy sources.

In 2021, the Group made additional investment of ₱1,775.59 million.

On March 18, 2022, ACEN and UPC Philippines Holdco I BV executed a Deed of Absolute Sale of Shares covering 16,668 common shares and 740 preferred shares representing 33% ownership in NLR for ₱2,385.27 million.

PhilWind directly and indirectly owns 67.00% of NLR through its 38.00% direct interest and 28.70% indirect interest through its 100.00% owned subsidiary, Ilocos Wind Energy Holdings Co., Inc.

The Group received dividends from PhilWind amounting to ₱542.32 million and ₱1,062.16 million in 2022 and 2021, respectively.

The Group received dividends from NLR amounting to ₱30.46 million in 2022 (nil in 2021).

b. BIMRE and BIME

In 2018, the Group entered into a 30-70 joint venture agreement with BIM Group to develop, construct, and operate a 300MW Solar Farm in Ninh Thuan Province, Vietnam, through BIMRE and BIME. Its principal place of business and country of incorporation is in Vietnam.

BIMRE and BIME is currently operating a 375MW and 30MW wind power plant, respectively.

The Group received dividends from BIMRE and BIME amounting to US$2.76 million (₱156.35 million) and US$4.06 million (₱205.79 million) in 2022 and 2021, respectively.

c. Ingrid

In 2021, the Group executed a subscription agreement with Axia Power Holdings Philippines Corp. for a 50% interest in Ingrid Power Holdings, Inc. to develop, construct, and operate a 150MW diesel power plant in Pililia Rizal. Its principal place of business and country of incorporation is in the Philippines.

Ingrid is currently operating a 150MW diesel power plant.

d. NEFIN and NEFIN Asset Management Pte. Ltd.

On January 6, 2022, the Group entered into a 50-50 joint venture with Canis Majoris Holding Limited (“NEFIN”) to invest in NEFIN Limited and NEFIN Asset Management Pte. Ltd. NEFIN is a leading solar photovoltaic developer and investor in carbon neutrality solutions and the joint venture company will develop, construct and operate rooftop solar projects across Asia. Its principal place of business and country of incorporation is in Hong Kong.

Total capital of USD $10.00 million (₱517.44 million). was infused to the joint venture for the development and construction of near-term projects over the coming years.

e. Greencore 3

On February 21, 2022, the Group entered into a 50-50 joint venture with Citicore Renewable Energy Corporation (“CREC”) to develop, construct, and operate a 50MW solar power plant in Arayat and Mexico, Pampanga. Its principal place of business and country of incorporation is in the Philippines.

f. 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. Its principal place of business and country of incorporation is in Vietnam.

The three renewable operating projects under AAR are a (1) 252MW wind power plant in Quang Binh, (2) 50MW solar power plant in Khanh Hoa, and (3) 30MW solar power plant in Dak Loak.

The Group received dividends from AAR amounting to USD$0.24 million (₱13.93 million) in 2022 (nil in 2021).

g. UPC-ACE Australia and UPC-ACE Australia (HK) Limited ("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 (see Note 8) to fund project equity.

Additional investments were made in 2021 amounting to US$5.75 million (₱278.60 million).

In March 2022, the Group acquired additional 50% interest in UPC-ACE Australia for an aggregate consideration of USD$87.80 million (₱4,556.82 million).

On November 8, 2022, UPC Renewables, executed proxy rights in favor of ACRI, providing ACRI with 100% voting rights in the consolidated group of UPC-ACE Australia. Consequently, the Group consolidated UPC-ACE Australia (see Note 28).

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:

2022 (Amounts in millions, except otherwise stated)

	PhilWind	NLR	Ingrid	BIMRE	Salak-Darajat	MGI
Classification	Joint venture	Joint venture	Joint venture	Joint venture	Associate	Associate
Functional currency	PHP₱	PHP₱	PHP₱	VND (in billions)	US$	PHP₱
Dividends received	₱542.32	₱30.46	₱–	₫66.98	$26.53	₱–
Summarized Statements of Financial Position:						
Current assets	₱3,963.06	₱1,524.13	₱2,569.11	₫805.58	$324.56	₱956.19
Noncurrent assets	7,641.90	9,946.35	1,177.90	5,418.33	2,495.76	4,730.37
Total assets	11,604.96	11,470.48	3,747.01	₫6,223.91	2,820.32	5,686.56
Current liabilities	811.46	796.62	1,940.47	451.22	93.59	766.58
Noncurrent liabilities	7,176.19	7,178.25	42.42	4,611.65	1,693.44	1,609.66
Equity	₱3,617.31	₱3,495.61	₱1,764.12	₫1,161.04	$ 1,033.29	₱3,310.32
Share in equity	₱2,515.12	₱1,122.12	₱882.92	₫348.31	$204.59	₱ 823.36
Notional goodwill	3,264.62	1,184.20	285.71	363.00	2.04	–
Carrying value of investments in functional currency	₱5,779.74	₱2,306.32	₱1,168.63	₫711.31	$206.63	₱823.36
Carrying value of investments in Philippine Peso	₱5,779.74	₱2,306.32	₱1,168.63	₱0.73	₱11,383.82	₱823.36
CTA	–	–	–	1.07	166.78	–
Carrying value of investments in reporting currency	₱5,779.74	₱2,306.32	₱1,168.63	₱1.80	₱11,550.60	₱823.36
Summarized Statements of Comprehensive Income:						
Revenue	₱2,170.93	₱2,222.16	₱3,328.21	₫1,204.47	$ 371.77	₱972.92
Cost and expenses	1,183.65	1,245.55	3,412.20	922.60	252.94	826.49
Net income (loss)	987.28	976.61	(83.99)	281.87	118.83	146.43
Other comprehensive income	–	–	–	–	0.29	–
Total comprehensive income (loss) at functional currency	₱987.28	₱976.61	(₱83.99)	₫281.87	$119.12	₱146.43
Group's share in total comprehensive income (loss) at functional currency	₱556.39	₱51.39	(₱42.03)	₫83.95	$23.91	₱38.32
Total comprehensive income (loss) in Philippine Peso	₱987.28	₱976.61	(₱83.99)	₱0.65	₱6,641.61	₱146.43
Group's share in total comprehensive income (loss) in Philippine Peso	₱556.39	₱51.39	(₱42.03)	₱0.19	₱1,306.48	₱38.32

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	PHP₱	PHP₱	US$	VND (in billions)	US$	VND (in billions)
Dividends received	₱1,062.16	₱–	US$–	₫–	$6.93	₫33.48
Summarized Statements of Financial Position:						
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
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
Summarized Statements of Comprehensive Income:						
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 (in billions)	US$	VND (in billions)
Summarized Statements of Comprehensive Income:					
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

Aggregate net (loss)income of other associates and joint ventures as at December 31, 2022 and 2021 amounted to (₱1,167.37 million) and ₱136.95 million, respectively.

In 2022, the Group’s share in total comprehensive loss for UPC- AC Energy Australia (HK) Limited totaled ₱1,023.06 million prior to business combination.

8. Investments in Other Financial Assets at Amortized Cost

The Group’s investment in other financial assets at amortized cost are shown below:

	2022	2021
Redeemable preferred shares		
AAR	**₱6,991,917**	₱6,202,339
UPC-AC Energy Solar Limited (UPC Solar)	**4,332,163**	1,599,381
BIM Wind Energy JSC (BIM Wind)	**2,074,683**	390,113
BIM Renewable Energy Joint Stock Company (BIMRE)	**1,359,678**	1,238,209
UPC Renewables Asia III Ltd. (UPC Asia III)	**1,219,047**	1,110,141
NEFIN Limited (NEFIN)	**1,142,420**	–
BIM Energy Joint Stock Company (BIME)	**237,248**	216,053
	17,357,156	10,756,236
Subscription deposits		
BIM Wind	**293,479**	1,895,364
Suryagen Capital Pte. Ltd. (“Suryagen”)	**139,388**	–
AAR	–	114,883
	432,867	2,010,247

(Forward)

	2022	2021
Convertible loans		
Asian Wind 1	**₱1,449,630**	₱1,247,771
Asian Wind 2	**1,186,973**	1,094,332
Vietnam Wind Energy Limited (VWEL)	**2,118,690**	1,929,412
UPC-AC Energy Australia (HK) Ltd. (UPC-ACE Australia)	**–**	9,047,961
	4,755,293	13,319,476
	22,545,316	26,085,959
Allowance for expected credit loss	**1,284,409**	–
Balance at end of year	**₱21,260,907**	₱26,085,959

Investments in redeemable preferred shares and subscription deposits

The rollforward analysis of this account follows:

	2022	2021
Balances at beginning of year	**₱12,766,483**	₱8,181,268
Subscription deposits	**180,448**	3,150,370
Subscription to redeemable preferred shares	**3,571,739**	866,258
Conversion of subscription deposits	**(1,899,834)**	(3,416,093)
Conversion to redeemable preferred shares	**1,899,834**	3,417,430
Conversion to investment in joint venture (Note 7)	**(134,228)**	–
Cumulative translation adjustment	**1,405,581**	567,250
Balances at end of year	**₱17,790,023**	₱12,766,483

Investments in redeemable preferred shares

a. AAR

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.

AAR owns a combined 80 MW of Solar Farm in Khan Hoa and Dak Lak Province, Vietnam

In 2019, the Group subscribed to an additional 1,514,000 redeemable Class A preference shares and 13,171,640 redeemable Class B preference shares in AAR. In 2022 and 2021, the Group converted its subscription deposits to Class A preferred shares for a total of US$3.25 million (₱168.79 million) and US$55.84 million (₱2,835.19 million), respectively.

b. UPC Solar

In 2021 and 2020, the Group entered into different Share Subscription Agreement with UPC-ACE 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.

UPC Solar is currently developing solar farms with combined capacity of 210 MW in the Provinces of Rajasthan and Gujarat, India.

In 2022 and 2021, the Group subscribed to Class A Redeemable preferred shares for a total of $46.20 million (₱2,417.40 million) and $17.50 million (₱866.17 million), respectively.

c. BIM Wind

On December 21, 2021, the Group converted deposit for future equity in BIM Wind into 300,000 redeemable preference shares. 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.

BIM Wind owns and operates an 88 MW wind project in the Province Ninh Thuan, Vietnam.

In 2022 and 2021, the Group converted its subscription deposits to redeemable preferred shares for a total of $29.53 million (₱1,731.04 million) and $7.68 million (₱390.11 million), respectively.

d. BIM RE

On November 4, 2019, the Group converted deposit for future equity in BIMRE into 3,437,000 redeemable Class A preference shares and 3,437,000 redeemable Class B preference shares. The redeemable Class A and Class B 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 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 the operations of the project which is expected in 20 years from commercial operations. In 2020, the Group converted its subscription deposit to 928,093 Redeemable Class A and 928,093 Redeemable Class B shares.

BIMRE owns 300 MW of Solar Farm in Ninh Thuan Province, Vietnam.

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.

e. UPC Asia III

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 realised 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.

UPC Asia III owns 75 MW Wind Farm in South Sulawesi, Indonesia.

f. NEFIN

Construction Equity RPS in NEFIN Limited are non-voting shares entitled to a fixed, cumulative compounding dividends annually and are not entitled to any additional dividends. The shares are redeemable only by cash at the issuer's option.

g. BIME

On November 4, 2019, the Group also converted deposit for future equity in BIME into 343,700 redeemable Class A preference shares and 343,700 redeemable Class B preference shares. The redeemable Class A and Class B 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 but no earlier than the 13th year (for Class A) and 7th year (for Class B) 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.

BIME owns 30 MW of Solar Farm in Ninh Thuan Province, Vietnam.

In 2021, the Group subscribed to redeemable Class B for a total of US$0.01 million (₱0.06 million).

Subscription Deposits

a. 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, the Group made subscription deposit amounting to $13.04 million (₱642.32 million). Subscriptions amounting to $7.68 million (₱390.11 million) was partially converted in 2021.

As at December 31, 2022 and 2021, remaining unconverted subscription deposit amounted to $5.26 million (₱293.48 million) and $37.33 million (₱1,895.36 million), respectively.

In 2022, subscriptions amounting to $2.54 million (₱134.23 million) was reclassified to investments in joint venture (see Note 7).

b. Suryagen

On March 10, 2022, Framework Agreement Term Sheet Between ACRI and PT Puri Usaha Kencana, Pt Trisurya Mitra Bersama, PT Griya Usaha, PT Suryagen Griya Intitama and PT Puri Energi Kencana was entered into for the joint development of projects in Indonesia. Pursuant to the term sheet, ACRI infused $2.50 million (₱129.90 million) to Suryagen Capital Pte Ltd as a non-refundable subscription deposit convertible into common shares investment upon execution of the investment definitive documentation.

As at December 31, 2022, $2.50 million (₱139.39 million) of deposits remain outstanding.

c. AAR

On April 16, 2022, the Group entered into a Share Subscription and Deposit Agreement for additional Class A Preferred Shares of AAR. In 2022, the Group subscribed for a total of 2,230,000 (2021: 115,383,300) future Class A Preferred Shares of AAR.

The Group partially converted the deposits amounting to $3,248,488 (2021 : $55,852,756) to Class A Redeemable Preferred Shares of AAR. As at December 31, 2022, $Nil (2021 : $2,262,635) of deposits remains outstanding.

Convertible loans

The rollforward analysis of this account follows:

	2022	2021
Balance at beginning of year	**₱13,319,476**	₱7,115,837
Additions (Note 28)	**2,807,214**	6,542,561
Reclassified from receivables from a related party	**74,446**	–
Effect of business combination (Note 28)	**(12,951,246)**	–
Allowance for impairment (Note 21)	**(1,284,409)**	–
Redemptions	**(14,508)**	(791,328)
Cumulative translation adjustment	**1,519,911**	452,406
Balance at end of year	**₱3,470,884**	₱13,319,476

a. Asian Wind Power 1 HK Ltd (Asian Wind 1)

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.

In 2022, convertible loan amounting to US$1.43 million (₱74.45 million) was reclassified to debt replacement loans.

b. 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 2022, redemptions amounted to US$0.26 million (₱14.51 million), while in 2021, drawdown from the loan amounted to US$0.80 million (₱40.62 million).

c. 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.

In determining the ECL, the Group has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

As at December 31, 2022, the Group provided ECL provision amounting to $23.04 million (₱1,284.41 million) (see Note 21).

d. Investment in UPC-ACE 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.

In 2022, total amount drawn from the loan amounted to US$50.78 million (₱2,807.21 million) which was subsequently reclassified as part of the Group's interest upon acquisition of control over UPC-ACE Australia (see Note 28). Loan drawdowns in 2021 amounted to US$129.72 million (₱6,501.94 million).

Convertible loans amounting to US$228.98 million (₱12,951.25 million) was eliminated as effect of the Group's acquisition of control over UPC-ACE Australia (see Note 28).

Convertible loan facilities bear interest ranging from 8.50% to 12.00% per annum.

Interest income

The Group earns interest income from its investments in redeemable preferred shares and convertible loans amounting to:

	2022	2021	2020
Redeemable preferred shares			
AAR	**₱842,187**	₱580,140	₱209,413
BIM Wind	**510,227**	60,311	–
UPC Solar	**427,498**	125,539	11,235
UPC Asia III	**231,016**	201,851	187,843
BIMRE	**175,757**	156,615	123,581
BIME	**30,736**	27,439	25,165
NEFIN	**33,724**	–	–
	2,251,145	1,151,895	557,237
Convertible loans			
UPC-ACE Australia	**847,085**	600,198	87,630
Asian Wind 1	**206,486**	170,716	243,117
Asian Wind 2	**170,195**	133,736	77,743
VWEL	**–**	242,268	128,973
	1,223,766	1,146,918	537,463
	₱3,474,911	₱2,298,813	₱1,094,700

9. **Investments in Financial Assets at FVTPL**

	2022	2021
Current	**₱42,863**	₱–
Noncurrent	**1,260,023**	406,739
	₱1,302,886	₱406,739

The roll forward of this account follows:

	2022	2021
As at beginning of year	**₱406,739**	₱–
Subscriptions	**912,534**	402,680
Fair value adjustment (Note 23)	**(124,513)**	–
Cumulative translation adjustment	**108,126**	4,059
As at end of year	**₱1,302,886**	₱406,739

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 shares, 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 US$8.01 million (₱402.68 million).

In various dates in 2022, the Group subscribed to 133,650,300 shares, with total subscription amount of US$17.60 million (₱912.53 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.

10. Investments in Financial Assets at FVOCI

	2022	2021
Noncurrent:		
UPC Sidrap HK Limited	**₱364,332**	₱353,657
Golf club shares	**690**	1,190
Listed shares of stock	**1,822**	21
	₱366,844	₱354,868

UPC Sidrap HK Limited
On January 11, 2017, the Group subscribed to 1,130 redeemable Class B preference shares of UPC Sidrap HK. The unquoted equity investments represent investment in the Sidrap Project that is engaged in wind power generation and operation.

In 2022 and 2021, dividend income earned from UPC Sidrap amounted to $0.07 million (₱3.64 million) and $0.24 million (₱11.73 million).

No dividend income was earned from AYCFL in 2021 and 2020.

The movements in net unrealized (loss) gain on financial assets at FVOCI for the years ended are as follows:

	2022	2021
Balance at beginning of year	**(₱90,089)**	₱143,625
Unrealized loss recognized during the year	**(24,477)**	(44,909)
Reversal of unrealized fair value gain upon redemption	**–**	(25,906)
Effect of business combinations under common control (Note 29)	**–**	(162,899)
Balance at end of year	**(₱114,566)**	(₱90,089)

11. Property, Plant and Equipment

The details and movements of this account for the years ended December 31 are shown below:

	2022							
	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
Cost								
Balance at beginning of year	**₱1,606,519**	**₱8,248,059**	**₱31,518,952**	**₱102,770**	**₱827,755**	**₱215,878**	**₱4,289,097**	**₱46,809,030**
Additions	**418,717**	**176,150**	**469,146**	**77,681**	**1,085,429**	**65,110**	**19,892,534**	**22,184,767**
Acquisition from business combination (Note 28)	**155,040**	**–**	**48,922**	**17,846**	**–**	**3,143**	**14,487,778**	**14,712,729**
Transfer from advances to contractors	**–**	**–**		**–**	**–**	**–**	**189,721**	**189,721**
Transfer from other noncurrent assets	**–**	**–**	**–**	**–**	**–**	**–**	**1,441**	**1,441**
Transfers to assets held for sale	**–**	**–**	**(14)**	**–**	**–**	**–**	**–**	**(14)**
Transfer to other current assets	**–**	**–**	**–**	**–**	**(4,465)**	**–**	**–**	**(4,465)**
Disposals and retirement	**–**	**–**	**(6,870)**	**(7,408)**	**(29)**	**(3,784)**	**–**	**(18,091)**
Change due to loss of control (Notes 2 and 32)	**(550,763)**	**(7,813,633)**	**(11,046,675)**	**(20,157)**	**(253,516)**	**(92,981)**	**(34,104)**	**(19,811,829)**
Reclassification	**–**	**136,032**	**230,434**	**(1,443)**	**(73,604)**	**11,670**	**(303,089)**	**–**
Currency translation adjustments	**1,129**	**–**	**11,393**	**2,411**	**–**	**1,076**	**1,380,095**	**1,396,104**
Balance at end of year	**1,630,642**	**746,608**	**21,225,288**	**171,700**	**1,581,570**	**200,112**	**39,903,473**	**65,459,393**
Accumulated depreciation								
Balance at beginning of year	**31,456**	**2,034,951**	**7,658,927**	**38,851**	**429,613**	**121,854**	**–**	**10,315,652**
Depreciation (Notes 21 and 22)	**10,806**	**316,320**	**1,322,795**	**26,478**	**109,531**	**52,899**	**–**	**1,838,829**
Disposals and retirement	**–**	**–**	**(1,647)**	**(2,813)**	**–**	**(2,664)**	**–**	**(7,124)**
Change due to loss of control (Notes 2 and 32)	**(674)**	**(2,243,987)**	**(3,164,294)**	**(14,773)**	**(109,131)**	**(57,629)**	**–**	**(5,590,488)**
Reclassifications	**–**	**–**	**34,585**	**–**	**(28,237)**	**(6,348)**	**–**	**–**
Currency translation adjustments	**–**	**–**	**6,594**	**690**	**–**	**753**	**–**	**8,037**
Balance at end of year	**41,588**	**107,284**	**5,856,960**	**48,433**	**401,776**	**108,865**	**–**	**6,564,906**
Accumulated impairment loss								
Balance at beginning of year	**–**	**–**	**81,071**	**–**	**–**	**–**	**373,744**	**454,815**
Provision for impairment loss (Note 21)	**–**	**–**		**–**	**–**	**–**	**41,444**	**41,444**
Balance at end of year	**–**	**–**	**81,071**	**–**	**–**	**–**	**415,188**	**496,259**
Net Book Value	**₱1,589,054**	**₱639,324**	**₱15,287,257**	**₱123,267**	**₱1,179,794**	**₱91,247**	**₱39,488,285**	**₱58,398,228**

	2021							
	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
Cost								
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 (Note 6)	–	(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)
Change due to loss of control	–	–	–	(2,433)	–	–	(588,264)	(590,697)
Disposals and retirement	–	–	(645)	(10,079)	–	(610)	(464)	(11,798)
Reclassification	(77,009)	(73,150)	5,370,423	(3,412)	296,116	(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
Accumulated depreciation								
Balance at beginning of year	16,773	1,693,436	7,045,930	47,736	101,853	90,299	–	8,996,027
Depreciation (Notes 20 and 21)	14,683	357,125	1,058,964	4,699	90,760	47,956	–	1,574,187
Transfer to noncurrent assets held for sale (Note 6)	–	(3,426)	(236,203)	(2,988)	(202)	(3,379)	–	(246,198)
Transfer to intangibles (Note 13)	–	–	–	–	(27)	–	–	(27)
Change due to loss of control	–	–	–	(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
Accumulated impairment loss								
Balance at beginning of year	–	–	352,064	–	14,890	–	150,189	517,143
Provision for impairment loss (Note 21)	–	–	77,858	–	–	–	223,555	301,413
Reversals (Note 23)	–	–	(75,118)	–	(14,890)	–	–	(90,008)
Retirement	–	–	(464)	–	–	–	–	(464)
Transfer to noncurrent assets held for sale (Note 6)	–	–	(273,269)	–	–	–	–	(273,269)
Balance at end of year	–	–	81,071	–	–	–	373,744	454,815
Net Book Value	₱1,575,063	₱6,213,108	₱23,778,954	₱63,919	₱398,142	₱94,024	₱3,915,353	₱36,038,563

In 2022, the Group invested significant CAPEX related to the following projects:

Project	Capacity (MW)	Location
Pagudpud Wind	160	Ilocos Norte, Philippines
Arayat-Mexico Solar (Phase 2)	44	Pampanga, Philippines
San Marcelino Solar (Phase 1)	283	Zambales, Philippines
Cagayan North Solar (Phase 1)	133	Lal-lo Cagayan, Philippines
Palauig 2 Solar	300	Zambales, Philippines
Capa Wind	70	Caparispisan, Pagudpud, Ilocos Norte, Philippines
Pangasinan Solar	60	Sinocalan, San Manuel, Pangasinan, Philippines
New England Solar Farm	521	Urulla, New South Wales, Australia
Stubbo Solar	520	Central Western Tablelands, New South Wales, Australia

In 2021, the Group invested significant CAPEX related to the following projects in the Philippines:

Project	Capacity (MW)	Location
Pagudpud Wind	160	Ilocos Norte,
Alaminos Solar	120	Alaminos, Laguna
Alaminos Battery Energy Storage System	40	Alaminos, Laguna
Palauig Solar	60	Palauig, Zambales
Renewable Energy Laboratory Facility	4.375	Mariveles, Bataan

In 2022 and 2021, the Group acquired assets with a cost of ₱22,184.77 million and ₱5,548.43 million, respectively. Additionally, during the current year, Property, plant, and equipment acquired through business combination amounted to ₱14,712.73 million (see Note 28).

Non-cash component in the total additions amounted to ₱1,949.59 million and ₱33.33 million in 2022 and 2021, respectively (see Note 32).

Borrowing cost capitalized to property, plant, and equipment amounted to ₱747.78 million and nil for the years ended December 31, 2022 and 2021, respectively. The capitalization rate used to determine the borrowing cost eligible for capitalization is 4.99% and nil in 2022 and 2021, respectively.

Disposals
Assets (other than those classified as held for sale) with a net book value of ₱10.67 million and ₱3.92 million were disposed by the Group during 2022 and 2021, respectively. This resulted in a net loss of ₱7.05 million and net gain of ₱1.10 million in 2022 and 2021, respectively (see Note 23).

Mortgaged Property and Equipment
Guimaras Wind's wind farm with carrying value of ₱3,500.05 million and ₱3,702.37 million as at December 31,2022 and 2021, respectively, included under "Machinery and Equipment" account is mortgaged as security for the long-term loan (see Note 16).

Contractual commitments
The Group has commitments of ₱28,812.08 million for property, plant and equipment, which are contracted for but not provided for in the consolidated financial statements.

Total depreciation charged to operations amounted to ₱1,668.05 million, ₱1,495.08 million and ₱ 1,673.65 million in 2022, 2021 and 2020, respectively. The amount charged to "General and administrative expenses" account amounted to ₱170.78 million, ₱79.10 million and ₱41.58 million in 2022, 2021 and 2020, respectively (see Note 21).

The Group has no significant property, plant and equipment which are temporarily idle as at December 31, 2022 and 2021.

The Group's fully depreciated property, plant and equipment which are still in use as at December 31, 2022 and 2021 amounted to ₱1,898.23 million and ₱1,912.45 million, respectively.

12. Right-of-Use Assets and Lease Liabilities

The rollforward of these accounts follows:

	2022						
	Right-of-Use Assets						
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Land and Office Building	Leasehold Rights	Total	Lease Liabilities
As at January 1, 2022	₱154,346	₱815,512	₱935,360	₱229,184	₱1,077	₱2,135,479	₱2,696,252
New lease agreements	–	149,743	130,465	1,896	–	282,104	263,077
Amortization expense (Notes 20 and 21)	(8,550)	(14,781)	(144,269)	(11,726)	(538)	(179,864)	–
Reclassifications	13,576	(486,466)	13,190	459,700	–	–	–
Remeasurement	–	61,747	(13,488)	(42)	–	48,217	(75,752)
Remeasurement due to lease modification	(433)	7,376	–	50	–	6,993	2,060
Interest expense (Note 22)	–	–	–	–	–	–	198,050
Payments	–	–	–	–	–	–	(291,085)
Acquired through business combination (Note 28)	–	1,323,557	–	–	–	1,323,557	1,485,756
Foreign exchange adjustments	–	110,161	–	–	–	110,161	186,663
As at December 31, 2022	₱158,939	₱1,966,849	₱921,258	₱679,062	₱539	₱3,726,647	₱4,465,021

	2021						
	Right-of-Use Assets						
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Land and Office Building	Leasehold Rights	Total	Lease Liabilities
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 20 and 21)	(9,157)	(142,690)	(118,145)	(1,433)	(538)	(271,963)	–
Transfers to Property, Plant, and Equipment (Note 11)	–	(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
Change due to loss of control	–	(468,444)	–	–	–	(468,444)	(78,051)
Interest expense	–	–	–	–	–	–	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

There was no indication of impairment on the right-of-use asset of the Group as at December 31, 2022 and 2021.

Lease Commitments

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.

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 fixed monthly rental payment of 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.

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 fixed monthly rental payment 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 fixed monthly rental payment 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.

13. **Goodwill and Other Intangible Assets**

The rollforward of this account follows:

	2022				
	Goodwill	**Deferred Exploration Costs**	**Leasehold and Water Rights**	**Other Intangible Assets**	**Total**
Cost:					
Balance at beginning of year	**₱246,605**	**₱141,741**	**₱185,347**	**₱2,193,812**	**₱2,767,505**
Additions/Cash calls		**1,471**	**–**	**3,982**	**5,453**
Acquired from business combination (Note 28)	**21,665,700**	**–**	**–**	**103,672**	**21,769,372**
Currency translation adjustment	**(721,763)**	**–**	**–**	**–**	**(721,763)**
Balance at end of year	**21,190,542**	**143,212**	**185,347**	**2,301,466**	**23,820,567**
Accumulated amortization:					
Balance at beginning of year	**–**	**–**	**40,757**	**265,291**	**306,048**
Amortization (Notes 20 and 21)	**–**	**–**	**8,120**	**151,595**	**159,715**
Balance at end of year	**–**	**–**	**48,877**	**416,886**	**465,763**
Accumulated impairment:					
Balance at beginning of year	**–**	**85,477**	**–**	**–**	**85,477**
Impairment (Note 21)	**–**	**584**	**–**	**–**	**584**
Balance at end of year	**–**	**86,061**	**–**	**–**	**86,061**
Net book value	**₱21,190,542**	**₱57,151**	**₱136,470**	**₱1,884,580**	**₱23,268,743**

	2021				
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	Total
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 11)	–	–	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 20 and 21)	–	–	8,120	151,595	159,715
Reclass from PPE	–	–	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	–	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

Goodwill and Leasehold water rights
In 2022, additions to goodwill are from acquisitions of UPC-ACE Australia, and UPC Philippines, amounting to ₱21,544.49 million and ₱118.36 million, respectively (see Note 28).

The considerations paid for these combinations effectively included amounts in relation to the benefits of expected synergies and future market growth. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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.

The CGU of the Group are comprised of:
- Philippines
    a. Operating plants – ISLASOL and One Subic Power
    b. Development – ACE Endevor
    c. Development – UPC Philippines
- International – UPC-ACE Australia

The goodwill arising from the acquisitions in 2022, UPC-ACE Australia and UPC Philippines are from the established capabilities of its assembled workforce which include:
- Pre-development and development – involving site acquisition, permitting and studies to get the project to a shovel ready state;
- Construction – including sourcing of investors as well as managing the construction of power plants; and
- Operations – covering management of power plants in lieu of the investors for a fee

Further, the above acquisition included projects in its pipeline with a view of development projects (new and from the pipeline) for the Group. Through this acquisition, the Group is able to have the capability to develop projects end-to-end from permits and feasibility studies, all the way to construction and operations.

Currently, the assembled workforce oversees the pre-development and development of several potentail sites for its projects are within the Philippines and Australia.

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:

- Philippines
  a. Operating plants – ISLASOL and One Subic Power
     - Forecasted revenue growth (**2022: 2%-10%**; 2021: 2%-10%)
     - EBITDA margin (**2022: 2%-10%**; 2021: 2%-10%)
     - Discount rate (**2022: 11.16%** ; 2021: 8.40%-10.40%)
  b. Development – ACE Endevor
     - Forecasted revenue growth (**2022: 2%-10%**; 2021: 2%-10%)
     - EBITDA margin (**2022: 2%-10%**; 2021: 2%-10%)
     - Discount rate (**2022: 11.16%** ; 2021: nil)
  c. Development – UPC Philippines
     - Projects in the pipeline (**2022: 2%-10%**; 2021: nil)
     - Forecasted revenue growth (**2022: 2%-10%**; 2021: nil)
     - EBITDA margin (**2022: 2%-10%**; 2021: nil)
     - Discount rate (**2022: 11.16%** ; 2021: nil)
- International – UPC-ACE Australia
  a. Projects in the pipeline (**2022: 2%-10%**; 2021: nil)
  b. Forecasted revenue growth (**2022: 2%-10%**; 2021: nil)
  c. EBITDA margin (**2022: 2%-10%**; 2021: nil)
  d. Discount rates (**2022: 8.42%-9.08%** ; 2021: nil)

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trend, tariffs, 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.

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, 2022 and 2021.

Leasehold and Water Rights
The leasehold and water rights 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 and water rights on its contracts of lease with San Carlos Sun Power, Inc., San Carlos Biopower Inc. and SACASOL. As at December 31, 2022 and 2021, the carrying amount of the leasehold and water rights amounted to ₱128.62 million and ₱136.74 million, respectively. There are increase in land rental fee and escalation rate from 2.54% to 4.485%.

Other Intangible Assets
Intangible assets amounting to ₱2,191.81 million arising from an identifiable FIT contract with useful life of 13 years was recognized from the acquisition of SACASOL in 2020. The carrying amount as at December 31, 2022 and 2021 amounted to ₱1,774.93 million and ₱1,926.52 million, respectively. Intangible assets also include ₱103.67 million acquired during business combination.

14. **Other Assets**

Other current asset

This account consists of:

	2022	2021
Derivative asset (Note 29)	**₱617,139**	₱241,744
Prepaid expenses	**202,565**	223,264
Advances to contractors	**145,163**	270,265
Short-term investments	**528**	68,310
Other current assets	**27,693**	36,433
	993,088	840,016
Less allowance for impairment loss (Note 21)	**26,181**	27,437
	₱966,907	₱812,579

Derivative asset pertains to the coal and fuel commodity swaps contracts maturing within 12-month period (see Notes 15 and 31). ACEN had unrealized ₱1.65 million losses on coal swaps (see Note 23). The account also includes hedge transactions from UPC-ACE Australia amounting to $9.97 million (₱555.87 million).

Prepaid expenses pertain to insurance, subscriptions, rent, taxes and other expenses paid in advance.

Advances to contractors pertain to advance payments for services and supply of repairs and maintenance.

Other noncurrent asset

This account consists of:

	2022	2021
Development costs	**₱5,723,562**	₱428,074
Advances to suppliers	**1,722,023**	2,531,010
Advances for land acquisition	**809,975**	–
Deposits	**109,718**	165,164
Investment properties	**13,085**	13,085
Others	**116,808**	40,979
	₱8,495,171	₱3,178,312

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. Development costs include ₱1,323.6 million acquired during business combination (see Note 28).

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.

Advances for land acquisition pertain to partial payments to landowners and service providers related to the acquisition of various property for future projects.

15. Accounts Payable and Other Current Liabilities

This account consists of:

	2022	2021
Accrued expenses	**₱4,710,091**	₱1,274,403
Trade	**3,701,024**	2,534,044
Due to related parties (Note 26)	**1,782,157**	286,870
Output VAT - net	**1,280,631**	1,022,706
Nontrade	**1,231,305**	425,619
Accrued interest expenses	**210,510**	196,177
Retention payables	**158,105**	136,075
Accrued directors' and annual incentives (Note 26)	**58,507**	23,352
Derivative liability (Note 29)	**3,012**	241,744
Others	**187,227**	139,839
	₱13,322,569	₱6,280,829

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 construction costs, 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.

Derivative liability pertains to foreign exchange forward contracts maturing within 12-month period (see Note 29).

16. Short-term Loans, Long-term Loans, and Notes Payable

Short-term Loans

This account consists of:

	2022	2021
Beginning balance	**₱–**	₱9,438,600
Availments	**23,259,020**	3,000,000
Payments	**(20,359,020)**	(12,500,800)
Foreign exchange adjustments	–	62,200
Ending balance	**₱2,900,000**	₱–

The Group has outstanding short-term loans availed in 2022 from various local banks amounting to ₱ 2,900.00 million with interest ranging from 2.20% to 4.25% (nil in 2021).

Total interest expense recognized on short-term loans for the years ended December 31, 2022 and 2021 amounted to ₱179.92 million and ₱52.73 million, respectively (Note 22).

Long-term Loans

This account consists of:

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	**2022**	2021
ACEN								
₱1,175.00 million Loan A	₱1,175.00 million	January 11, 2017	July 11, 2029	6.50% per annum	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x* Based on ACEN consolidated year-end balances. Tested semi-annual *On August 24, 2022, lender approved amendment to financial covenants. Previously, covenant included minimum DSCR 1.00x; maximum DE ratio of 1.50x; and minimum current ratio of 1.00x.	**₱692,425**	₱768,813
₱5,000.00 million Loan B	₱5,000.00 million	November 15, 2019	November 14, 2029	5.0505% per annum for the first 5 years; repricing for the succeeding five (5) years is the average of the 5-year BVAL, three (3) days prior to repricing date, plus a margin of ninety basis	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances. Tested semi-annual	**4,842,105**	4,894,737

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	**2022**	2021
				points per annum (0.90%), with the sum divided by 0.95				
₱7,000.00 million Loan C	₱500.00 million ₱1,000.00 million ₱1,000.00 million ₱2,000.00 million	July 15, 2020 August 24, 2020 June 10, 2022 November 15, 2022	July 15, 2030 July 15, 2030 July 15, 2030 July 15, 2030	5.00% per annum 5.00% per annum 5.066% per annum 5.8096% per annum	Principal and interest payable semi-annual Principal and interest payable quarterly	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances. Tested semi-annual	**4,476,000**	1,500,000
₱4,500.00 million Loan D	₱805.00 million ₱2,000.00 million ₱1,695.00 million	March 30, 2021 February 28, 2022 April 11, 2022	March 30, 2031 March 30, 2031 March 30, 2031	Floating interest rate repriced on every succeeding semi-annual period. Can be converted to fixed up to the 2nd anniversary of initial drawdown.	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances. Tested semi-annual	**4,500,000**	805,000
₱10,000.00 million Loan E	₱3,000.00 million	December 13, 2022	December 13, 2032	Floating interest rate repriced on every succeeding semi-annual period. Can be converted to fixed up to the 1st anniversary of initial drawdown.	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances. Tested semi-annual	**3,000,000**	–

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	**2022**	2021
NorthWind								
₱2,300.00 million	₱2,300.00 million	May 29, 2020	May 29, 2032	Fixed at a rate of 5.13% for 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	Principal and interest payable semi-annual	Minimum historical DSCR of 1.05 times Based on the stand-alone balances of the borrower. Tested annually at year end.	**1,939,360**	2,092,540
Guimaras Wind								
₱4,300.00 million loan	₱4,300.00 million	December 18, 2013	February 14, 2029	6.25%-6.50% fixed rate)	Principal and interest payable semi-annual	Minimum DSCR of 1.2x, a maximum Debt to equity ratio of 70:30. Based on the stand-alone balances of the borrower. Tested annually at year end.	**1,142,502**	1,280,524
SLTEC								
₱13,700.00 syndicated loan facility	₱ 10,200.00 million	April 29, 2019	April 29, 2031	4.44% to 7.11%	Principal and interest payable semi-annual	Minimum DSCR of 1.1x, and Net Debt to Equity Ratio of (i) 80:20 during the first 3 years from the amendment effective date and (ii) 75:25 thereafter. Based on the standalone balances of the borrower.	–	9,812,500

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	**2022**	2021
						Tested annually at year end.		
ACEN Australia Pty Ltd. ("ACEN Australia")								
AU$212.50 million Loan	AU$157.78 million	February 11, 2021	December 22, 2025	BBSY + 1.45% margin - Construction Facility BBSY + 2.10% - Term Facility	Principal Repayment based on agreed schedule. Interest payments 3 or 6 months or any such shorter period agreed.	DSCR Ratio of 1.15 to 1.00x Collateral, secured by Secured Property	5,933,641	–
AU$100 million Loan	AU$34.54 million	August 18, 2022	August 18, 2027	Floating Rate. Reuters screen BBSW + 1.75% margin	3 or 6 months with automatic rollover but not to exceed the maturity date	Net DE Ratio of 3.0x Tangible Net worth of AUD150mn	1,299,044	–
AU$140 million Loan	AU$28.36 million	September 16, 2022	September 16, 2027	Floating Rate. BBSY + 1.65% margin	Principal Repayment on Termination Date. Interest payments 3 or 6 months, or any other period greater than 1 month	Net DE Ratio of 3.0x Tangible Net worth of AUD150mn	1,066,513	–

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	**2022**	2021
					agreed with Lender.			
AU$75.00 million Loan	AU$0.38 million	October 28, 2022	October 28, 2027	Fixed rate. Base rate + 2% margin	Principal Repayment on Termination Date. Interest payments 6 months, or any other period greater than 1 month agreed with Lender.	Net DE Ratio of 3.0x	14,102	–
Totals							**₱28,905,691**	₱21,154,114
Less unamortized debt issue cost							**134,403**	211,893
							28,771,288	20,942,221
Less current portion							**719,385**	824,488
Long-term loans, net of current portion							**₱28,051,903**	₱20,117,733

The rollforward of this account follows:

	2022	2021
As at beginning of year	**₱21,154,114**	₱22,495,027
Availment	**23,012,509**	848,276
Payment	**(7,387,050)**	(2,188,811)
Assumed through business combination (Note 28)	**5,499,956**	–
Change due to loss of control (Note 2)	**(13,594,700)**	–
Cumulative translation adjustments	**220,862**	(378)
	28,905,691	21,154,114
Less unamortized debt issue cost	**134,403**	211,893
	₱28,771,288	₱20,942,221

Movements in debt issue costs related to the long-term loans follow:

	2022	2021
As at beginning of year	**₱211,893**	₱240,873
Additions	**261,443**	7,970
Derecognition	**(97,864)**	–
Change due to loss of control (Note 2)	**(214,360)**	–
Amortization/accretion (Note 22)	**(26,709)**	(36,950)
As at end of year	**₱134,403**	₱211,893

ACEN

In 2022 and 2021, principal repayments made relative to ACEN's loans amounted to ₱153.02 million and ₱964.80 million, respectively. ACEN paid ₱72.71 million debt issue costs for the additional loans availed in 2022 (₱11.25 million in 2021).

Loan E

On December 9 2022, the Parent Company entered into a new loan agreement with a local bank for a maximum principal amount of ₱10,000.00 million.

On December 13, 2022 the Parent Company made drawdowns amounting to ₱3,000.00 million. The loan has a term of 120 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 60th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

Loan C

On June 10, 2022, the Parent Company made drawdown amounting to ₱1,000.00 million. The loan have a term of 97 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on July 15, 2022. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On November 15, 2022, the Parent Company made drawdown amounting to ₱2,000.00 million. The loan has a term of 92 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on January 13, 2023. 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 Company to make an optional prepayment, wholly or partially, starting the fifth (5th) anniversary of the initial drawdown date and on every interest payment date thereafter. The amount payable to the bank 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 redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Loan D
On March 19, 2021, the Parent Company entered into a new loan agreement with a local bank for a maximum principal amount of ₱4,500.00 million.

On March 30, 2021, the Parent Company made drawdowns amounting to ₱805.00 million. The loan has a term of 120 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On February 28, 2022, the Parent Company made drawdowns amounting to ₱2,000.00 million. The loan has a term of 108 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On April 11, 2022, the Parent Company made drawdowns amounting to ₱1,695,00 million. The loan has a term of 108 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from 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 floating interest rate that is repriced on every succeeding semi-annual period. The Parent Company has the option to convert the interest rate to fixed on any semi-annual payment date up to the 2nd anniversary from the initial drawdown of 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. The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Loan covenants.
ACEN has complied with all its loan covenants as at December 31, 2022, and 2021.

NorthWind
On May 29, 2020, NorthWind entered into an Omnibus Loan and Security Agreement with a local bank for a long-term loan facility amounting to ₱2,300.00 million. 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 ₱2,037.48 million and ₱2,263.20 million as at December 31, 2022 and 2021 (see Note 11).

Guimaras Wind
On December 18, 2013, Guimaras Wind entered into a ₱4,300.00 million Term Loan Facility with local banks. 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 ₱2,150.00 million each 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.

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) 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.

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, 2022:

	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount[a]	Carrying Value[b]	Gross Amount[a]	Carrying Value[b]
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

[a]*Net of prepayments made in 2016 and 2017*
[b]*Net of unamortized debt issue costs.*

Guimaras Wind made the following payments with their corresponding carrying values:

	Tranche A (DBP)		Tranche B (SBC)	
Payment date	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
February 14,2022	33,471	33,099	33,471	32,815
August 14,2022	35,540	35,191	35,540	34,926
	₱251,121	₱244,172	₱251,121	₱244,136

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 ₱3,500.05 million and ₱3,702.37 million as at December 31, 2022 and 2021, respectively (see Note 11). 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, 2022 and 2021. 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

ACEN and SLTEC signing of Amended and Restated Omnibus Loan and Security Agreement, Administration and Management Agreement ("AROLSA"), and Operations and Maintenance Agreement
On April 11, 2022, ACEN, as share security grantor, and its subsidiary SLTEC, as borrower, signed an Amended and Restated OLSA for the refinancing of the 246MW SLTEC Circulating Fluidized Bed thermal power plant under an energy transition financing with the Bank of Philippine Islands and Rizal Commercial Banking Corporation as lenders.

ACEN and SLTEC also signed an Operations and Maintenance Agreement, and Administration and Management Agreement for ACEN's administration, control, and management of the entire capacity of the SLTEC power plant.

The Amended and Restated OLSA increased the facility from ₱11,000.00 million (₱9,800.00 million of which was outstanding at that time) to ₱13,700.00 million, which will be used to refinance the existing loan, finance the partial redemption of SLTEC shares held by ACEN upon regulatory approval, and fund transaction-related costs. ACEN, in turn, shall use the proceeds of the equity redemption to reinvest in renewable energy projects.

The above transactions are in line with ACEN's commitment to net-zero greenhouse gas emissions by 2050 or earlier. This goal is supported by key milestones that will bring ACEN generation output to 100% renewable energy by 2025.

Through this mechanism, the coal plant's operating life of up to 50 years will be cut in half, as ACEN commits to retire and transition the plant to a cleaner technology by 2040. This transaction shall serve as a pioneer energy transition financing in the country.

Compliance with covenants
The Group has complied with the covenants required by the long-term loans payable as at December 31, 2022 and 2021.

As disclosed in Note 11, certain property, plant, and equipment are used as collateral to long-term loans.

Total interest expense recognized on long-term loans amounted to ₱1,618.24 million and ₱1,324.12 million for the years ended December 31, 2022 and 2021, respectively.

<u>ACEN Australia</u>
Green long-term revolving loan facility
On August 18, 2022, ACEN Australia, a subsidiary under ACRI, and a bank, executed a Common Provisions Agreement and a Facility Agreement for an AU$100.00 million green long-term revolving loan facility. This green long-term revolving loan facility is part of ACEN's aim to raise an initial issuance of over AU$600.00 million to support the development of ACEN's projects in Australia.

On the same date, ACEN, as Guarantor to ACEN Australia, executed a Common Provisions Agreement and a Facility Agreement with ACEN Australia and Australia Branch of a bank for an AU$100.00 million green long-term revolving loan facility.

Total loan drawdown as at December 31, 2022 amounted to AU$34.54 million (US$23.30 million ; ₱1,299.04 million). The facility prices off the Bank Bill Swap Rate ("BBSW") interest rate benchmark plus 1.75% and will mature on August 18, 2027.

Green long-term revolving loan facility
On September 15, 2022, ACEN, as Guarantor to ACEN Australia, executed a Facility Agreement with ACEN Australia and a bank for an AU$140.00 million green term loan facility.

MUFG and ACEN Australia also entered into an Accession Letter to include the bank as a Lender under the Common Provisions Agreement dated August 18, 2022.

Total loan drawdown as at December 31, 2022 amounted to AU$28.36 million (US$19.13 million ; ₱1,066.51 million). The facility bears Bank Bill Swap Bid Rate ("BBSY") interest rate benchmark plus 1.65% and will mature on September 15, 2027.

Green long-term revolving loan facility
On October 28, 2022, ACEN, as Guarantor to ACEN Australia, executed a Facility Agreement with ACEN Australia and a bank for an AU$75 million green term loan facility.

Total loan drawdown as at December 31, 2022 amounted to AU$0.38 million (US$0.25 million ; ₱14.10 million). The facility carries a base rate interest benchmark plus 2% margin and will mature on October 28, 2027.

Notes payable

The rollforward of this account follows:

	2022	2021
Principal		
Balance at beginning of year	**₱20,383,600**	–
Additions	**10,000,000**	₱20,383,600
Balance at end of year	**30,383,600**	20,383,600
Debt issue cost		
Balance at beginning of year	**114,939**	–
Additions	**128,622**	125,425
Amortization (Note 22)	**(44,788)**	(10,486)
Balance at end of year	**198,773**	114,939
Cumulative translation adjustment	**1,908,487**	(73,607)
	₱32,093,314	₱20,195,054

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, 2022, 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.

For the years ended December 31, 2022 and 2021, total interest expense and other financing charges recognized amounted to ₱906.45 million (US$16.62 million) and ₱263.05 million (US$5.19 million), respectively.

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 senior guaranteed undated fixed-for-life notes remain outstanding, ACEN Finance Limited 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 based on ACEN consolidated financials. These were complied with by the Group as at December 31, 2022 and December 31, 2021

<u>ACEN Fixed-Rate ASEAN Green Bonds due 2027</u>

On July 6, 2022, ACEN's Executive Committee authorized the establishment of up to 30,000.00 million debt securities (the "Debt Securities") to be offered and issued in one or more tranches under a debt securities program (the "Debt Securities Program").

The Executive Committee also authorized ACEN (1) to offer and issue, out of the Debt Securities to be shelf registered, up to 10,000.00 million Php-denominated ASEAN Green Fixed Rate 5-year Bonds (the "Bonds") as the first tranche of the Debt Securities Program, and (2) to apply for the listing of the Bonds with the Philippine Dealing & Exchange Corp.

On September 22, 2022, ACEN (the Issuer) used an unsecured-fixed rate Peso Green Bonds with an aggregate principal amounting to ₱10,000.00 million. The proceeds of the issuance will be used to finance investments in various solar power plants. The issue cost amounted to ₱126.28 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Peso Green Bonds due on September 22, 2027 with interest rate of 6.0526% per annum. This is the first tranche offered out of the shelf registration of Peso Green Bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Peso Green Bonds is payable quarterly on March 22, June 22, September 22, and December 22.

Total interest expense recognized on the Peso Green Bonds amounted to ₱166.45 million in 2022.

Redemption at the option of the Issuer

The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding PHP Green Bonds before the relevant Maturity on any one of the following Interest Payment Dates indicated below, or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

1. 12th to 15th Interest Payment Date at Call Option Price of 101.00%
2. 16th to 19th Interest Payment Date at Call Option Price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Covenants

The Peso Green Bonds provide for the Issuer to comply with covenants including incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; effecting any consolidation or merger with other entities where ACEN is not the surviving corporation in such merger or consolidation; and certain other covenants. The Peso Green Bonds requires the Issuer to maintain, for as long as any of the Peso Green Bonds remain outstanding, a Net Debt to Total Equity Ratio of not more than 3.0:1.0. These were complied with as at December 31, 2022.

17. **Other Noncurrent Liabilities**

This account consists of:

	2022	2021
Accrued interest expenses	**₱272,580**	₱252,742
Asset retirement obligation	**176,056**	168,626
Provision for Employee Benefits / long service leave	**88,486**	–
Deposit payable	**83,199**	174,581
Retention payable	**77,180**	–
Contract liabilities	**68,875**	338,489
Derivative liability (Notes 31 and 32)	**37,500**	–
Nontrade payable	**8,144**	2,598
Trade payable	**–**	1,238,581
Due to related parties (Note 26)	**–**	536,212
Others	**15,623**	25,091
	₱827,643	₱2,736,920

Accrued interest expenses mainly accounts for the interest on Green bonds issued by the Group (see Note 16).

Asset retirement obligation are from the acquisitions of ISLASOL, SACASOL and MONTESOL.

Provision for Employee Benefits, long service leave and deferred consideration from ACRI.

Deposit payables consist of security deposits from RES customers refundable at the end of the contract.

Retention payable consists of civil works billings and milestone accomplishments of SCSE.

Contract liabilities consists of the deferred connection fee related to ISLASOL and the deferred rental income from ISLASOL, SACASOL, MSPDC and Solienda.

Derivative liability pertains to fuel commodity swap contracts (see Notes 14 and 31).

Nontrade payable are payables from over remittance of business interruption claims and environmental laws compliance.

18. **Equity**

Capital Stock

This account consists of:

	Number of Shares	
	2022	2021
Authorized capital stock – ₱1 par value	**48,400,000,000**	48,400,000,000
Issued shares:		
Balance at beginning of the year	**38,338,527,174**	13,706,957,210
Issuance of new shares	**1,353,368,499**	24,631,569,964
Adjustment in grants through Employee Stock Ownership Plan	**(900)**	–
Balance at end of the year	**39,691,894,773**	38,338,527,174

The issued and outstanding shares as at December 31, 2022 and 2021 are held by 3,182 and 3,188 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	24,623,380,967	1.00
2022	–	1,353,367,599	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:

a. Amendment to the Seventh Article of the Articles of Incorporation:
b. 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
c. Issuance of 4 billion shares to Arran Investment Pte Ltd. (Arran)
d. Issuance of 1.58 billion primary common shares pursuant to the ACEN's FOO
e. Issuance of 16,685,800,533 common shares to ACEIC in exchange for ACEIC's International Renewable Energy Assets and Investments

f. 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
g. 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:1offer 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 29).

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 ACEN 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.

Subscription by Sellers of UPC-ACE Australia and UPC Australia and Sellers of UPC Philippines

On March 21, 2022, ACEN signed Subscription Agreements with the following entities for the following number of shares in ACEN at a price of ₱7.871 per share:

UPCAPH	869,119,204
Anton Rohner ("Rohner")	61,630,796
Total ACEN shares to be issued	930,750,000
Subscription price per share	₱7.871
Total subscription price	₱7,325,933,250

On March 22, 2022, ACEN signed Subscription Agreements with the following entities for the following number of shares in ACEN at a price of ₱8.2889 per share:

Estanyol Holdings Ltd.	₱153,493,200
Wind City Inc.	142,668,634
Tenggay Holdings Ltd.	70,525,763
UPC Philippines Wind Partners Ltd	19,059,423
Alan Kerr (collectively, the "UPC Philippines Group")	4,248,813
Total ACEN shares subscribed	389,995,833
Subscription price per share	8.2889
Total subscription price	₱3,232,636,460

The subscription by Sellers of UPC-ACE Australia and UPC Australia and Sellers of UPC Philippines to ACEN shares was approved by the BOD of ACEN on October 18, 2021.

The issuance and listing of the ACEN common shares were approved by ACEN's stockholders on December 15, 2021. On March 8, 2022, the BOD of ACEN approved a revised list of subscribers constituting the UPC Philippines, including a re-allocation of some of the shares for subscription, which was presented to the stockholders for approval during the 2022 annual stockholders' meeting of ACEN on April 25, 2022.

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 of March 7, 2023.

Employee Stock Ownership Plan ("ESOWN")

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, of which 8,188,097 shares were issued in 2022, resulting to an adjustment of 900 shares in the grants.

On August 19, 2022, ACEN issued 32,622,666 common shares to various employees of the Group through the ESOWN.

Total expense arising from the equity-settled share-based payment transaction (included under General and administrative expenses) amounted to ₱31.16 million and ₱3.55 million in 2022 and 2021, respectively. 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 by the Parent Company until these are declared by the investee companies.

Retained earnings not available for dividend declaration are included in the Group's retained earnings to the extent of (a) accumulated equity in undistributed net earnings of consolidated subsidiaries, and associates and joint ventures accounted for under equity method amounting ₱43,529.36 million and ₱28,628.17 as at December 31, 2022 and 2021, respectively and (b) the cost of treasury shares amounted to ₱28.66 million as at December 31, 2022 and 2021.

As at December 31, 2022 and 2021, deferred tax liabilities have not been recognized on undistributed earnings of and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future. The undistributed earnings and cumulative translation adjustment amounted to US$927.32 million (₱27,983.63 million) and US$468.49 million (₱23,727.21 million) as at December 31, 2022 and 2021, respectively.

Dividends
On March 18, 2021, the BOD of ACEN approved the declaration of cash dividends of ₱0.06 per share on the 19,960,037,644 issued and outstanding shares, or a total dividend amount of ₱1,197.60 million paid on April 19,2021 to the shareholders on record as at April 5, 2021.

On March 8, 2022, the BOD of ACEN approved the declaration of cash dividends of ₱0.06 per share on the 38,315,838,177 outstanding shares of ACEN, or a total dividend amounting to ₱2,298.95 million, paid on April 19, 2022, to the shareholders on record as at April 5, 2022.

Non-controlling Interest (NCI)

The rollforward of this account is as follows:

	2022	2021
Balance at beginning of year	**₱29,950,776**	₱50,398,831
Net income attributable to NCI	**1,542,769**	2,415,063
OCI attributable to NCI	**42,108**	4,152
Cumulative translation adjustments	**(28,690)**	61,653
Dividends	**(1,504,247)**	(2,231,038)
Additions through business combination	**1,947,104**	–
Effects of common control business combination	**(105,192)**	–
Acquisition of NCI	**15,139**	(313,598)
Capital infusions	–	1,988
Capital redemption	–	(20,386,275)
Balance at end of year	**₱31,859,767**	₱29,950,776

Capital infusions
In 2021, UPC IV infused ₱1.80 million for its subscription to Solarace4, while UPC II infused ₱0.19 million to BWPC.

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, the NW Minorities have redeemed their NorthWind RPS held with redemption price of ₱47.51 million.

Dividends

	in US$	In PHP
2022		
AC Energy Cayman ("ACEC")	$27,485	₱1,504,247
2021		
ACEC	$43,705	₱2,141,568
Manapla Sun Power Development Corporation ("MSPDC")	–	15,300
NorthWind Power Development Corporation ("NorthWind")	–	74,170
	$43,705	₱2,231,038

In 2022, the BOD of ACEC declared dividends to shareholders of its various redeemable preferred shares for a total of $27.49 million (₱1,504.25 million), which was paid during the year.

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 (₱517.64 million), $14.31 million (₱718.24 million) and $5.52 million (₱280.12 million), respectively, as owned by ACEFIL.

In 2021, the BOD of MSPDC approved three (3) declarations 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.

Acquisition of non-controlling interest in BWPC and SolarAce4
On March 18, 2022, the Group acquired 40.00% ownership interest of the minority stockholders of BWPC at an aggregate amount of ₱93.55 million, and 30.00% ownership interest of the minority stockholders of SolarAce4 at an aggregate amount of ₱1.80 million.

The acquisitions resulted to 100% ownership in BWPC and SolarAce4. The excess of the consideration over the carrying amount of non-controlling interest is recognized under the equity reserves amounting to ₱110.42 million and ₱0.07 million for BWPC and SolarAce4, respectively.

Other Equity Reserves

This account consists of:

	2022	2021
Effect of:		
Common control business combinations	**(₱53,269,303)**	(₱53,276,727)
Purchase of:		
20.00% in SLTEC	**(2,229,587)**	(2,229,587)
32.21% in NorthWind	**(723,974)**	(723,974)
34.00% in MSPDC	**(261,728)**	(261,728)
ENEX shares	**(130,854)**	(130,854)
40.00% in BWPC	**(110,398)**	–
30.00% in SolarAce4	**(65)**	–
25.00% in UACH	**121,831**	–
Distribution of property dividends - ENEX shares	**1,107**	1,107
Other equity reserves from joint venture	**17,231**	17,231
	(₱56,585,740)	(₱56,604,532)

Capital Management

The primarily objective of the Group's capital management policy is to ensure that it maintains sufficient funds and equity capital in order to support its business and maximize shareholder value.

The Group manages its capital structure and adjust it, in light of changes in economic conditions. No changes were made in the objectives, policies, or processes for the years ended December 31, 2022 and 2021. The Group considers its total equity as capital.

The loan agreements on long-term debt of the Parent Company and some subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guarantees, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as at December 31, 2022 and 2021.

19. Revenue from Sale of Electricity

The Group's revenue from rendering of services consists of:

	2022	2021	2020
Revenue from power supply contracts	**₱22,834,849**	₱17,085,312	₱13,612,505
Revenue from power generation and trading	**12,160,639**	8,792,727	6,670,798
	₱34,995,488	₱25,878,039	₱20,283,303

Power Supply Agreement with MERALCO
On September 9, 2019, the Parent Company won the bid to supply MERALCO a baseload demand of 200MW from December 26, 2019 until December 25, 2029 subject to the approval of 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.

On September 11, 2019, the Parent Company won the bid to supply MERALCO a baseload demand of 110MW from December 26, 2019 until December 25, 2024 subject to the approval of 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.

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.

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.

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 Certificate of Compliance (“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 ₱485.79 million and ₱507.51 million as at December 31, 2022 and 2021, 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.

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 COR under Wind Energy Service Contract No. 2012-07-058. The COR 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.

Feed-in-Tariff ("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.

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 in its letter to 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 and 2022 generation billing. Revenue in 2021 and 2022 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 2022 were reduced by pre-termination fees of ₱605.00 million (nil in 2021 and 2020).

20. **Costs of Sale of Electricity**

This account consists of:

	2022	2021	2020
Costs of purchased power	**₱24,599,882**	₱12,505,904	₱6,395,200
Fuel	**4,957,516**	4,787,976	3,070,817
Depreciation and amortization (Notes 11, 12 and 13)	**1,918,307**	1,806,363	1,737,839
Repairs and maintenance	**712,770**	713,507	671,619
Taxes and licenses	**643,370**	482,929	458,701
Insurance	**444,825**	392,496	446,728
Salaries and directors' fees	**402,938**	396,608	313,639
Contractor's fee	**149,984**	153,965	125,385
Transmission costs	**129,206**	84,201	38,879
Rent	**54,572**	33,971	23,334
Transportation and travel	**18,142**	10,397	7,036
Communication	**18,068**	17,030	14,789
Pension and other employee benefits (Note 25)	**17,333**	15,087	12,567
Filing fees	**12,025**	19,687	17,398
Others	**104,301**	49,612	86,607
	₱34,183,239	₱21,469,733	₱13,420,538

Power Purchase and Supply Agreement with GNPower Dinginin Ltd. Co.
On October 25, 2022, The BOD of ACEN approved the execution of a Power Purchase and Supply Agreement ("PPSA") between ACEN and GNPower Dinginin Ltd. Co. ("GNPD") for the supply of 43 MW of capacity.

The PPSA is scheduled to commence on October 26, 2022.

GNPD is a joint venture among Aboitiz Power Corporation, Power Partners Ltd. Co., and ACEIC. ACEIC, which has a 62.43% ownership in ACEN, has an effective 20% economic interest in GNPD.

21. General and Administrative Expenses

This account consists of:

	2022	2021	2020
Provision for impairment of other financial assets at amortized cost (Note 8)	**₱1,284,409**	₱–	₱–
Salaries and directors' fees	**739,212**	469,000	588,812
Taxes and licenses	**533,466**	752,485	488,508
Management and professional fees	**419,312**	712,720	898,167
Depreciation and amortization (Notes 11, 12 and 13)	**260,101**	199,502	72,904
Insurance, dues and subscriptions	**147,325**	63,059	22,366
Corporate social responsibilities	**82,765**	45,273	33,216
Transportation and travel	**67,973**	17,258	14,270
Contractor's fee	**65,058**	28,308	14,201
Provision for impairment of property, plant and equipment (Notes 6 and 11)	**41,444**	301,413	382,038
Utilities	**₱34,829**	₱7,489	₱4,951
Building maintenance and repairs	**31,730**	30,127	33,554
Rent	**30,487**	13,111	15,703
Pension and other employee benefits (Note 25)	**25,744**	21,512	10,602
Meeting and conferences	**25,185**	4,936	2,703
Advertisements	**22,950**	27,781	4,932
Office supplies	**12,897**	5,450	4,408
Communication	**11,327**	5,215	12,298
Provision for probable losses on deferred exploration costs (Note 13)	**584**	23,379	–
(Reversal) provision for impairment of advances to contractors (Note 14)	**(1,256)**	–	49,884
Provision for credit losses (Note 5)	**–**	873	–
Provision for impairment of investment in an associate (Note 7)	**–**	–	186,513
Incidental expenses	**–**	–	105,479
Others	**66,275**	56,658	72,156
	₱3,901,817	₱2,785,549	₱3,017,665

22. Interest and Other Finance Charges

This account consists of:

	2022	2021	2020
Interest expense on:			
Long-term loans (Note 16)	**₱1,618,242**	₱1,324,122	₱1,398,522
Lease obligations (Note 12)	**198,050**	164,416	171,097
Short-term loans (Note 16)	**179,919**	52,732	257,171
Amortization of debt issue cost (Note 16)	**169,361**	47,438	44,698
Discount in accounts payable	–	72,533	68,591
Other finance charges	**191,959**	33,139	48,007
	₱2,357,531	₱1,694,380	₱1,988,086

23. Other Income - Net

This account consists of:

	2022	2021	2020
Gain on remeasurement of previously held interest (Note 28)	**₱10,921,026**	₱–	₱–
Interest and other financial income	**5,639,184**	4,376,158	2,060,084
Gain on divestment of an associate (Note 7)	**734,672**	37,635	–
Guarantee fee income	**347,894**	254,405	105,304
Gain (loss) on settlement of derivatives - net	**297,342**	41,802	(3,414)
Foreign exchange gain (loss) - net	**122,880**	420,811	14,722
Claims on insurance	**72,993**	161,942	260,385
Guaranteed performance differential	**62,287**	–	–
Gain on sale of inventories and by-product	**32,953**	24,733	15,354
Unrealized gain on commodity swaps (Note 14)	**1,647**	–	–
Gain on bargain purchase (Note 28)	**138**	–	49,970
Loss on FVOCI written-off	**(500)**	–	–
(Loss) gain on sale of property, plant and equipment (Note 11)	**(7,049)**	1,095	(4,280)
Loss on sale of noncurrent assets held for sale (Note 6)	**(8,400)**	–	–
Discount on long-term receivable	**(82,508)**	–	(18,611)
Gain (loss) on change due to loss of control (Note 2)	**(121,107)**	21,808	–

(Forward)

	2022	2021	2020
Fair value loss on financial asset at FVTPL (Note 9)	**(₱124,513)**	₱–	₱–
Reversal of allowance for impairment of property, plant and equipment (Note 11)	–	90,008	933
Tax credits on real property taxes	–	69,154	–
Gain on reversal of impairment of advances to contractors (Note 14)	–	22,447	–
Gain on sale of investments	–	–	867,067
Advisory fees	–	–	121,685
Reversal of allowance for credit losses	–	–	32
Others	**313,053**	201,642	82,658
	₱18,201,992	₱5,723,640	₱3,551,889

Gain (loss) on settlement of derivatives pertain to maturities of foreign exchange forward contracts entered by ACEN with various banks and settlement of fuel and coal hedge contracts (see Notes 14 and 17)

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.

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.

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:

	2022	2021	2020
Interest income on:			
Cash in banks and short-term deposits (see Note 4)	**₱285,196**	₱129,553	₱253,968
Accounts and notes receivables (Notes 5 and 29)	**1,879,077**	1,947,792	711,416
Accounts and other receivable	**349,651**	526,698	304,938
Development loan	**166,067**	142,696	112,223
Other loan	**1,363,359**	1,278,398	294,255
Other financial assets at amortized cost (Note 8)	**3,474,911**	2,298,813	1,094,700
Redeemable preferred shares	**2,251,145**	1,151,895	557,237
Convertible loans	**1,223,766**	1,146,918	537,463
	₱5,639,184	₱4,376,158	₱2,060,084

ACRI Guarantee Agreement and guarantee fee income

ACRI serves as a guarantor for the following borrowings entered by its related parties which ACRI unconditionally and irrevocably guaranteed. Fees are charged for these guarantee agreements. ACRI assessed that the expected credit loss from its guaranteed obligation of the related parties is nil. Therefore, the obligation related to the guarantee extended by ACRI is nil.

Guarantee for India Solar Projects

As at December 31, 2022, the Group has an outstanding guarantee amounting to $204.63 million related to solar projects in India. The purpose of the guarantees are to secure various modules and supply agreements for the projects, performance guarantee, hedge guarantees and loan guarantees. The group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

Guarantee for NESF Solar Project

On January 15, 2021, the Group entered into a guarantee agreement with the bank for a total of AUD 260 million ($169.1 million) to guarantee the obligation of New England Solar Project to the project lender. As at December 31, 2022, total amount drawn from the loan was AU$98.98 million ($71.72 million). The Group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

Parent Corporate Guarantee for BT Wind Projects

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.

Guarantee for BT1 Windfarm's Bank Loan

On September 30, 2020, the Group signed an agreement with a 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. On December 29, 2021, the guarantee has been terminated upon completion of conditions precedent. The Group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

Guarantee for AMI Khan Hoa Solar Project's Bank Loan

On October 12, 2018, the Group has entered into a guarantee agreement with a 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. On March 16, 2022, the guarantee agreement has been terminated upon completion of the necessary conditions precedent. The group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

For the years ended December 31, 2022 and 2021, the Group recognized corresponding guarantee fee income amounting to $6.27 million (₱347.89 million) and $5.18 million (₱254.41 million), respectively.

24. Income Taxes

a. Current income tax pertains to the following:

	2022	2021	2020
RCIT	**₱404,363**	₱271,134	₱319,876
MCIT	**10,962**	26,555	84,177
	₱415,325	₱297,689	₱404,053

b. The components of the Group's net deferred income tax assets (liabilities) as at December 31 are as follows:

Net deferred tax assets

	2022	2021
Income tax reported in consolidated statement of income		
Deferred income tax assets:		
Lease liability	**₱668,666**	₱460,512
Accrued expenses	**118,155**	142,568
MCIT	**88,800**	88,800
NOLCO	**1,135,358**	88,062
Allowance for doubtful accounts and credit losses	**29,583**	31,333
Deferred revenue	**31,651**	28,107
Pension and other employee benefits	**21,243**	19,549
Unrealized forex loss	**23,057**	18,390
Allowance for probable losses on deferred exploration costs	**1,724**	11,372
Unamortized discount on long-term receivable	**10,123**	10,497
Allowance for impairment on property and equipment	**4,758**	3,814
Asset retirement obligation	**14,257**	3,396
Unamortized past service cost	**1,671**	2,664
Allowance for inventory obsolescence	**1,526**	1,741
Impairment of Input VAT	–	536
Others	**270,215**	4,361
	2,420,787	915,702
Deferred income tax liabilities:		
Right-of-use assets	**517,215**	319,241
Unrealized foreign exchange gain	**65,775**	16,674
Accrual of bonus	**48,365**	57,824
Unamortized debt issue costs	**52,962**	14,576
Unamortized interest cost on payable to APHPC	**52**	52
Others	–	186
	684,369	408,553
	1,736,418	507,149
Income tax reported in consolidated statement of other comprehensive income		
Deferred tax asset:		
Remeasurement loss on defined benefit obligation	**(282)**	5,134
Derivative liability on forward contracts	**9,375**	83
	9,093	5,217

(Forward)

	2022	2021
Deferred tax liabilities -		
Derivative asset on hedging	**₱15,317**	₱–
		5,217
Total deferred income tax assets - net	**₱1,730,194**	₱512,366

Net deferred tax liabilities

	2022	2021
Income tax reported in consolidated statement of income		
Deferred income tax assets:		
Lease liability	**₱8,871**	₱96,391
Allowance for credit losses	**181**	181
Unrealized forex loss	**1,634**	17
Pension and other employee benefits	**2,738**	13
Accrued expenses	**2,716**	–
Inventory obsolescence	**215**	–
Others	**84,430**	13,092
	100,785	109,694
Deferred income tax liabilities:		
Right-of-use asset	**13,826**	169,626
Unamortized capitalized borrowing costs	**257,042**	–
Unamortized debt issue cost	**54,245**	110
Unrealized forex gain	**1,940**	144
Others	–	14,236
	327,053	184,116
Total deferred income tax liabilities - net	**(₱226,268)**	(₱74,422)

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:

	2022	2021
Allowance for impairment loss on property and equipment	**₱–**	₱3,969,107
NOLCO	**1,639,071**	743,590
Accrued expenses	**138,568**	138,568
Allowance for probable losses	**18,469**	18,469
Allowance for credit losses	**20,000**	20,000
Excess MCIT	**27,290**	29,580
Unrealized foreign exchange loss	**3,281**	3,281
Asset retirement obligation	**(70,222)**	(70,222)
Lease liabilities	**(73,198)**	(73,198)

As at December 31, 2022 and 2021, aside from the recognition of deferred tax asset (DTA) from NOLCO amounting to ₱1,135.56 million and ₱88.06 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, 2022 and 2021, NOLCO totaling ₱5,711.47 million and ₱1,095.84 million, respectively, can be claimed as deduction from regular taxable income and MCIT amounting to ₱26.52 million and ₱3.19 million, respectively, can be credited against future RCIT. The movement in NOLCO and MCIT is shown in the tables below:

Year Incurred	Beginning	Additions	NOLCO Application	Expiration	Ending	Expiry Date
2016[(a)]	₱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[(b)]	3,103,857	620,811	(2,589,582)	(470,941)	664,145	2025
2021[(b)]	664,145	431,693	–	–	1,095,838	2026
2022	1,095,838	5,047,595	–	(431,961)	5,711,472	2025

(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 Incurred	Beginning	Additions	MCIT Application	Expiration	Ending	Expiry Date
2019	₱9,539	₱748	₱–	(₱351)	₱9,936	2022
2020	9,936	2,648	(8,325)	(1,079)	3,180	2023
2021	3,180	23,885	–	–	27,065	2024
2022	27,065	–	–	(541)	26,524	2025

The reconciliation between the effective income tax rates and the statutory income tax rates follows:

	2022	2021	2020
Applicable statutory income tax rates	**25.00%**	25.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Nondeductible expenses	**(7.34)**	4.33	0.88
Income of foreign subsidiary exempt from tax	**(27.06)**	(14.83)	(8.72)
Equity in net income of associates and joint ventures	**(1.60)**	(6.28)	(5.80)
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized and others	**8.49**	(3.70)	(5.32)
Net loss (income) under tax holiday	**(1.78)**	(1.52)	(0.65)
Impact of CREATE on effective tax rates	**–**	(0.75)	–
Financial income subject to final tax	**(0.46)**	(0.39)	(0.51)
Dividend income exempt from tax	**(0.01)**	(0.04)	–
Effective income tax rates	**(4.75%)**	1.82%	9.88%

a. 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.

b. 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.

c. 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%.

d. 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.

e. 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.

f. 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.

25. **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:

	2022	2021
Pension liability	**₱71,658**	₱67,542
Vacation and sick leave accrual	**6,986**	14,912
	78,644	82,454
Less: current portion of vacation and sick leave accrual*	**1,647**	2,032
	₱76,997	₱80,422

**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 statements of income, consist of the following:

	2022	2021	2020
Pension expense	**₱39,757**	₱30,274	₱21,360
Vacation and sick leave accrual (reversal)	**3,320**	6,325	1,809
	₱43,077	₱36,599	₱23,169

Net Defined Benefit Liability

Changes in net defined benefit liability of funded plan in 2022 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**
As at January 1, 2022	**₱174,206**	**₱106,664**	**₱67,542**
Change due to loss of control (Note 2)	**(44,711)**	**(29,692)**	**(15,019)**
Pension expense in consolidated statement of income:			
Current service cost	**36,557**	**–**	**36,557**
Net interest	**71,783**	**68,765**	**3,018**
Past service cost and other adjustments	**(594)**	**–**	**(594)**
Net acquired obligation due to employee transfers	**776**	**–**	**776**
	63,811	**39,073**	**24,738**
Change due to loss of control (Note 2)	**5,791**	**–**	**5,791**
Remeasurements in OCI:			
Experience adjustments	**(48,824)**	**–**	**(48,824)**
Actuarial changes arising from changes in financial assumptions	**(39,880)**	**–**	**(39,880)**
Return on plan assets (excluding amount included in net interest)	**–**	**(63,439)**	**63,439**
	(82,913)	**(63,439)**	**(19,474)**
Benefits paid	**(17,492)**	**(16,344)**	**(1,148)**
As at December 31, 2022	**₱137,612**	**₱65,954**	**₱71,658**

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	₱136,828	₱98,241	₱38,587
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)
	70,577	1,660	68,917
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
	(24,027)	(6,590)	(17,437)
Benefits paid	(9,172)	(4,049)	(5,123)
Contributions	–	17,402	(17,402)
As at December 31, 2021	₱174,206	₱106,664	₱67,542

The fair value of plan assets by each class as at December 31 follows:

	2022	2021
Investments	**₱65,954**	₱106,693
Receivables	**–**	35
Cash and cash equivalents	**1**	1
Liabilities	**(1)**	(65)
	₱65,954	₱106,664

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:

	2022	2021
Discount rate	**7.33%**	5.11%
Salary increase rate	**5.30%**	5.25%

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:

		2022		2021	
		Increase (Decrease) in Pension Liability		Increase (Decrease) in Pension Liability	
Discount rate	(Actual + 1.00%)	**8.33%**	**(₱13,673)**	6.11%	(₱15,084)
	(Actual – 1.00%)	**6.33%**	**16,010**	4.11%	20,491
Salary increase rate	(Actual + 1.00%)	**6.30%**	**₱16,935**	6.25%	₱21,090
	(Actual – 1.00%)	**4.30%**	**(14,675)**	4.25%	(15,889)

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 ₱44.18 million to the defined benefit pension plan in 2023.

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:

	2022	2021
Less than one year	**₱16,572**	₱29,393
More than one year to five years	**76,017**	61,236
More than five years to 10 years	**137,993**	130,258
More than 10 years to 15 years	**245,537**	188,780
More than 15 years to 20 years	**316,660**	257,344
More than 20 years	**778,965**	861,992

As at December 31, 2022 and 2021, the average duration of the expected benefit payments at the end of the reporting period ranges from 8.54 to 20.47 years and 18.11 to 24.26 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.

	2022	2021	2020
Current service costs	**₱3,495**	₱5,639	₱4,114
Interest costs	**745**	636	485
Actuarial loss (gain)	**(920)**	50	(2,790)
	₱3,320	₱6,325	₱1,809

Changes in present value of the vacation and sick leave obligation are as follows:

	2022	2021
Balance at the beginning of year	**₱14,912**	₱14,183
Change due to loss of control	**(7,808)**	–
Current service cost	**3,495**	5,639
Net interest	**745**	636
Past service cost	**423**	–
Actuarial (loss) gain	**(920)**	50
Benefits paid	**(3,861)**	(5,596)
Balance at the end of year	**₱6,986**	₱14,912

26. 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.

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 16).

The transactions and balances of accounts as at December 31, 2022 and December 31, 2021 and for the twelve-month period ended December 31, 2022 and 2021 are:

a. Transaction with ACEIC, the Parent Company

Nature	**Amount/ Volume**			**Outstanding Balance**		**Terms / Conditions**
	2022	2021	2020	**2022**	2021	
Development loans	**(₱9,596,286)**	₱–	₱–	**₱–**	₱9,596,286	Interest bearing; unsecured; no impairment
Interest receivable; interest income	**107,000**	142,152	–	**–**	144,621	Non-interest bearing; due and demandable
Management fee income	**24,919**	34,785	387,138	**10,002**	26,196	Unsecured; no impairment
Management fee (expense)	**26,041**	456,026	462,602	**(23,421)**	(132,893)	Non-interest bearing; due and demandable
SAP IT support services	**–**	–	8,744	**–**	–	30-day, non-interest bearing
Lease assignment	**–**	–	50,767	**–**	–	30-day, non-interest bearing
Due from related parties	**–**	–	–	**167,572**	110,373	Non-interest bearing; due and demandable
Due to related parties	**–**	–	6,809	**(80,194)**	–	Non-interest bearing; due and demandable

b. Notes Receivables

Nature & Relationship	Related Party	Outstanding Balance 2022	2021	Terms / Conditions
Development loans				
Joint Venture				
	UPC-AC Energy Solar Limited (UPC-ACE Solar)	**₱1,115,100**	₱1,015,480	Due in 2023; interest bearing; unsecured; no impairment
	Greencore 3	–	212,292	Due in 2022; interest bearing; unsecured; no impairment
Associate				
	TBC	–	658,437	Due in 2022; interest bearing; unsecured; no impairment
Affiliate				
	Yoma Strategic Investments Ltd ("Yoma")	**1,339,071**	1,219,173	Due in 2023; interest bearing; unsecured; no impairment
		₱2,454,171	₱3,105,382	
Debt replacements				
Joint Venture				
	BIM Wind	**₱4,749,490**	₱4,325,183	Due in 2030 interest bearing; unsecured; no impairment
	Greencore 3	**4,225,946**	2,078,400	Due in 2023; interest bearing; unsecured; no impairment
	Asian Wind 1	**3,087,433**	2,883,963	Due in 2023; interest bearing; unsecured; no impairment
	Lac Hoa	**2,643,403**	–	Due in 2024; interest bearing; unsecured; no impairment
	Asian Wind 2	**2,435,262**	2,414,151	Due 2045 interest bearing; unsecured; no impairment
	Hoa Dong	**2,318,792**	–	Due in 2024; interest bearing; unsecured; no impairment
	NEFIN Solar	**574,834**	–	Due in 2024; interest bearing; unsecured; no impairment
	VWEL	**59,614**	3,637,879	Due in 2022; interest bearing; unsecured; no impairment
	BIMRE	–	1,914,180	Due in 2022; interest bearing; unsecured; no impairment
		₱20,094,774	₱17,253,756	
Other Loan				
Joint Venture	Ingrid	**₱500,000**	₱–	Due in 2023; interest bearing; unsecured; no impairment
Joint Venture	Infineum 4 Energy, Inc.	**43,466**	–	Due in 2024; interest bearing; unsecured; no impairment
		₱543,466	₱–	

Except for the discussion above, the movement in the notes receivable from related parties are revaluation of US$ denominated notes receivable to Philippine peso from December 31, 2021, to December 31, 2022.

Receivables from Ingrid

In September 2022, the Group and Ingrid entered into a short-term loan agreement for the latter's working capital requirements. The interest-bearing loan bears an annual fixed rate and principal is payable 30 to 120 days from drawdown.

Receivables from Infineum 4 Energy, Inc.

On January 7, 2022, the ACED, Maraj Energy and Development, Inc. (MEDI) and Infineum 4 entered into an Omnibus Loan and Security Agreement in which the Parent Company will lend a loan amounting to ₱150.00 million to Infineum 4 with an annual interest of 8% payable in full on the repayment date, to be utilized for the purpose of enabling the pre-development and development activities in relation to its proposed floating solar power project in Lake Mapanuepe in San Marcelino, Zambales. The Loan shall be made available for a period of two (2) years from the date of the agreement which may be extended upon mutual agreement by the parties.

c. Interest Income and Receivable

This account consists of:

Related Party	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	**2022**	2021	
Other Financial Assets at Amortized Cost (Note 8)						
Redeemable preferred shares	**₱2,251,145**	₱1,151,895	₱ 557,237	**₱2,487,852**	₱946,559	various dates
Convertible loans	**1,223,766**	1,146,918	537,463	**1,071,551**	1,421,565	various dates
Development Loans						
Joint Venture						
UPC Solar	**95,725**	80,211	47,269	**242,890**	–	various dates
UPC-ACE Australia	**7,087**	–	–	–	–	various dates
Associate						
TBC	**60,390**	56,572	58,110	–	74,101	various dates
Affiliate						
Yoma	**52,427**	48,324	33,757	**146,341**	84,490	various dates
Debt replacements						
Joint Venture						
VWEL	**59,043**	306,768	22,441	**431,899**	394,970	various dates
Greencore 3	**228,241**	57,387	–	**276,357**	51,618	30-day, non-interest bearing
Asian Wind 2	**199,560**	233,424	13,440	**67,648**	253,989	various dates
BIM Wind	**380,250**	248,334	3,036	**88,657**	140,212	various dates
Lac Hoa	**96,629**	–	–	**97,896**	–	various dates
Hoa Dong	**86,371**	–	–	**87,504**	–	various dates
NEFIN Solar	**26,480**	–	–	**22,084**	–	various dates
BIMRE	**10,370**	186,173	54,751	**–**	192,216	various dates
Asian Wind 1	**269,291**	208,839	207,462	**–**	–	various dates
Others						
Ingrid	**12,367**	–	–	**9,167**	–	30-day, non-interest bearing
Infenium 4	**1,876**	–	–	**1,875**	–	30-day, non-interest bearing
Trade Receivables						
Affiliates	–	–	–	**5,408**	–	30-day, non-interest bearing
	₱5,061,018	₱3,724,845	₱1,534,966	**₱ 5,037,129**	₱3,559,720	

d. Loans Payable

Related Party	Amount / Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	**2022**	2021	
BPI						
Interest Expense / Interest Payable	**₱371,212**	₱115,256	₱–	**(₱8,834)**	(₱9,533)	30 days, unsecured
Long-term loans	**–**	–	–	**(1,766,487)**	(2,079,133)	12 years, interest bearing
UPC Holdco II						
Interest Expense / Interest Payable	**–**	–	15,308	**--**	--	30 days, unsecured

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.

Related Party	Amortization / Interest Expense			Right-of-use assets / (Lease Liabilities)		Terms
	2022	2021	2020	**2022**	2021	
ALI						
Right of use Assets (Note 12)	**₱114,880**	₱93,899	₱13,998	**₱926,451**	₱930,453	10 years, unsecured
Lease Liabilities (Note 12)	**41,550**	38,847	1,270	**(1,008,858)**	(990,107)	10 years, unsecured
FBDC						
Right of use Assets (Note 12)	**9,227**	9,227	–	**4,573**	11,500	3 years, unsecured
Lease Liabilities (Note 12)	**182**	435	–	**(9,771)**	(9,771)	3 years, unsecured

f. Other Related Party Transactions

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	**2022**	2021	
Management fee income	**₱46,148**	₱53,160	₱35,290	**₱ 8,019**	₱25,860	30-days, unsecured
Rental income	**17,337**	16,737	3,376	**2,118**	1,674	30-days, unsecured
Revenue from power supply contracts	**33,721**	–	–	**–**	–	30-days, unsecured
Cost of sale of electricity	**911,744**	472,004	116,378	**(92,591)**	(94,110)	30-days, unsecured
Due from related parties	**–**	3,465	–	**422,796**	168,386	On demand, Unsecured
Due to related parties	**–**	–	–	**(1,585,951)**	(596,079)	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 ₱301.17 million and ₱78.36 million as at December 31, 2022 and December 31, 2021, 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
	2022	2021	2020	**2022**	2021	
Accrued director's and annual incentives (Note 15)						
Directors' fee and annual incentives	**₱35,155**	₱23,352	30,574	**(₱58,507)**	(₱23,352)	On demand, Unsecured
Due to stockholders (Note 18)						
Cash dividends	**2,298,000**	1,197	547	**(16,585)**	(16,585)	On demand, Unsecured

Key Management Compensation

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

	2022	2021	2020
Short-term employee benefits	**₱54,431**	₱64,215	₱46,195
Post-employment benefits	**4,132**	2,691	2,532
	₱58,563	₱66,906	₱48,727

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.

27. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2022	2021	2020
	(In Thousands, Except for Number of Shares and Per Share Amounts)		
(a) Net income (loss) attributable to equity holders of Parent Company	**₱13,055,119**	₱5,250,972	₱4,288,102
Common shares outstanding at beginning of year (Note 18)	**38,324,027,174**	13,692,457,210	7,521,774,922
Weighted average number of:			
Shares issued during the year	**1,043,557,948**	15,719,838,696	3,244,685,790
Shares buyback during the year	–	–	(10,428,664)
(b) Weighted average common shares outstanding	**39,367,585,122**	29,412,295,906	10,756,032,048
Basic/Diluted earnings per share (a/b)	**₱0.33**	₱0.18	₱0.40

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 18 and 29).

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 18).

For the years ended December 31, 2022 and 2021, except for ESOWN, 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 years ended December 31, 2022 and 2021.

28. **Business Combinations**

2022 Business Combinations

Investment in UPC-AC Energy Australia (HK) Limited (UPC-ACE Australia)
On March 11, 2022, the Group, UPCAPH and Mr. Rohner (collectively "the UPC AU Sellers") signed a Share Purchase Agreement for the Group's acquisition of 50% effective ownership interest of UPCAPH and Mr. Rohner in UPC-AC Energy Australia (HK) Limited ("UPC-ACE Australia").

On March 21, 2022, ACRI, UPCAPH, and Mr. Rohner signed separate instruments of transfer for the transfer to ACRI of UPCAPH's 7,150 ordinary shares in UPC-ACE Australia for US$78.34 million (₱4,070.40 million) and Rohner's 1,000,054 ordinary class B shares in UPC-ACE Australia for US$9.36 million (₱486.42 million), thereby completing the first tranche of the acquisition. The aggregate consideration paid by ACRI to UPCAPH and Mr. Rohner is US$87.70 million (₱4,556.82 million).

As a result of the first tranche, the Group owns 80% of UPC-ACE Australia.

On November 8, 2022, UPCAPH, executed proxy rights in favor of the Group, providing the ACRI with 100% voting rights in the consolidated group of UPC-ACE Australia.

UPC-ACE Australia is a holding company for Australia energy and power projects and investment.

ACEN Australia Pty Ltd. ("ACEN Australia"), a subsidiary of UPC-ACE Australia, started the construction of 520MW New England Solar Farm (NESF) located in Uralla, New South Wales and 520MW Stubbo Solar Farm (Stubbo) located in Stubbo, New South Wales. ACEN Australia also has further development portfolio located in Tasmania, Victoria and South Australia.

The Group remeasured its previously held interest in UPC-ACE Australia based on its acquisition date fair value which resulted in a remeasurement gain of $189.67 million (₱10,921.03 million) (Notes 7 and 23).

The fair value of the identifiable assets and liabilities, net of eliminations, at October 31, 2022 acquisition date were (in thousands):

	In US$	In PHP
Current assets		
Other receivables	$3,556	₱192,080
Prepayments	10	519
Cash and bank balances	12,779	690,251
Non-current assets		
Investment in associates and joint ventures (Note 7)	775	41,866
Derivative financial instrument	3,239	174,935
Plant and equipment (Note 11)	269,713	14,568,821
Development costs under other non-current assets (Note 14)	24,505	1,323,653
Right-of-use assets (Note 12)	24,503	1,323,557
Intangible assets (Note 13)	1,919	103,672
	340,999	18,419,354
Non-current liabilities		
Lease liabilities (Note 12)	(27,506)	(1,485,756)
Provisions	(1,919)	(103,657)
Other liabilities	(581)	(31,365)
Current liabilities		
Loans and borrowings (Note 16)	(101,821)	(5,499,956)
Other payables	(289)	(15,597)
Amount due to related parties	(40,541)	(2,189,843)
Other liabilities	(496)	(26,809)
Total identifiable net assets	$167,846	₱9,066,371

Part of eliminated transaction of the Group with UPC-ACE Australia includes $228.98 million (₱12,951.25 million) convertible loans (see Note 8).

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.

	In US$	In PHP
Total consideration	$505,926	₱28,664,849
Add non-controlling interest	33,569	1,946,009
Less fair value of assets acquired and liabilities assumed	(167,846)	(9,066,371)
Goodwill arising on acquisition (see Note 13)	$371,649	₱21,544,487

The cost of the business combination is made up as follows:

	In US$	In PHP
Cash (see Note 7)	$87,699	₱4,556,824
Convertible loan (Note 8)	228,982	12,951,246
Fair value of equity interest in UPC-ACE Australia before business combination	189,245	11,156,779
Total consideration	$505,926	₱28,664,849

The fair value of equity interest in UPC-ACE Australia before business combination includes $1.76 million (₱88.37 million) (see Note 7) other comprehensive income share from remeasurement of pension and various legal and consulting fees amounting to US$0.27 million (₱14.69 million). The reclassified convertible loan amounting to US$50.78 million (₱2,807.21 million) was included as part of the convertible loan (see Note 8).

Goodwill arose in the acquisition of UPC-ACE Australia because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies and future market growth. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The non-controlling interest (20%) in UPC-ACE Australia recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to US$33.57 million (₱1,946.01 million) (see Note 18). The fair value approximates the carrying amounts.

Net cash outflow on acquisition is as follows:

	In US$	**In PHP**
Total cash consideration paid in cash	$87,699	₱4,556,824
Less cash acquired with the subsidiary[(a)]	(12,779)	(690,251)
Net cash outflow	$74,920	₱3,866,573

[(a)]Cash acquired with the subsidiary is included in cash flows from investing activities.

Included in the profit and loss for the year is $0.09 million loss attributable to the additional business generated by UPC-ACE Australia.. No revenue for the period from UPC-ACE Australia.

Had the business combination been effected at January 1, 2022, the additional revenue reduction for the year ended December 31, 2022 would have been $15.31 million (₱900.21 million), and the additional reduction to the profit for the year would have been $6.55 million (₱384.99 million).

Initial accounting for the acquisition of UPC-ACE Australia has only been provisionally determined as the acquisition occurred close to the end of the reporting period. At the date of finalization of consolidated financial statements, the necessary market valuations and other calculations has not been finalized and they have therefore only been provisionally determined based on the management's best estimate of the likely values.

Investment in UPC Philippines
On March 18, 2022, ACEN, its wholly owned subsidiary, ACE Endevor, UPC Philippines, and Stella Marie L. Sutton (collectively "the Sellers") signed an agreement for the sale and purchase of UPC Philippine's and Ms. Sutton's share and/or subscription rights in the following companies to ACEN and ACE Endevor:

- 40% interest in NLR, the owner and operator of an 81MW operating wind farm in Brgy. Caparispisan, Pagudpud, Ilocos Norte (see Note 7),
- 39.98% interest in BWPC, the owner of the 160MW Pagudpud Wind Farm that is currently under construction in Brgy. Balaoi, Pagudpud, Ilocos Norte (see Note 18), and
- 100% in development and pipeline vehicle companies (collectively referred to as "Target Companies"):
    - Buduan Wind Energy Co, Inc.,
    - Caraballo Mountains UPC Asia Corporation,

- o Pangasinan UPC Asia Corporation,
- o Sapat Highlands Wind Corporation,
- o UPC Mindanao Wind Power Corp.,
- o Itbayat Island UPC Asia Corporation,
- o Laguna Central Renewables, Inc.,
- o Laguna West Renewables, Inc.,
- o Suyo UPC Asia Corporation, and
- o SolarAce 4 Energy Corp. ("SolarAce 4")

Prior to the acquisition of 39.98% in BPWC, ACEN indirectly owned 60.00% interest through its wholly owned subsidiary, Pagudpud Wind Power Corp. The acquisition resulted to 100.00% interest in BPWC and is accounted for as an acquisition of non-controlling interest (see Note 18).

Prior to the acquisition of 30.00% in SolarAce4, ACEN indirectly owned 70.00% interest through its wholly owned subsidiary, Endevor. The acquisition resulted to 100.00% interest in SolarAce4 and is accounted for as an acquisition of non-controlling interest (see Note 18).

The following are the fair values of the identifiable assets and liabilities of the Target Companies as at the date of acquisition:

Assets	
Cash and cash equivalents	₱2,690
Accounts and notes receivable	727
Input value added tax	2,649
Property, plant and equipment (Note 11)	202
Other noncurrent assets	71,762
	78,030
Liabilities	
Accounts payable and other current liabilities	3,428
Income and withholding taxes payable	27
Other noncurrent liabilities	188,214
	191,219
Total identifiable net liabilities	(113,189)
Less cost of acquisition	5,167
Goodwill arising on acquisition (see Note 13)	₱118,356

Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under Goodwill in the consolidated statements of 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	₱5,167
Less cash acquired with the subsidiary[(a)]	2,690
Net cash outflow	₱2,477

[(a)]Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2022, revenue contribution for the year ended December 31, 2022, would have been ₱0.01 million and the additional contribution to the net loss attributable to ACEN would have amounted to ₱2.04 million.

Following the ACEN BOD approval made on October 18, 2021, whereby ACEN and Endevor will acquire interest in UPC Philippine companies, the Sellers will in turn subscribe to up to 390.00 million common shares of ACEN with subscription price of ₱ 11.32/share, subject to adjustments. The issuance and listing of the ACEN common shares were approved by ACEN's stockholders on December 15, 2021.

Consequently, on March 22, 2022, ACEN signed Subscription Agreements with the Sellers for 389,995,833 ACEN shares for subscription price per share of ₱8.2889 per share (see Note 18).

Initial accounting for the acquisition of UPC Philippine companies has only been provisionally determined as the acquisition of occurred close to the end of reporting period. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations has not been finalized and they have therefore only been provisionally determined based on the management's best estimate of the likely values.

Investment in SSPC

On November 29, 2022, ACEN, Sungrow, and Havilah signed an agreement for the sale and purchase of Sungrow's and Havilah's shares and/or subscription rights in SSPC to ACEN.

SSPC is the developer of the proposed ~60MWp solar power plant in San Manuel, Pangasinan.

On December 16, 2022, ACEN signed the following documents:

1. Deed of Absolute Sale of Shares with Sungrow for the acquisition by ACEN of Sungrow's 4,400 Class A Common Shares in SSPC;
2. Deed of Absolute Sale of Shares with Havilah for the acquisition by ACEN of Havilah's 600 Class B Common Shares in SSPC;
3. Deed of Assignment of Subscription Rights with Havilah for the acquisition by ACEN of Havilah's subscription rights to 6,000 Class B Common Shares in SSPC; and
4. Subscription Agreement with SSPC for the subscription by ACEN to 600,000 Redeemable Preferred Shares B ("RPS B"), to be issued out of the increase in ACS of SSPC.

The following are the fair value of the identifiable assets and liabilities of SSPC as at the date of acquisition:

Assets	
Cash and cash equivalents	₱268
Input value added tax	92
Property, plant and equipment (see Note 12)	143,706
Other noncurrent assets	20,490
	164,556
Liabilities	
Accounts payable and other current liabilities	17
Income and withholding taxes payable	3
	20
Total identifiable net assets	164,536
Less cost of acquisition	164,398
Gain on bargain purchase (Note 23)	₱138

The acquisition resulted in a gain on bargain purchase which is recognized under "Other income" account in the consolidated statement of income (see Note 23). Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱164,398
Less Cash acquired with the subsidiary[a]	268
Net cash outflow	₱164,130

[a]*Cash acquired with the subsidiary is included in cash flows from investing activities.*

If the acquisition had taken place at the beginning of 2022, revenue contribution for the year ended December 31, 2022, would have been ₱0.01 million and the additional contribution to the net loss attributable to ACEN would have amounted to ₱0.09 million.

2021 Business Combinations 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 ACEN International, Inc. ("ACEN 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 ACEN 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 ACEN 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 ACEN 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.

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 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)
Additional paid-in capital	₱68,847,781,865

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.

29. **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 to 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 ("CO") 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 by spot conversions; or
- 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 are as follows:

	2022	2021
	U.S. Dollar (US$)	U.S. Dollar (US$)
Financial Assets		
Cash and cash equivalents	**$433,954**	$303,150
Other receivables	**492,919**	677,566
	926,873	980,716
Financial Liabilities		
Accounts payable and other current liabilities	**(64,476)**	(18,516)
Notes payable and loans-term loans	**(284,620)**	(397,744)
	(349,096)	(416,260)
Net foreign currency-denominated assets (liabilities)	**$577,777**	$564,456
Peso equivalent	**₱32,424,845**	₱28,657,431

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rates used were ₱56.12 to US$1.00 December 31, 2022 and ₱50.77 to US$1.00 as at December 31, 2021.

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$
December 31, 2022	**(₱0.50)**	**(₱288,889)**
	(1.00)	**(577,777)**
	0.50	**288,889**
	1.00	**577,777**
December 31, 2021	(₱0.50)	(₱282,228)
	(1.00)	(564,456)
	0.50	282,228
	1.00	564,456

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, ACEN 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.

	2022	
	Peso	**US$**
Cash and cash equivalents	**₱24,035,474**	**$431,091**
Receivables	**28,183,114**	**505,481**
Investments in:		
Associates and joint ventures	**67,285,242**	**1,206,802**
Other financial assets at amortized cost	**22,952,511**	**411,667**
Financial asset at FVTPL	**1,260,023**	**22,599**
	143,716,364	**2,577,640**
Accounts payable and other current liabilities	**(5,684,034)**	**(101,947)**
Notes payable	**(30,529,271)**	**(547,561)**
Net foreign currency position	**₱107,503,059**	**$1,928,132**

	2021	
	Peso	US$
Cash and cash equivalents	₱15,153,410	$298,448
Receivables	34,297,177	675,487
Investments in:		
Associates and joint ventures	41,569,737	818,721
Other financial assets at amortized cost	26,846,355	528,742
Financial asset at FVTPL	406,739	8,011
	118,273,418	2,329,409
Accounts payable and other current liabilities	(859,183)	(16,922)
Notes payable	(20,195,054)	(397,744)
Net foreign currency position	₱97,219,181	$1,914,743

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**
December 31, 2022	**USD**	**($0.50)**	**(₱964,067)**
		(1.00)	**(1,928,133)**
		0.50	**964,067**
		1.00	**1,928,133**
December 31, 2021	USD	($0.50)	(₱1,118,686)
		(1.00)	(2,237,372)
		0.50	1,118,686
		1.00	2,237,372

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.

	2022					
	Neither Past Due nor Impaired					
	Class A	Class B	Class C	Past Due but not Impaired	Past Due Individually Impaired	Total
Trade and other receivables						
Current:						
Trade receivables	**₱7,686,667**	**₱461,360**	**₱–**	**₱171,351**	**₱60,433**	**₱8,325,811**
Due from related parties	**13,950,580**	**6,536**	**4,211**	**1,011,690**		**14,947,017**
Others	**6,798,294**	**155,960**	**17,020**	**174,266**	**84,864**	**7,230,404**
Noncurrent						
Trade receivables	**459,132**	**346,404**	**–**	**424,367**	**22,547**	**1,252,720**
Due from related parties	**13,559,933**	**264**	**–**	**534,004**	**–**	**14,094,201**
Receivables from third parties	**1,013,367**	**2,609**	**–**	**47,380**	**–**	**1,063,356**
	₱43,467,973	**₱973,133**	**₱21,231**	**₱2,363,058**	**₱167,844**	**₱46,913,509**

	2022					
	Neither Past Due nor Impaired					
	Class A	Class B	Class C	Past Due but not Impaired	Past Due Individually Impaired	Total
Trade and other receivables						
Current:						
Trade receivables	₱470,270	₱3,315,917	₱2,130	₱1,679,530	₱83,240	₱5,551,087
Due from related parties	18,724,341	7,918	216,715	6,629,151		25,578,125
Others	609,083	207,906	627,037	809,039	84,608	2,337,673
Noncurrent						
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
	₱30,497,825	₱4,845,388	₱875,459	₱10,271,679	₱181,599	₱46,671,950

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 ₱366.84 million and ₱354.87 million as at December 31,2022 and 2021, respectively.

Maximum exposure to credit risk of financial assets subject to impairment
The gross carrying amount of financial assets subject to impairment are as follows:

	2022	2021
Financial Assets at Amortized Cost (Portfolio 1)		
Cash and cash equivalents	**₱34,630,011**	₱26,445,429
Short-term investments	**528**	68,310
Under "Receivables" account		
Current:		
Trade receivables	**9,649,612**	5,550,827
Due from related parties	**14,947,017**	25,588,685
Others	**7,315,267**	2,337,633
Noncurrent:		
Trade receivables	**1,230,172**	1,910,035
Due from related parties	**14,094,201**	8,484,028
Receivables from third parties	**1,063,355**	2,210,103
Other financial assets at amortized cost	**22,545,316**	26,085,959
Under "Other Noncurrent Assets" account		
Deposits	**109,718**	165,164
	₱105,585,197	₱98,846,173

The Group's maximum exposure to credit risk are as follows:

	2022				
		Lifetime ECL			
Grade	**12-month Stage 1**	**Stage 2**	**Stage 3**	**Simplified Approach**	**Total**
High	**₱ 29,473,652**	**₱–**	**₱–**	**₱ 32,273**	**₱ 29,505,925**
Standard	–	–	–	**1,573,540**	**1,573,540**
Substandard	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	**29,473,652**	–	–	**1,605,813**	**31,079,465**
Less loss allowance	–	–	–	–	–
Carrying amount	**₱ 29,473,652**	**₱–**	**₱–**	**₱ 1,605,813**	**₱ 31,079,465**

Grade	2021 12-month Stage 1	Lifetime ECL Stage 2	Stage 3	Simplified Approach	Total
High	₱34,297,803	₱–	₱–	₱26,743	₱34,324,546
Standard	183	–	–	–	183
Substandard	–	–	–	–	–
Default	–	–	–	621	621
Gross carrying amount	34,297,986	–	–	27,364	34,325,350
Less loss allowance	181,599	–	–	–	181,599
Carrying amount	**₱34,116,387**	**₱–**	**₱–**	**₱27,364**	**₱34,143,751**

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.

	2022 **On Demand**	**Less than 3 Months**	**3 to 12 Months**	**More than 1 Year to 5 Years**	**More than 5 Years**	**Total**
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	**₱5,293,784**	**₱654,599**	**₱247,315**	**₱8,144**	**₱–**	**₱6,203,842**
Retention payable	**12,946**	**35,220**	**109,939**	**–**	**–**	**158,105**
Accrued expenses [a]	**1,930,807**	**1,993,145**	**786,139**	**–**	**–**	**4,710,091**
Accrued interest	**210,510**	**–**	**–**	**272,580**	**–**	**483,090**
Due to related parties	**1,782,157**	**–**	**–**	**–**	**–**	**1,782,157**
Others	**187,227**	**–**	**–**	**–**	**–**	**187,227**
Derivative Liability	**–**	**3,012**	**–**	**–**	**–**	**3,012**
Short-term loans	**–**	**–**	**2,900,000**	**–**	**–**	**2,900,000**
Due to stockholders	**–**	**–**	**–**	**16,585**	**–**	**16,585**
Lease liabilities [b]	**–**	**96,609**	**238,677**	**1,452,701**	**3,177,193**	**4,965,180**
Long-term loans [c]	**–**	**282,312**	**1,212,849**	**14,963,582**	**20,202,233**	**36,660,976**
Notes payable	**–**	**–**	**–**	**35,522,654**	**–**	**35,522,654**
Other noncurrent liabilities [d]	**–**	**–**	**–**	**827,643**	**–**	**827,643**
	₱9,417,431	**₱3,064,897**	**₱5,494,919**	**₱53,063,889**	**₱23,379,426**	**₱94,420,562**

[a] *Excluding current portion of vacation and sick leave accruals.*
[b] *Gross contractual payments.*
[c] *Including contractual interest payments.*
d. *Excluding contract liabilities.*

	2021					
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	Total
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 [a]	644,535	128,384	501,485	–	–	1,274,404
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 [b]	–	112,360	226,672	1,401,896	3,566,932	5,307,860
Long-term loans [c]		230,879	1,774,699	8,374,528	18,727,675	29,107,781
Notes payable	–	–		20,195,054	–	20,195,054
Other noncurrent liabilities [d]	–	–		2,392,953	4,333,333	6,726,286
	₱3,288,647	₱581,931	₱3,401,006	₱34,391,966	₱26,627,940	₱68,291,490

[a] *Excluding current portion of vacation and sick leave accruals.*
[b] *Gross contractual payments.*
[c] *Including contractual interest payments.*
d. *Excluding contract liabilities.*

As at December 31, 2022 and 2021, the profile of financial assets used to manage the Group's liquidity risk is as follows:

	2022				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Current:					
Cash and cash equivalents	**₱34,630,011**	**₱–**	**₱–**	**₱–**	**₱34,630,011**
Short-term investments	**–**	**–**	**–**	**–**	**–**
Accounts and Notes Receivables:					
Accounts and other receivable	**9,161,537**	**236,161**	**1,011,167**	**-**	**10,408,865**
Notes receivable	**13,232,751**	**421,179**	**4,318,712**	**–**	**17,972,642**
Interest receivable	**2,267,020**	**–**	**–**	**–**	**2,267,020**
Noncurrent:					
Receivables:					
Accounts and other receivable	**–**	**–**	**–**	**1,529,673**	**1,529,673**
Notes receivable	**–**	**–**	**–**	**11,974,612**	**11,974,612**
Interest receivable	**–**	**–**	**–**	**2,905,991**	**2,905,991**
Derivative assets		**–**	**–**	**617,139**	**617,139**
Other financial assets at amortized cost	**–**	**–**	**–**	**22,545,316**	**22,545,316**
Financial assets at FVOCI:					
Quoted	**–**	**–**	**–**	**1,822**	**1,822**
Unquoted	**–**	**–**	**–**	**365,022**	**365,022**
	₱59,291,319	**₱657,340**	**₱5,329,879**	**₱39,939,575**	**₱105,218,113**

	2021				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Current:					
Cash and cash equivalents	₱26,445,429	₱–	₱–	₱–	₱26,445,429
Short-term investments	68,310	–	–	–	68,310
Accounts and Notes Receivables:					
Accounts and other receivable	5,481,520	1,124,498	–	–	6,606,018
Notes receivable	24,278,081	–	–	–	24,278,081
Interest receivable	2,425,198	–	–	–	2,425,198
Noncurrent:					
Receivables:					
Accounts and other receivable	–	–	–	2,093,042	2,093,042
Notes receivable	–	–	–	9,586,187	9,586,187
Interest receivable	–	–	–	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
	₱58,698,538	₱1,366,242	₱–	₱39,632,141	₱99,696,921

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, 2022 and 2021, 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:

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

<u>Cash flow hedges</u>
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, Chief Finance Officer and Philippine Chief Operating Officer (PH COO) 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 periodically by the Commercial Operations. Continuation, addition, reduction and termination of existing hedges are decided by the Head of CO 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 (by virtue of the AMA) 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						
	< 1 month	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**>12 months**	**Total**
As at December 31, 2022							
Foreign exchange forward contracts							
Notional amount ($000)	**$10,600**	**$4,115**	**$–**	**$–**	**$–**	**$–**	**$14,715**
Average forward rate ($/₱)	**55.63**	**56.78**	**–**	**–**	**–**	**–**	
Fuel							
Notional amount (in Metric Tons)	**16,800**	**–**	**–**	**–**	**–**	**–**	**16,800**
Notional amount (in $000)	**($461)**	**$–**	**$–**	**$–**	**$–**	**$**	**($461)**
Average hedged rate ($ per Metric ton)	**327.97**	**–**	**–**	**–**	**–**	**–**	
Coal							
Notional amount (in Metric Tons)	**9,000**	**–**	**–**	**–**	**–**	**1,950**	**10,950**
Notional amount (in $000)	**$846**	**$–**	**$–**	**$–**	**$–**	**$39**	**$885**
Average hedged rate ($ per Metric ton)	**408.63**	**–**	**–**	**–**	**–**	**–**	
As at December 31, 2021							
Foreign exchange forward contracts							
Notional amount ($000)	$–	$360	$270	$181	$273	$–	$1,084
Average forward rate ($/₱)	–	48.23	48.38	48.37	48.72	–	–

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 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
As at December 31, 2022				
Foreign exchange forward contracts	**$14,715**	**(3,012)**	**Accounts payable and other current liabilities**	**(₱3,012)**
Commodity swap contracts – Fuel	**$16,800**	**11,604**	**Other current assets**	**8,703**
Commodity swap contracts – Fuel		**(37,500)**	**Other noncurrent liabilities**	**(28,125)**
Commodity swap contracts – Coal	**$10,950**	**49,666**	**Other current assets**	**35,603**
As at December 31, 2021				
Foreign exchange forward contracts	$1,084	241,744	Other current assets	241,744
Commodity swap contracts - Coal	–	–	Other current assets	–

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
As at December 31, 2022			
Highly probable forecast purchases	**₱55,500**	**(₱51,722)**	**₱–**
Highly probable forecast purchases	**(3,012)**	–	–
Fuel purchase	**8,703**	–	–
Fuel purchase	**(28,125)**	–	–
Coal purchase	**35,603**	–	–
As at December 31, 2021			
Highly probable forecast purchases	(₱47,029)	₱6,228	₱–
Highly probable forecast purchases	241,744	–	–

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
As at December 31, 2022						
Foreign exchange forward contracts	**₱–**	**(₱3,012)**	**Other income (expense)**	**₱–**	**₱–**	**₱–**
Foreign exchange forward contracts	**55,500**	–	**Unrealized fair value gains on derivative instruments designated as hedges**	–	–	–
Commodity swap contracts - Fuel	**8,703**	–	**Unrealized fair value gains on derivative instruments designated as hedges**	–	–	–
Commodity swap contracts - Fuel	**(28,125)**	–	**Unrealized fair value gains on derivative instruments designated as hedges**	–	–	–
Commodity swap contracts - Coal	**35,603**	–	**Unrealized fair value gains on derivative instruments designated as hedges**	–	–	–
As at December 31, 2021						
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	–	–	–

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.

	2022	2021
Short-term debt (Note 16)	**₱2,900,000**	₱–
Long-term debt (Note 16)	**60,864,602**	41,137,275
Total debt	**63,764,602**	41,137,275
Less:		
Cash and cash equivalent (Note 4)	**34,630,011**	26,388,448
Short-term investments (Note 14)	**528**	68,310
Restricted cash (Note 4)	–	56,981
Net debt	**29,134,063**	14,623,536
Total equity	**149,593,443**	117,968,762
Debt to equity	**43.40%**	34.87%
Net debt to equity	**19.83%**	12.40%

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.

30. 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, 2022 and 2021:

	2022			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Financial assets at FVTPL	**₱1,302,886**	**₱–**	**₱1,302,886**	**₱–**
Financial assets at FVOCI	**366,844**		**366,844**	**–**
Other financial assets at amortized cost	**21,260,907**	**–**	**–**	**18,623,291**
Derivative asset*	**617,139**	**–**	**617,139**	**–**
Refundable deposits**	**109,718**	**–**	**–**	**109,608**
Trade receivables***	**906,343**	**–**	**–**	**937,789**
Receivables from third parties****	**51,025**	**–**	**–**	**51,025**
	₱24,614,862	**₱–**	**₱2,286,869**	**₱19,721,713**
Liabilities				
Notes payable	**₱32,093,314**	**₱–**	**₱–**	**₱28,638,196**
Long-term debt	**28,771,288**	**–**	**–**	**28,282,078**
Deposit payables and other liabilities*****	**92,667**	**–**	**91,522**	**–**
Derivative liability******	**37,500**	**–**	**37,500**	**–**
Lease liabilities	**4,465,021**	**–**	**–**	**3,391,140**
	₱65,450,322	**₱–**	**₱116,844**	**₱60,311,414**

** 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.*
******* Included under "Other noncurrent Liabilities"*

	2021			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Financial assets at FVTPL	₱406,739	₱–	₱406,739	₱–
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
	₱29,382,494	₱21	₱1,003,330	₱27,841,132
Liabilities				
Notes payable	₱20,195,054	₱–	₱–	₱20,447,789
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
	₱44,249,852	₱–	₱241,744	₱44,927,069

** 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 1.03% to 9.13% and 4.40% to 7.10% as at December 31, 2022 and 2021, 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 6.47% and 4.40% as at December 31, 2022 and 2021 respectively.

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.

31. **Operating Segment Information**

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.

For management purposes, the Group is organized into the following business units:

- Philippines, which includes:
  1. Retail Electricity Supply (RES) or Commercial Operations (CO)
  2. Renewables - generation, transmission, distribution, and supply of electricity using renewable sources such as solar, wind, and geothermal resources
  3. Thermal - generation, transmission, distribution, and supply of electricity using conventional way of energy generation
  4. Project development
  5. Leasing
  6. bulk water supply, and
  7. Petroleum and exploration
- International represents the operations of ACRI, which is the holding company for all offshore investments. This includes earnings from the international renewable investments, as well as project development expenses and overhead expenses for the various renewable power projects in the pipeline
- Parent and Others represents operations of the Parent Company (excluding RES / CO) and ACE Shared Services, Inc. This also includes interest expense incurred by ACEN Finance Limited.

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 to assess performance of the Group.

Revenue earned from a single external customer amounted to ₱11,880 million and ₱7,023 million in 2022 and 2021, 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, 2022, 2021 and 2020 and assets and liabilities as at December 31, 2022, 2021, and 2020:

	For the year ended December 31, 2022			
	Philippines	International	Parent and Others	Consolidated
Revenues				
Revenue from sale of electricity	**₱34,995,488**	**₱–**	**₱–**	**₱34,995,488**
Rental income	**68,469**	**–**	**–**	**68,469**
Dividend income	**–**	**3,635**	**–**	**3,635**
Other revenues	**79,282**	**28,586**	**63,091**	**170,959**
	35,143,239	**32,221**	**63,091**	**35,238,551**
Costs and expenses				
Costs of sale of electricity	**34,183,239**	**–**	**–**	**34,183,239**
General and administrative expenses	**655,629**	**1,830,939**	**1,415,249**	**3,901,817**
	34,838,868	**1,830,939**	**1,415,249**	**38,085,056**
Interest and other finance charges	**(1,101,532)**	**(1,067,837)**	**(188,162)**	**(2,357,531)**
Equity in net income of associates and joint ventures	**783,095**	**154,739**	**–**	**937,834**
Other income - net	**381,292**	**17,692,343**	**128,357**	**18,201,992**
Net income (loss) before income tax	**367,226**	**14,980,527**	**(1,411,963)**	**13,935,790**
Benefit from income tax	**(338,523)**	**(81,862)**	**(241,713)**	**(662,098)**
Segment net income (loss)	**₱705,749**	**₱15,062,389**	**(₱1,170,250)**	**₱14,597,888**
Other disclosures:				
Depreciation and amortization	**1,949,062**	**16,673**	**212,673**	**2,178,408**
Capital expenditures	**25,808,545**	**24,774,169**	**–**	**50,582,714**
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	**40,188**	**–**	**–**	**40,188**

	As at December 31, 2022			
Operating assets	**₱37,606,942**	**₱92,551,857**	**₱102,613,764**	**₱232,772,563**
Operating liabilities	**₱11,531,664**	**₱36,852,019**	**₱34,795,437**	**₱83,179,120**
Other disclosures:				
Investments in associates and joint ventures	₱10,392,685	₱14,373,748	₱–	₱24,766,433
Pension & other employment benefits	38,804	–	38,193	76,997

	For the year ended December 31, 2021			
	Philippines	International	Parent and Others	Consolidated
Revenues				
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
	25,959,821	58,410	63,210	26,081,441
Costs and expenses				
Costs of sale of electricity	21,469,733	–	–	21,469,733
General and administrative expenses	1,036,059	1,254,785	494,705	2,785,549
	22,505,792	1,254,785	494,705	24,255,282
Interest and other finance charges	(812,861)	(320,170)	(561,349)	(1,694,380)

Equity in net income of associates and joint ventures	1,126,943	825,810	–	1,952,753
Other income - net	(762,868)	5,601,000	885,509	5,723,640
Net income (loss) before income tax	3,005,243	4,910,265	(107,336)	7,808,172
Provision for (benefit from) income tax	277,183	37,625	(172,671)	142,137
Segment net income	₱2,728,060	₱4,872,640	₱65,335	₱7,666,035
Other disclosures:				
Depreciation and amortization	1,856,163	51	149,651	2,005,865
Capital expenditures	13,517,192	19,718,901	–	33,236,093
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	301,413	–	–	301,413

	As at December 31, 2021			
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			
	Philippines	International	Parent and Others	Consolidated
Revenues				
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
Costs and expenses				
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
Net income (loss) before income tax	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
Segment net income (loss)	₱3,873,741	₱3,225,060	(₱696,651)	₱6,402,150
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			
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

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.

32. Supplemental Cash Flows Information

The non-cash investing activities of the Group for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Non-cash additions to property, plant and equipment	**₱1,466,936**	₱33,334
Set-up of ROU assets from new lease agreements	**282,104**	1,242,723
Reclassifications to (from):		
Property, plant and equipment	**186,683**	670,393
Investments in associates and joint ventures	**148,975**	–
Other noncurrent assets	**(936,776)**	–
Creditable withholding taxes	**(337,737)**	(188,201)
Investments in other financial assets at amortized cost	**(59,782)**	–
Noncurrent assets held for sale	**(1,539)**	283,168
Other current assets	–	35,046
Goodwill and other intangible assets	–	216
Right-of-use assets	–	(672,133)
Investment properties	–	(438,375)
Changes due to business combinations (Note 28):		
Property, plant and equipment	**14,712,729**	–
Right-of-use assets	**1,323,557**	–
Other noncurrent assets	**1,323,653**	–
Goodwill and other intangible assets	**103,672**	–
Investments in other financial assets at amortized cost (Note 8)	**(12,951,246)**	–
Investments in associates and joint ventures	**(4,578,944)**	–
Changes due to loss of control (Note 2):		
Property, plant and equipment	**(14,221,341)**	–
Other noncurrent assets	**(319,293)**	–
Creditable withholding taxes	**(117,954)**	–
Input VAT – net of current portion	**(4,973)**	–

Movements in the Group's liabilities from financing activities for the years ended December 31, 2022 and 2021 are as follows:

	January 1, 2022	**Availments/ Proceeds**	**Payments**	**Others**	**December 31, 2022**
Current portion of:					
Short-term loans	**₱–**	**₱23,259,020**	**(₱20,359,020)**	**₱–**	**₱2,900,000**
Long-term loans	**824,488**	**–**	**(7,387,050)**	**7,281,947**	**719,385**
Lease liabilities	**536,950**	**–**	**(291,085)**	**12,697**	**258,562**
Interest payable	**448,919**	**–**	**(1,955,949)**	**1,990,120**	**483,090**
Due to stockholders	**16,585**	**–**	**(3,801,730)**	**3,801,730**	**16,585**
Noncurrent portion of:					
Notes payable	**20,195,054**	**10,000,000**	**–**	**1,898,260**	**32,093,314**
Long-term loans	**20,117,733**	**23,012,509**	**–**	**(15,078,339)**	**28,051,903**
Lease liabilities	**2,159,302**	**–**	**–**	**2,047,157**	**4,206,459**
Other noncurrent liabilities	**2,736,920**	**–**	**(1,040,364)**	**(868,913)**	**827,643**
Total liabilities from financing activities	**₱47,035,951**	**₱56,271,529**	**(₱34,986,125)**	**₱1,235,586**	**₱69,556,941**

	January 1, 2021	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

Long term loans include those assumed through business combination with carrying amounts of AU$138.29 million (US$ 88.47 million) Construction facility loan under NESF Syndicated Facility Agreement, AU$10.50 million (US$ 6.71 million) green long-term revolving loan with DBS Bank Australia ("DBS Bank"), AU$10.00 million (US$ 6.40 million) green term loan with MUFG Bank, Ltd., Sydney Branch ("MUFG Bank") and AU$0.38 million (US$ 0.24 million) green term loan facility agreement with Clean Energy Finance Corporation ("CEFC") were assumed as a result of acquisition of control over UPC-ACE Australia (see Note 28).

33. Provisions and Contingencies

Tax assessments:

On August 20, 2014, ACEN distributed cash and property dividends in the form of shares in ENEX 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 7, 2023, the CIR’s motion for reconsideration has not been resolved by the CTA *en banc*.

<u>Claims for tax refund</u>

a. On May 19, 2022, Guimaras Wind received a copy of the Decision of the CTA En Banc dated May 17, 2022 denying Guimaras Wind 's Petition for Review for lack of merit. The CTA en banc affirmed the decision dated January 3, 2020 and Resolutions dated July 1, 2020 and September 23, 2020, both rendered by the CTA Third Division, which partially granted Guimaras Wind 's claim for the refund of or the issuance of a tax credit certificate in the reduced amount of ₱16,149,514.98, out of the total amount claimed of ₱335,759,253, representing Guimaras Wind’s excess and unutilized input value-added tax for Q3 and Q4 of 2014 and Q1 and Q2 of 2015. Guimaras Wind filed its Motion for Reconsideration (MR) to the CTA En Banc on June 3, 2022.

   On June 27, 2022, Guimaras Wind received a Resolution from the CTA En Banc directing Guimaras Wind to file its Comment to the MR filed by the Commissioner of Internal Revenue within five (5) days from receipt of the said Resolution. Consequently, Guimaras Wind complied with the Resolution and filed its Comment to the CTA En Banc on July 4, 2022. The case remains pending with the CTA En Banc.

   On January 17, 2023, the CTA EB issued a Resolution reiterating its Decision dated May 17, 2022, which in turn affirmed the CTA Third Division’s Decision limiting the Guimaras Wind’s entitlement to refund to a reduced amount of ₱16,149,514.98.

   The CTA EB held that the Certificate of Endorsement (COE) from the Department of Energy (DOE) and the Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) are both required in order for Guimaras Wind to properly avail VAT zero-rating incentives. The CTA EB also rejected the Guimaras Wind’s position that its application for COC should be deemed “provisionally approved” six months from the filing of its application for a COC with the ERC.

On February 3, 2023, Guimaras Wind filed a Motion for Extension of Time to File Petition for Review on Certiorari with the Supreme Court. The Petition for Review is due for filing on March 7, 2023.

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. CTA Third Division denied the Petition of SACASOL on Feb. 3, 2021. A Motion for Reconsideration, Supplement to the Motion for Reconsideration with Ad Cautelam Motion to Admit Additional Evidence, and Second Supplement to the Motion for Reconsideration with Ad Cautelam Motion to Admit Additional Evidence were filed in 2021. As at December 13, 2021, CTA Third Division denied the MR. As at March 7, 2023, SACASOL elevated and filed a Petition for Review before the CTA En Banc.

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.

On October 28, 2020 and August 17, 2021, the PEMC Board cleared CIP and found no breaches from August 2014 to December 2015. On June 3, 2022, the PEMC Board cleared One Subic Power and found no breaches for the period May- December 2014 period. In the May 2022 meeting, PEMC met with trading participants with pending investigations and discussed a shortened process in the investigation while at the same time ensuring due process for all participants. The shortened process will adopt the current PEMC process of frequently flagging the trading participant of the intervals under investigation and requesting for immediate replies and dispensing with lengthy discussions in its investigation reports. At present, the PEMC is still finishing all its investigations.

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. The market level fee approved by the ERC in its Decision of July 2020 was implemented by the Independent Electricity Market Operator of the Philippines for the WESM market fee collection for the calendar year 2021.

34. **Events After the Reporting Period**

Below are the events after the reporting period which are treated as non-adjusting events as at December 31, 2022:

Update on the Group's up to ₱1,000.00 million Omnibus Loan and Security Agreement ("OLSA") with Provincia Investments Corporation ("PIC") and Solar Philippines Power Project Holdings, Inc. ("Solar PH")
The Parent Company's Executive Committee (acting on authority from the Board) approved on January 25, 2023, the execution by the Parent Company of definitive agreements whereby the Parent Company will receive from Solar PH, 500 million shares in SPNEC, a listed company which is an affiliate of Solar PH (which SPNEC shares have a market value of ~₱660 million as at January 24, 2023) as (a) pre-payment for part of the loan's principal, and (b) payment of interest and arrangement and security amendment fees in consideration for the Parent Company releasing its pledge over shares owned by Solar PH in SPNEC (the "Transaction").

Acquisition by ACEN of the effective ownership interest of UPC Renewables Asia Pacific Holdings Pte Limited ("UPCAPH") and Mr. Anton Rohner ("Rohner") in ACEN Australia (formerly, UPC-AC Renewables Australia)
On 1 February 2023, ACRI and UPCAPH signed an Instrument of Transfer for the transfer to ACRI of UPCAPH's remaining 4,766 ordinary shares in UPC-AC Energy Australia (HK) Limited, which completes the second and final tranche of ACRI's acquisition of ACEN Australia.

The acquisition transforms the UPC\AC Renewables Australia joint venture into ACEN Australia, the Group's first wholly owned development and operating platform outside of the Philippines.

The acquisition results in the full ownership by ACEN of the 521 MW New England solar farm and the 520 MW Stubbo solar farm in Australia, as well as the development pipeline of ACEN Australia spanning New South Wales, Tasmania, Victoria, and South Australia.

Completion of 2nd Stage acquisition
On February 1, 2023, ACRI completed its previously announced acquisition of the Australia development platform.

ACRI and UPCAPH signed an Instrument of Transfer for the transfer to ACRI of UPCAPH's remaining 4,766 ordinary shares in UPC-ACE Australia, which completes the second and final tranche of the Company's acquisition of ACEN Australia.

The acquisition transforms the joint venture into a subsidiary, the Group's first wholly owned development and operating platform outside of the Philippines. The acquisition results in the full ownership by the Group of the 521 MW New England solar farm and the 520 MW Stubbo solar farm in Australia, as well as the development pipeline of ACEN Australia spanning New South Wales, Tasmania, Victoria, and South Australia.

SGV
Building a better working world

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
ACEN Corporation (formerly AC Energy Corporation)
35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner,
Makati Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ACEN CORPORATION (formerly AC Energy Corporation) and subsidiaries, as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated March 7, 2023. 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

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. 111562-SEC (Group A),
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A),
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-120-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9566017, January 3, 2023, Makati City

March 7, 2023

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
ACEN Corporation (formerly AC Energy Corporation)
35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner,
Makati Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ACEN CORPORATION (formerly AC Energy Corporation) and subsidiaries, as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated March 7, 2023. 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 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. 111562-SEC (Group A),
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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. 9566017, January 3, 2023, Makati City

March 7, 2023

ACEN CORPORATION (FORMERLY AC ENERGY CORPORATION)
AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
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.*

Attachment I

ACEN CORPORATION (FORMERLY AC ENERGY CORPORATION) AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2022

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		₱1,302,885,391	₱1,302,885,391	₱–
Financial assets at FVOCI				
Tagaytay Midlands Golf Club, Inc.	1	600,000	600,000	–
Evercrest Golf Club Resorts, Inc.	1	40,000	40,000	
Puerto Azul Golf & Country Club, Inc.	1	150,000	150,000	–
Capitol Hills Golf & Country Club, Inc.	1	150,000	150,000	–
Camp John Hay	1	300,000	300,000	–
A. Soriano	179	1,072	1,072	–
PLDT Inc.		19,500	19,500	–
UPC Sidrap HK Limited		365,583,392	365,583,392	–
		366,843,964	366,843,964	–
Financial Assets at Amortized Cost				
Redeemable preferred shares and subscription deposits				
Investment in UPC Asia III		1,219,047,396	623,338,449	228,389,016
Investment in AAR		6,991,916,664	6,991,916,664	832,612,335
Investment in BIMRE		1,359,678,498	2,454,000,607	173,758,562
Investment in BIME		237,248,120	169,524,107	30,386,909
Investment in UPC Solar		4,332,163,500	4,332,163,500	430,806,507
Investment in BIM Wind		2,368,161,512	293,478,715	504,426,248
Investment in Suryagen Capital PTE LTD		139,387,500	139,387,500	–
Investment in Nefin Solar Asset Ltd.		1,142,419,950	1,142,419,950	33,340,973
Convertible loans				
Investment in UPC-ACE Australia		–	–	839,179,911
Investment in Vietnam Wind Energy Limited		834,280,743	1,825,368,000	–
Investment in Asian Wind Power 1 HK Ltd		1,449,630,000	375,530,368	206,549,767
Investment in Asian Wind Power 2 HK Ltd		1,186,973,260	276,163,302	170,246,840
		21,260,907,143	18,623,291,162	3,449,697,068
Loans and Receivables				
Cash and Cash Equivalents		34,630,011,408	34,630,011,408	285,195,471
Short-term investments		528,000	528,000	–
Trade and Other Receivables		46,890,959,544	46,890,959,544	191,947,245
Long-term Receivables		1,348,998,872	1,348,998,872	1,725,596,260
		82,870,497,824	82,870,497,824	2,202,738,976
Derivative Assets		617,139,023	617,139,023	–
		₱106,418,273,345	**₱103,780,657,364**	**₱5,652,436,044**

Attachment I

ACEN CORPORATION (FORMERLY AC ENERGY CORPORATION) AND SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

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			
Not Applicable:	The Company has no amounts receivable from directors, officers, employees, related parties and principal stockholders as at December 31, 2022 equal to or above the established threshold of the Rule.						

Attachment I

ACEN CORPORATION (FORMERLY AC ENERGY CORPORATION) AND SUBSIDIARIES
Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non-Current	Balance at End of Period
Subsidiaries:							
Buendia Christiana Holdings Corp.	₱555,058,314	₱145,521,734	(₱700,580,048)		₱–	₱–	₱–
Sta Cruz Solar Energy, Inc.	530,058,590	85,213,972	(615,084,495)		188,067	–	188,067,
Giga Ace 4, Inc.	176,593,250	6,633,699	(179,976,794)		3,250,155	–	3,250,155
Bataan Solar Energy, Inc.	148,101,479	9,829,821	(8,090,340)		149,840,960	–	149,840,960
Others	126,746,603	330,457,879	(377,813,330)		79,391,152	–	79,391,152
Gigasol 2, Inc.	99,964,344	299,808,300	(207,772,644)		192,000,000	–	192,000,000
South Luzon Thermal Energy Corporation	60,540,832	–	(60,540,832)		–	–	–
San Carlos Solar Energy, Inc.	49,670,358	76,045,235	(123,547,109)		2,168,484	–	2,168,484
Palawan55 Exploration and Production Corporation	48,756,149	49,144,539	(52,645,329)		45,255,359	–	45,255,359
GigaWind1, Inc.	22,458,590	28,458,200	(50,916,790)		–	–	–
Guimaras Wind Corporation	13,830,438	156,071,565	(158,017,414)		11,884,589	–	11,884,589
Gigasol 3, Inc.	2,208,654	139,194,355	(138,147,516)		3,255,493	–	3,255,493
Bulacan Power Generation Corporation	1,778,738	138,601,013	(138,749,586)		1,630,165	–	1,630,165
CIP II Power Corporation	1,569,567	16,376,033	(14,964,323)		2,981,277	–	2,981,277
SolarAce1 Energy Corp.	1,472,436	67,195,874	(65,740,767)		2,927,543	–	2,927,543
ACE Endevor, Inc.	991,312	931,497,285	(859,606,849)		72,881,748	–	72,881,748
One Subic Power Generation Corporation	876,846	16,878,222	(13,465,328)		4,289,740	–	4,289,740
ENEX Energy Corp.	631,236	166,097,002	(148,370,178)		18,358,060	–	18,358,060
Negros Island Solar Power, Inc.	289,508	822,739,487	(819,859,223)		3,169,772	–	3,169,772
Pagudpud Wind Power Corp.	116,900	23,400	(116,900)		23,400	–	23,400
ACE Shared Services, Inc.	44,250	39,636,069	(28,341,199)		11,339,120	–	11,339,120
Giga Ace 8, Inc.	40,605	281,968,202	(53,789,445)		228,219,362	–	228,219,362
Bayog Wind Power Corp.	–	785,475,000	–		785,475,000	–	785,475,000
Presage Corporation	–	1,124,526,000	–		1,124,526,000	–	1,124,526,000
Monte Solar Energy, Inc.	(1,371,317)	28,138,894	(24,584,403)		2,183,174	–	2,183,174
	₱1,840,427,682	**₱5,745,531,780**	**(₱4,840,720,842)**	**₱–**	**₱2,745,238,620**	**₱–**	**₱2,745,238,620**

Attachment I

ACEN CORPORATION (FORMERLY AC ENERGY CORPORATION) AND SUBSIDIARIES
Schedule D. Long-Term Debt
December 31, 2022

	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
ACEN	China Bank Corporation	988,000,000	12,000,000	976,000,000	5.00%	20 semi-annual payments	July 15, 2030
	China Bank Corporation	494,000,000	6,000,000	488,000,000	5.00%	20 semi-annual payments	July 15, 2030
	China Bank Corporation	2,000,000,000	24,000,000	1,976,000,000	5.81%	16 semi-annual payments	July 15, 2030
	China Bank Corporation	994,000,000	12,000,000	982,000,000	5.07%	16 semi-annual payments	July 15, 2030
	Loan B	4,842,105,264	52,631,579	4,789,473,685	5.05%	20 semi-annual payments	November 14, 2029
	Loan E	3,000,000,000	–	3,000,000,000	5.79%	20 semi-annual payments	December 13, 2032
	Development Bank of the Philippines	805,000,000	4,025,000	800,975,000	2.75%	20 semi-annual payments	March 30, 2031
	Development Bank of the Philippines	2,000,000,000	10,000,000	1,990,000,000	2.75%	36 quarterly payments	March 30, 2031
	Development Bank of the Philippines	1,695,000,000	8,475,000	1,686,525,000	2.75%	20 semi-annual payments	March 30, 2031
	Security Bank Corporation	692,424,236	81,111,380	611,312,856	6.50%	25 semi-annual payments	July 11, 2029
	Total	17,510,529,500	210,242,959	17,300,286,541			
	Unamortized debt issue costs	(116,671,810)	(13,254,867)	(103,416,943)			
		17,393,857,690	196,988,092	17,196,869,598			
Guimaras Wind	Development Bank of the Philippines	571,251,275	77,378,500	493,872,775	5.80%-6.25%	25 semi-annual payments	February 14, 2029
	Security Bank Corporation	571,251,275	77,378,500	493,872,775	6.08%-6.68%	25 semi-annual payments	February 14, 2029
	Total	1,142,502,550	154,757,000	987,745,550			
	Unamortized debt issue costs	(6,549,075)	(1,750,758)	(4,798,317)			
		1,135,953,475	153,006,242	982,947,233			
NorthWind	Bank of the Philippine Islands	1,939,360,000	161,690,000	1,777,670,000	5.13%	24 semi-annual payments	May 29, 2032
	Unamortized debt issue costs	(11,182,523)	(2,048,612)	(9,133,911)			
		1,928,177,477	159,641,388	1,768,536,089			
ACEN Australia Pty. Ltd.	NESF Loan	5,933,641,183	209,749,016	5,723,892,167	1.89%-2.87%	10 semi-annual payments	December 22, 2025
	CEFC Loan	14,102,224	–	14,102,224	1.89%-2.87%	10 semi-annual payments	October 28, 2027
	DBS Loan	1,299,043,822	–	1,299,043,822	1.89%-2.87%	10 semi-annual payments	August 18, 2027
	MUFG Loan	1,066,512,249	–	1,066,512,249	1.89%-2.87%	10 semi-annual payments	September 16, 2027
	Total	8,313,299,478	209,749,016	8,103,550,462			
	Unamortized debt issue costs	–	–	–			
		8,313,299,478	209,749,016	8,103,550,462			
	Long-term loans	₱28,771,288,120	₱719,384,738	₱28,051,903,382			

ACEN Finance	Green bonds	20,383,600,000	–	20,383,600,000	4.00%	Senior undated fixed-for-life (non-deferrable) Notes with fixed coupon of 4.00% for life, with no step-up and no reset, priced at par.	
	Unamortized debt issue costs	(76,114,799)	–	(76,114,799)			
	Cumulative translation adjustment	1,908,487,098	–	1,908,487,098			
		22,215,972,299	–	22,215,972,299			
ACEN	ACEN Fixed rate ASEAN Green Bonds	10,000,000,000	–	10,000,000,000	6.05%	20 quarterly payments	May 29, 2027
	Unamortized debt issue costs	(122,657,700)	–	(122,657,700)			
		9,877,342,300	) –	9,877,342,300			
	Notes Payable	₱32,093,314,599	₱–	₱32,093,314,599			

Attachment I

ACEN CORPORATION (FORMERLY AC ENERGY CORPORATION) AND SUBSIDIARIES
Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2022

Name of related party	Balance at Beginning of Period	Balance at End of Period
Bank of the Philippine Islands	₱2,092,540,000	₱1,777,670,000
	₱2,092,540,000	**₱1,777,670,000**

Attachment I

ACEN CORPORATION (FORMERLY AC ENERGY CORPORATION) AND SUBSIDIARIES
Schedule F. Guarantees of Securities of Other Issuers
December 31, 2022

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
ACEN Finance Limited	US$ Green Bonds*	US$400.00 million senior guaranteed undated notes under the MTN Programme, with ₱22,215.97 million outstanding as at December 31, 2022	None	For as long as the senior guaranteed undated fixed-for-life notes remain outstanding, ACEN Finance Limited 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 based on ACEN consolidated financials.

** Please refer to Note 16 - Short-term Loans, Long-term Loans, and Notes Payable of the 2022 Consolidated Audited Financial Statements for the detailed discussion.*

Attachment I

ACEN CORPORATION (FORMERLY AC ENERGY CORPORATION) AND SUBSIDIARIES
Schedule G. Capital Stock
December 31, 2022

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	48,800,000,000	39,691,894,773	(14,500,000)	39,677,394,773	919,189,237	31,461,243,453	269,472,486	7,946,678,834

Attachment II

ACEN CORPORATION (Formerly AC Energy Corporation)

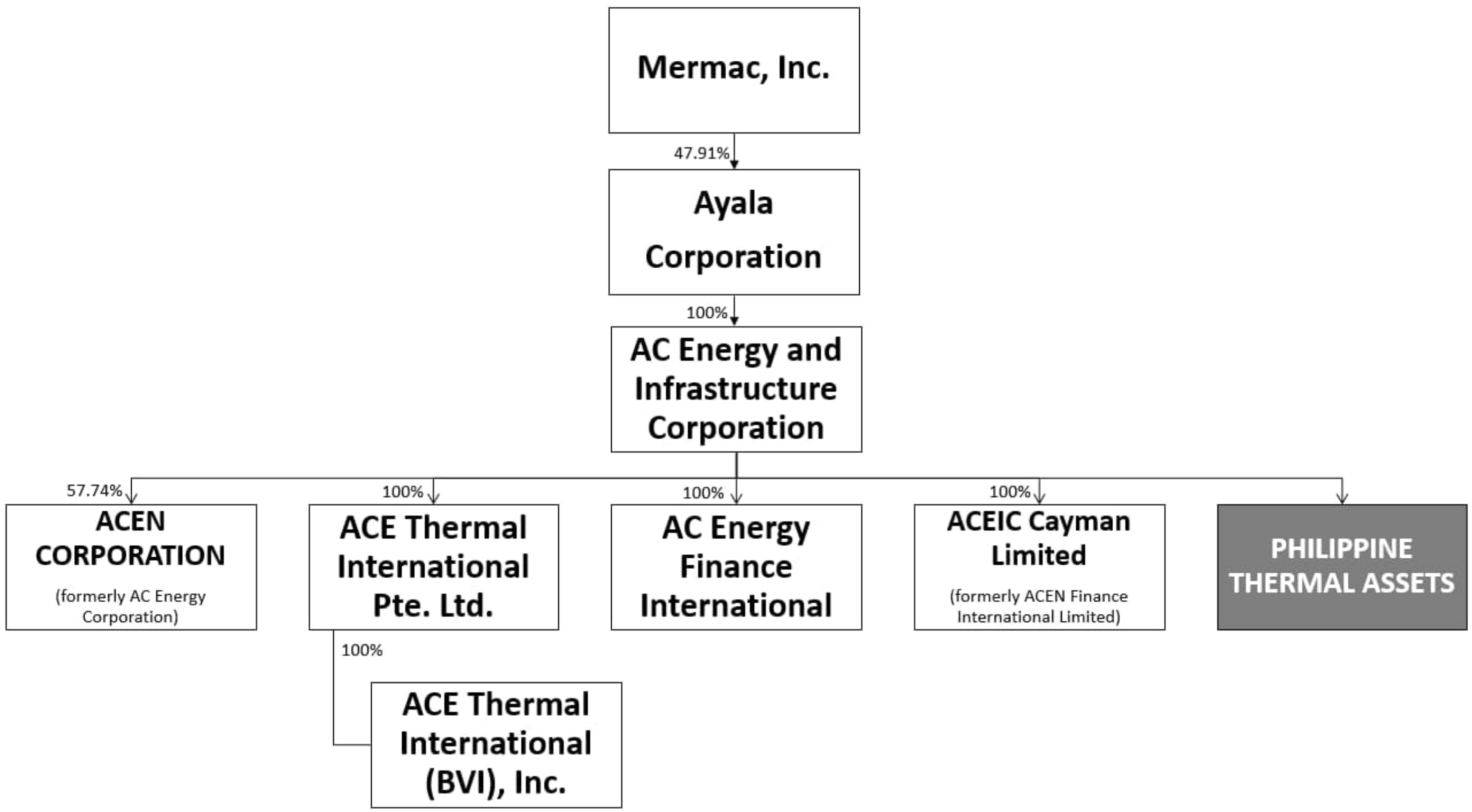
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2022
(Amounts in Thousands)

Retained earnings, beginning	₱5,233,547
Adjustment:	
Deferred income tax asset as at December 31, 2021	(258,736)
Unrealized FV gain of FVPL as at December 31, 2021	(44,710)
Derivative asset as at December 31, 2021	(77,696)
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	4,852,405
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	(3,835,855)
Add (deduct):	
Movement of recognized deferred income tax assets	(1,028,046)
Unrealized fair value loss on financial asset through FVPL and derivative assets	164,048
Net income actually realized during the year	152,552
Less: Dividends declared during the year	2,298,950
Treasury shares	28,657
Retained earnings available for dividend declaration, end	**(₱2,175,055)**

**ACEN CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68**

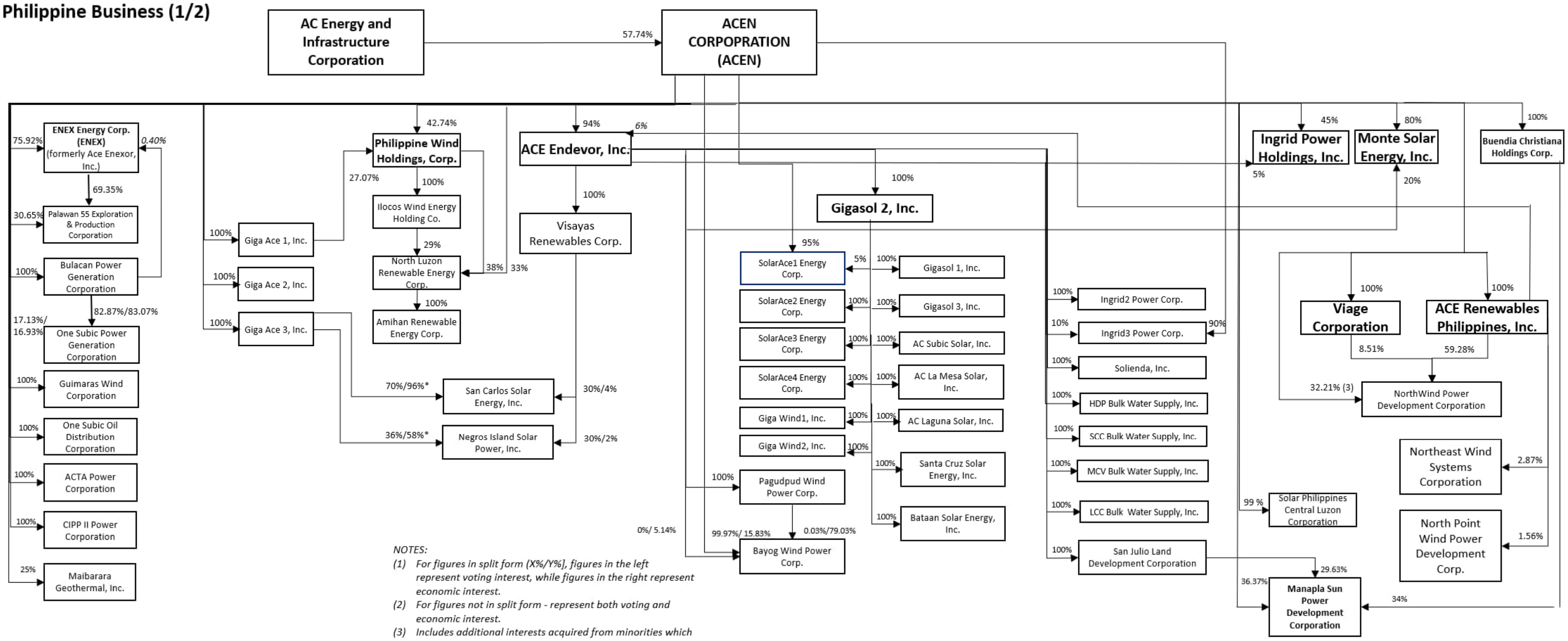
**Conglomerate Map
As at December 31, 2022**



AC ENERGY CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As at December 31, 2022

ACEN CORPORATION (ACEN)
Philippine Business (1/2)



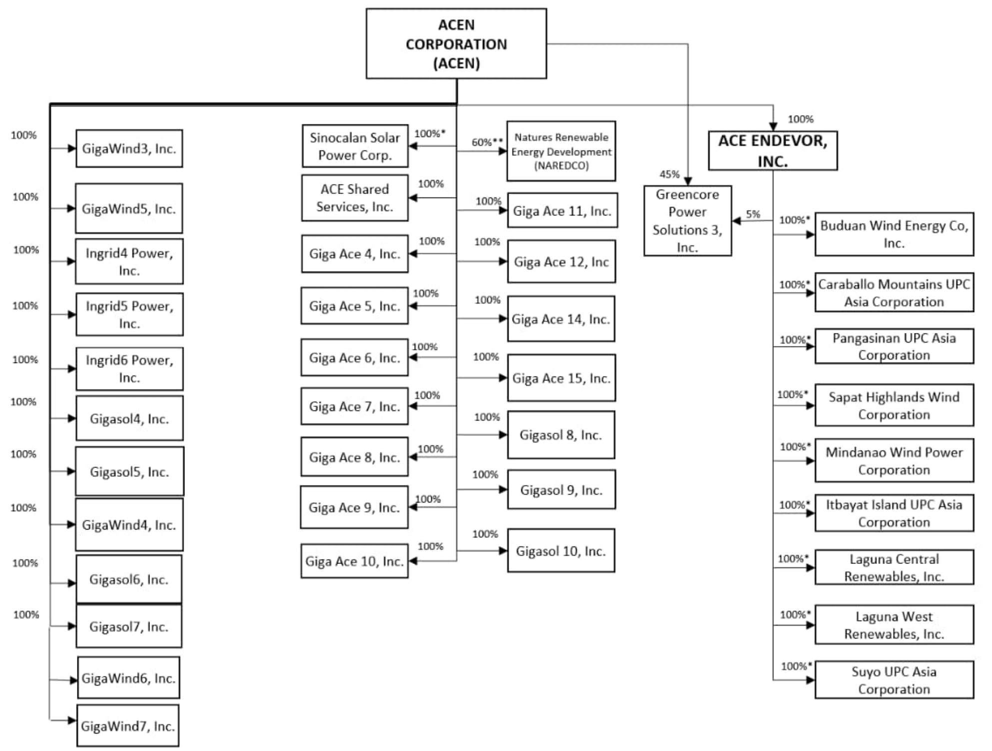
NOTES:
(1) For figures in split form (X%/Y%], figures in the left represent voting interest, while figures in the right represent economic interest.
(2) For figures not in split form - represent both voting and economic interest.
(3) Includes additional interests acquired from minorities which is pending issuance of tax clearance.
**Tax clearance process ongoing*

Attachment III

AC ENERGY CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As at December 31, 2022

ACEN CORPORATION (ACEN)
Philippine Business (2/2)



NOTES
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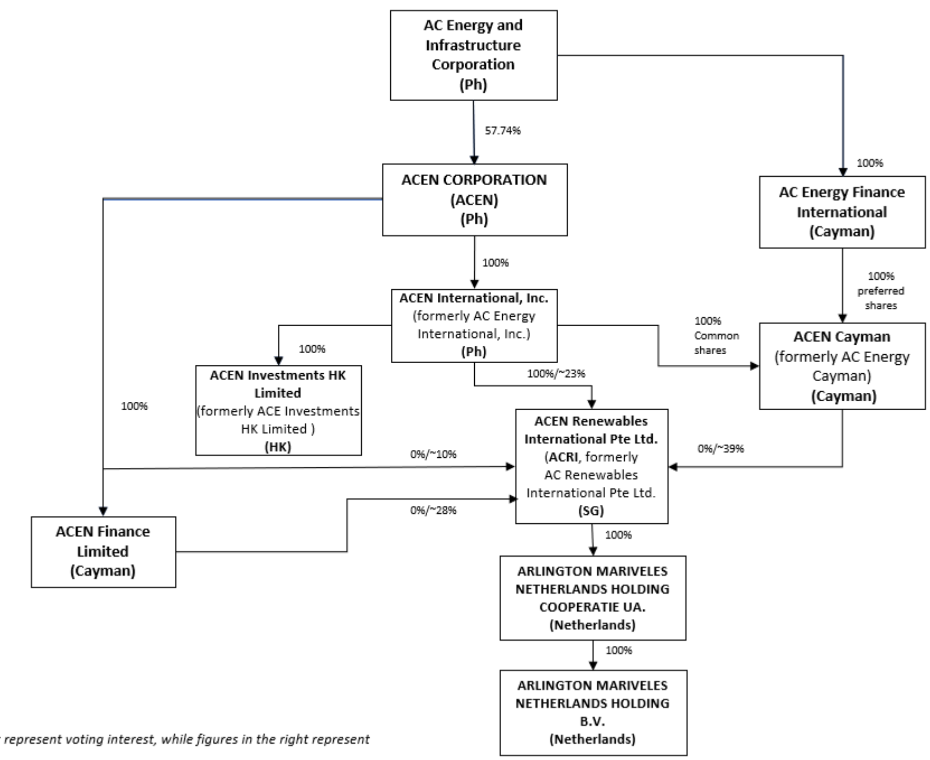
(2) For figures not in split form, figures in black font represent both voting and economic interest
(3) Includes additional interests acquired from minorities which is pending issuance of tax clearance.
**Beneficial Ownership, pending BIR CAR*
*** SEC approval of the increase in capital stock (for the additional shares to be issued to ACEN to bring its ownership from 45% to 60%) is pending.*

AC ENERGY CORPORATION (Formerly AC Energy Corporation) AND SUBSIDIARIES SUPPLEMENTARY SCHEDULE REQUIRED UNDER REVISED SRC RULE 68

Conglomerate Map
As at December 31, 2022

ACEN CORPORATION (ACEN)
International Business



NOTES:
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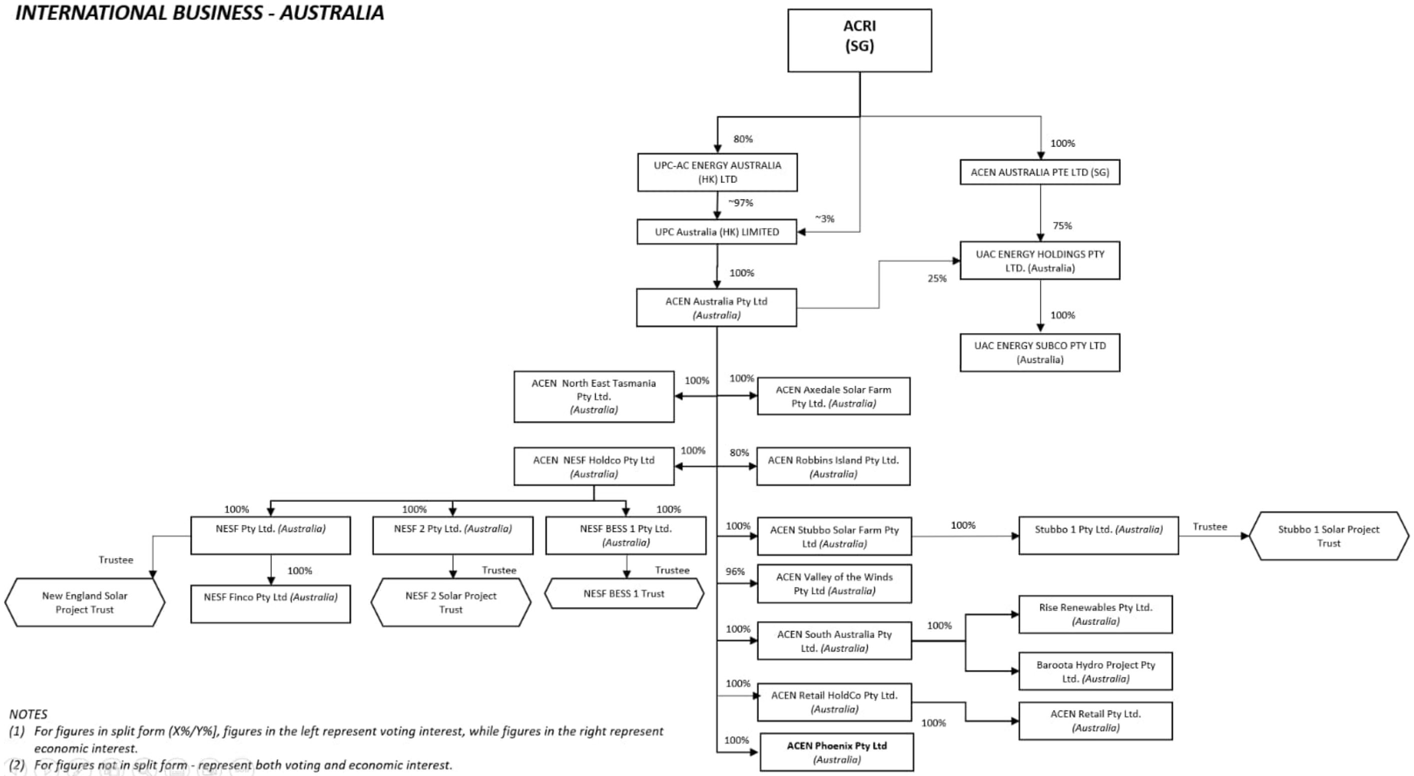
**AC ENERGY CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68**

**Conglomerate Map
As at December 31, 2022**

INTERNATIONAL BUSINESS - AUSTRALIA



NOTES
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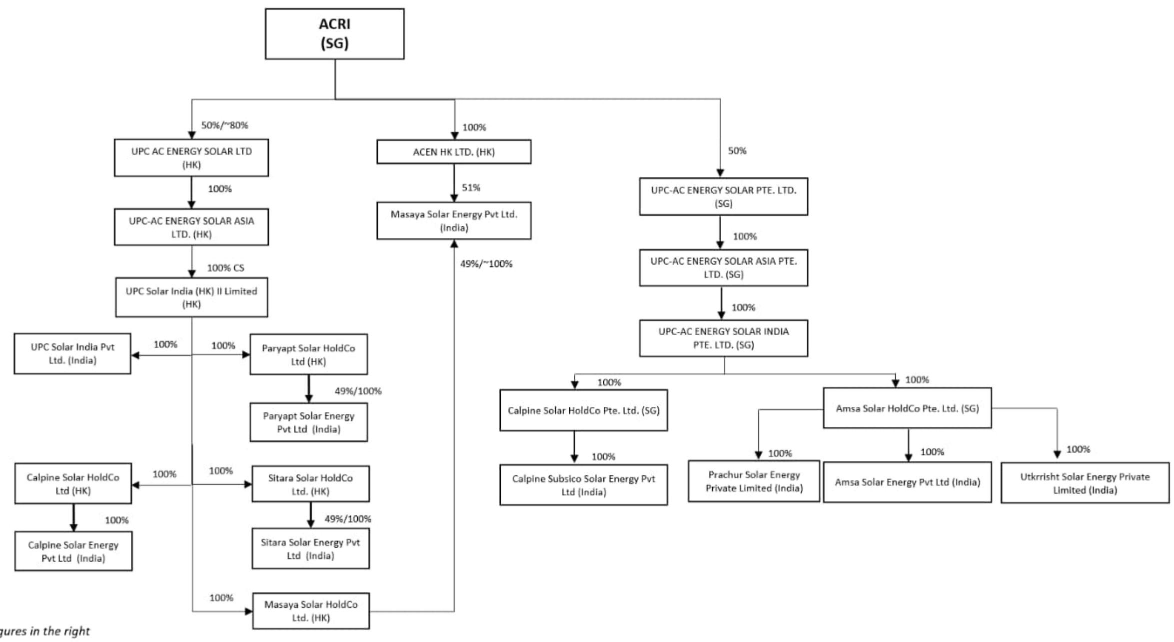
AC ENERGY CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As at December 31, 2022

INTERNATIONAL BUSINESS - INDIA



NOTES
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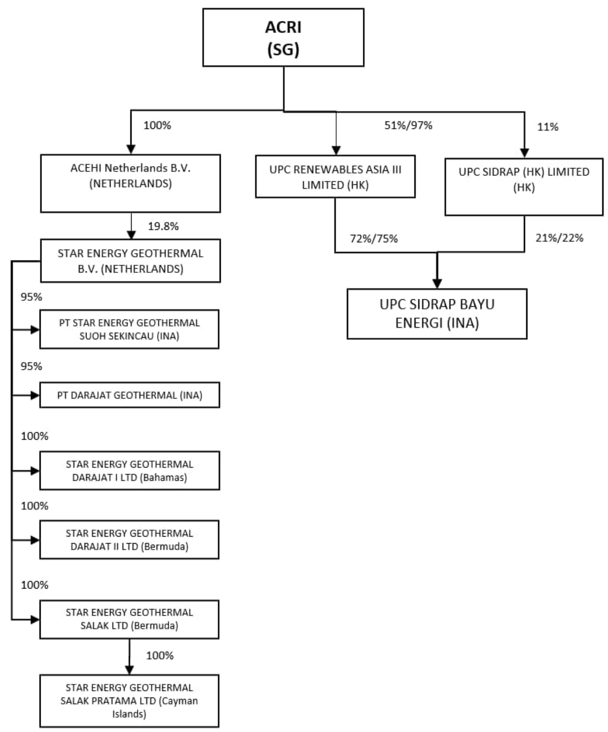
(2) For figures not in split form - represent both voting and economic interest.

AC ENERGY CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As at December 31, 2022

INTERNATIONAL BUSINESS - INDONESIA



NOTES
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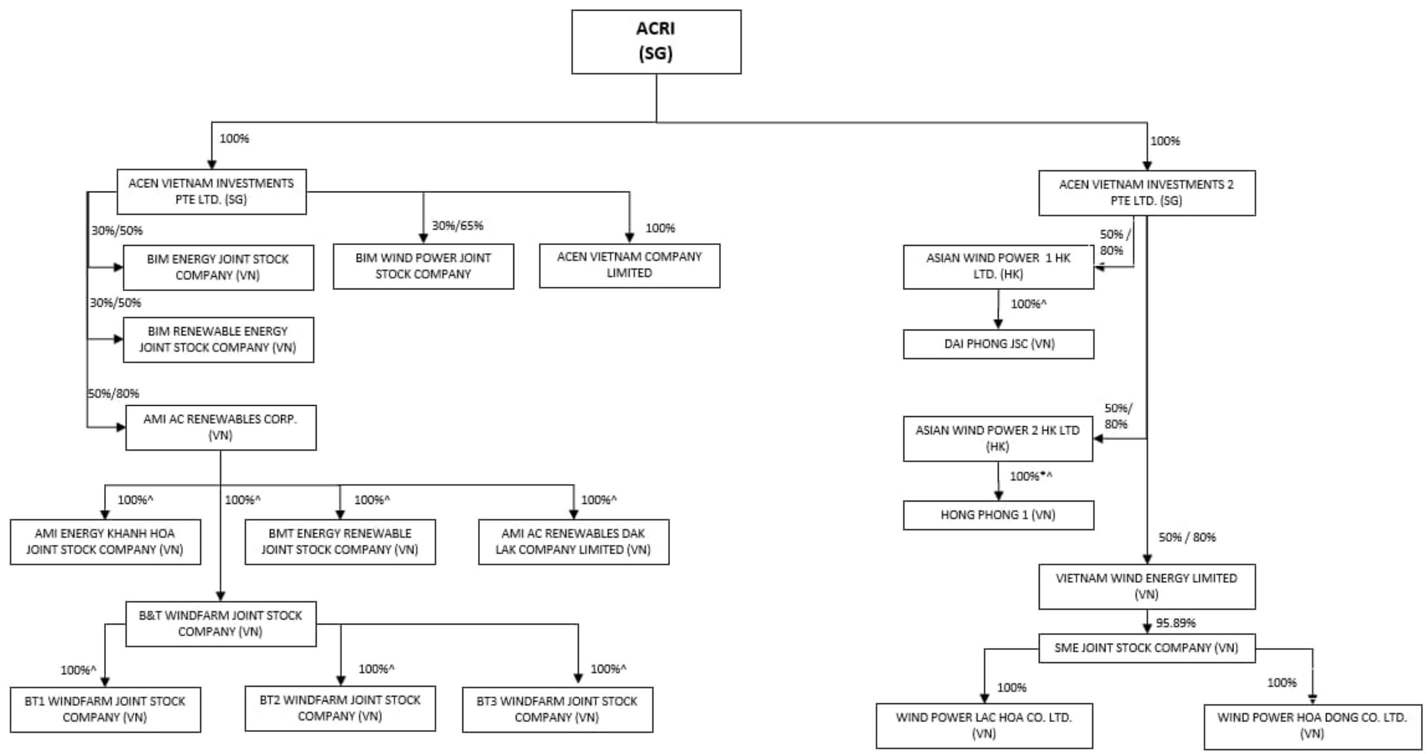
AC ENERGY CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As at December 31, 2022

INTERNATIONAL BUSINESS – VIETNAM



NOTES
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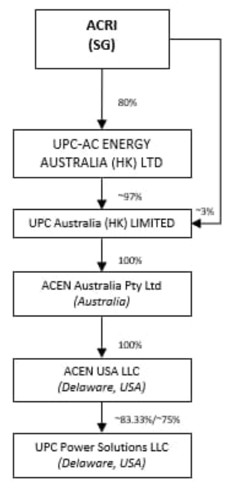
(2) For figures not in split form - represent both voting and economic interest.

AC ENERGY CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As at December 31, 2022

INTERNATIONAL BUSINESS – USA

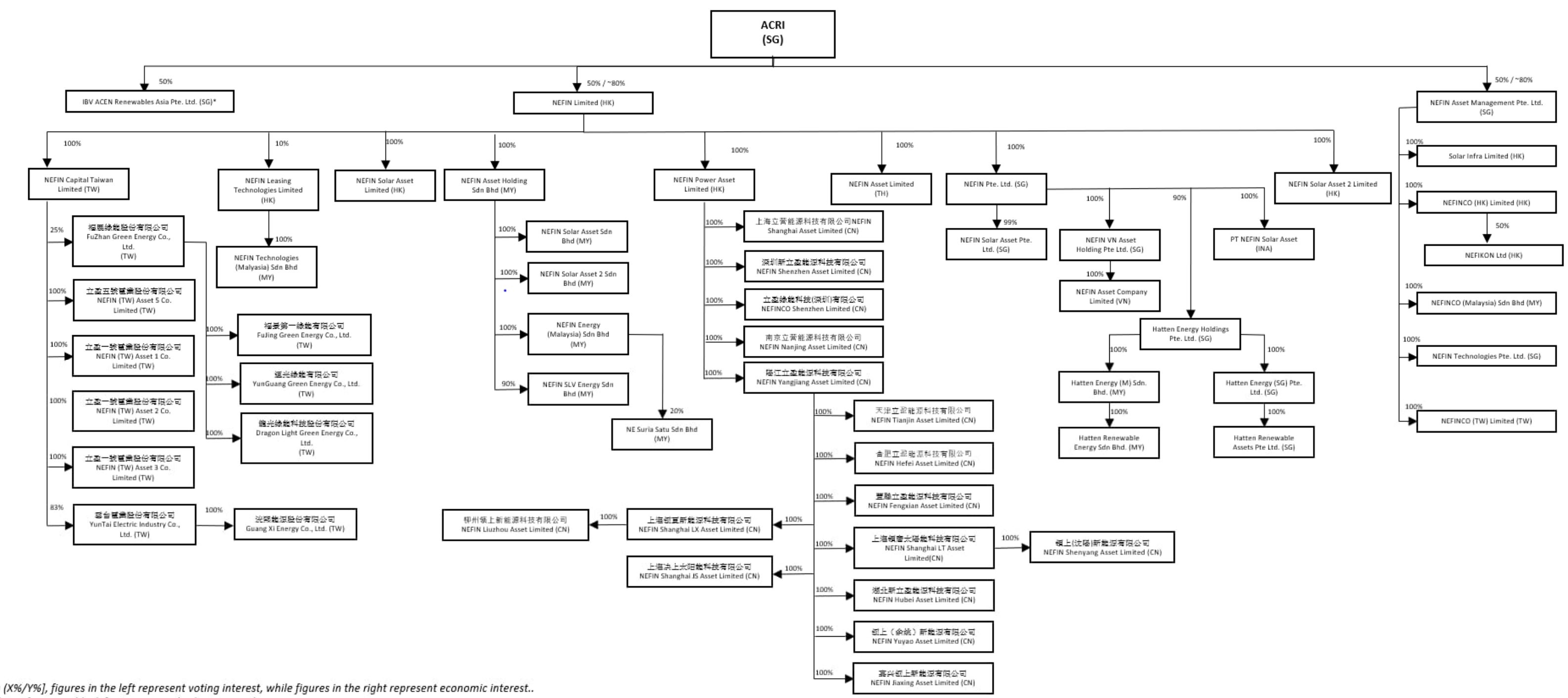


NOTES
(1) For figures in split form (X%/Y%), figures in the left represent voting interest, while figures in the right represent economic interest.
(2) For figures not in split form - represent both voting and economic interest.

AC ENERGY CORPORATION (Formerly AC Energy Corporation)
AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As at December 31, 2022

INTERNATIONAL BUSINESS – OTHER JURISDICTIONS



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, figures in black font represent both voting and economic interest
(3) The official company name of CN and TW entities is only in Chinese, the English name is given for internal identification use only.
(4) The Hatten Energy Holdings Pte. Ltd is a joint venture of NEFIN Group. It requires unanimous consent on relevant activities decisions.
(5) The Group holds NEFIN Asset Company Limited 100% through nominee.
** Effectivity of the shareholders' agreement for this joint venture is still subject to fulfillment of certain conditions precedent.*

Attachment IV

ACEN CORPORATION (Formerly AC Energy Corporation) AND SUBSIDIARIES SUPPLEMENTARY SCHEDULE REQUIRED UNDER REVISED SRC RULE 68

Key Performance Indicator	Formula	31-Dec-22 (Audited)	31-Dec-21 (Audited)	Increase (Decrease) Amount	Increase (Decrease) %
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**3.96**	8.21	(4.25)	(52%)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**3.68**	7.64	(3.96)	(52%)
Solvency Ratios					
Debt/Equity ratio	Total liabilities / Total equity	**0.56**	0.45	0.11	24%
Asset-to-equity ratio	Total assets / Total equity	**1.56**	1.45	0.11	8%
Interest Coverage Ratio	Earnings before interest & tax (EBIT) / Interest expense	**6.91**	5.61	1.30	23%
Net bank Debt to Equity ratio	Short & long-term loans - Cash & Cash Equivalents / Total Equity	**0.19**	0.12	0.07	58%
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Parent Company / Average stockholders' equity	**12.69%**	7.40%	5.29%	71.49%
Return on assets	Net income after taxes / Average total assets	**7.23%**	4.90%	2.33%	47.55%
Asset Turnover	Revenues / Average total assets	**17.45%**	16.67%	0.78%	4.68%

Attachment V

Annex 68-I

SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

ACEN CORPORATION
As at December 31, 2022

1. Gross and net proceeds as indicated in the final prospectus

	FOO	SRO
Gross proceeds	₱10,270,000,000	₱5,374,165,629
Net proceeds	₱10,009,390,000	₱5,316,030,000

2. Actual gross and net proceeds

	FOO	SRO
Gross proceeds	₱10,270,000,000	₱5,374,165,629
Net proceeds	₱10,002,236,235	₱5,309,058,151

3. Each expenditure item where the proceeds were used

   a. FOO

Net proceeds	₱10,002,236,235
Repayment of loans and reduction of payables	
Loan with Security Bank	(126,097,044)
Loan with BDO Unibank, Inc.	(445,748,688)
Loan with Development Bank of the Philippines	(21,914,305)
Payment to Axia Power Holdings	(2,040,000,000)
Loan with China Banking Corporation	(47,333,333)
Loan with Hongkong Shanghai Banking Corp Ltd	(270,559,147)
Development and Acquisition Opportunities in Renewable Asset	
Santa Cruz Solar Energy, Inc.	(5,650,583,718)
Other Projects (Land Acquisitions)	
Buendia Christiana Holdings, Corp.	(1,300,000,000)
General Corporate	
Power purchase	(100,000,000)
Balance as at December 31, 2022	₱-

b. SRO

Net proceeds	₱5,309,058,151
Development of Renewable Assets	
Solarace1 Energy Corp.	(600,000,000)
Gigasol3, Inc.	(200,000,000)
Greencore Power Solutions 3, Inc.	(2,400,000,000)
Other Projects (Balaoi, RE Lab, and New Technologies)	
GigaAce 4, Inc.	(1,659,950,000)
Bataan Solar Energy, Inc.	(133,985,890)
Pagudpud Wind Power Corp.	(11,572,800)
General Corporate	
Power purchase	(109,058,151)
Balance as at December 31, 2022	₱194,491,310

4. Balance of the proceeds as at the end of reporting period

	FOO	SRO
Balance as at December 31, 2022	–	₱194,491,310

EXHIBIT B

ACEN CORPORATION
(Formerly AC Energy Corporation)

Parent Financial Statements

December 31, 2022 and 2021
And Years Ended December 31, 2022 and 2021

(with BIR Filing Reference Number)

ACEN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ACEN CORPORATION**, formerly AC Energy Corporation, (the "Company") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

DELFIN L. LAZARO
Chairman of the Board

JOHN ERIC T. FRANCIA
President and Chief Executive Officer

MA. CORAZON G. DIZON
Treasurer and Chief Financial Officer

Signed this 7th day of March 2023

SUBSCRIBED AND SWORN to before me this MAR 2 4 2023 at Makati City, affiants exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Delfin L. Lazaro	P7392634B	13 Aug 2021	DFA Manila
John Eric T. Francia	P3923362B	21 Nov 2019	DFA Manila
Maria Corazon G. Dizon	P6253635A	2 Mar 2018	DFA NCR East

Doc. No. 281
Page No. 58
Book No. XII
Series of 2023

JORDAN MAE T. CHUA
Notary Public for Makati City
Appointment No. M-148 valid until 31 December 2023
Attorney's Roll No. 63561, 8 May 2014
PTR No. MKT 9566244/ 03 January 2023/Makati City IBP
Lifetime No. 012851/2 April 2015/Quezon City
MCLE Compliance No. VII-0017361 valid until 14 April 2025
35/F Ayala Triangle Gardens Tower 2
Makati Avenue corner Paseo de Roxas, Makati City
Tel No. 77306300

JORDAN MAE T. CHUA NOTARY PUBLIC ROLL NO. 63561 MAKATI CITY, PHILIPPINES

35F Tower 2
Ayala Triangle Gardens
Paseo de Roxas cor. Makati Ave.
Makati City, Philippines 1226

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-506-020-000
Name	: ACEN CORPORATION
RDO	: 121
Form Type	: 1702
Reference No.	: 462300053222670
Amount Payable (Over Remittance)	: -1,966,268,652.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2022
Date Filed	: 04/05/2023
Tax Type	: IT

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

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

C O M P A N Y   N A M E

ACEN CORPORATION (Formerly AC Energy Corporation)

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

35th Floor, Ayala Triangle Gardens Tower 2 Paseo de Roxas corner Makati Avenue, Makati City

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

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

Company's Email Address	Company's Telephone Number	Mobile Number
corpsec.aceph@acenergy.com.ph	**7730-6300**	**09278370863**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,173	**04/24**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alan T. Ascalon	**corpsec.aceph@acenergy.com.ph**	**(02) 7730-6300**	**–**

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.*

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
ACEN Corporation (formerly AC Energy Corporation)
35th Floor, Ayala Triangle Gardens Tower 2,
Paseo de Roxas corner Makati Avenue, Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of ACEN Corporation (formerly AC Energy Corporation) (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Parent Company to cease to continue as a going concern.

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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of ACEN Corporation (formerly AC Energy Corporation). The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Benjamin N. Villacorte.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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. 111562-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-120-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9566017, January 3, 2023, Makati City

March 7, 2023

ACEN CORPORATION
(Formerly AC Energy Corporation)

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱2,233,439**	₱4,788,002
Receivables (Note 6)	**20,785,429**	11,957,110
Fuel and spare parts	**494,827**	618,651
Other current assets (Note 8)	**2,750,821**	1,365,224
	26,264,516	18,728,987
Noncurrent assets held for sale (Note 7)	**–**	1,053,229
Total Current Assets	**26,264,516**	19,782,216
Noncurrent Assets		
Property, plant and equipment	**388,132**	204,380
Investments in subsidiaries, associates and joint ventures (Note 9)	**195,266,189**	173,736,014
Right-of-use asset	**823,750**	937,051
Deferred income tax assets - net (Note 20)	**1,228,289**	258,736
Other noncurrent assets (Note 10)	**3,197,826**	5,103,656
Total Noncurrent Assets	**200,904,186**	180,239,837
TOTAL ASSETS	**₱227,168,702**	₱200,022,053

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 11)	**₱6,753,339**	₱5,804,167
Short-term loan (Note 12)	**2,900,000**	–
Income and withholding taxes payable	**112,112**	54,960
Current portion of long-term loans (Note 12)	**196,988**	141,598
Current portion of lease liability	**64,796**	108,582
Due to stockholders	**16,585**	16,585
Total Current Liabilities	**10,043,820**	6,125,892
Noncurrent Liabilities		
Long-term loans - net of current portion (Note 12)	**17,196,870**	7,774,012
Notes payable (Note 12)	**9,879,688**	–
Lease liability - net of current portion (Note 13)	**855,480**	886,030
Pension and other employee benefits - net of current portion	**27,786**	36,514
Other noncurrent liabilities (Note 14)	**79,344**	746,295
Total Noncurrent Liabilities	**28,039,168**	9,442,851
Total Liabilities	**38,082,988**	15,568,743

(Forward)

	December 31	
	2022	2021
Equity		
Capital stock (Note 15)	**₱39,691,895**	₱38,338,527
Additional paid-in capital (Note 15)	**107,305,718**	97,857,306
Other equity reserves (Notes 9 and 15)	**43,080,191**	43,080,191
Unrealized fair value gains on derivative instrument designated under hedge accounting (Note 24)	**16,181**	–
Remeasurement losses on defined benefit plan - net of tax	**(3,395)**	(11,136)
Unrealized fair value losses on equity instruments at FVOCI (Notes 23 and 24)	**(16,468)**	(16,468)
Treasury shares (Note 15)	**(28,657)**	(28,657)
Retained earnings (deficit) (Note 15)	**(959,751)**	5,233,547
Total Equity	**189,085,714**	184,453,310
TOTAL LIABILITIES AND EQUITY	**₱227,168,702**	₱200,022,053

See accompanying Notes to Parent Company Financial Statements.

ACEN CORPORATION
(Formerly AC ENERGY Corporation)
PARENT COMPANY STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31	
	2022	2021
REVENUES		
Revenue from sale of electricity (Note 16)	**₱29,829,228**	₱22,108,516
Dividend income (Note 9)	**3,315,545**	1,448,232
Management fee	**1,219,601**	503,405
	34,364,374	24,060,153
COSTS AND EXPENSES		
Costs of sale of electricity (Note 17)	**32,465,960**	20,718,829
General and administrative expenses (Note 18)	**2,061,096**	1,947,116
	34,527,056	22,665,945
INTEREST AND OTHER FINANCIAL CHARGES (Note 19)	**(931,107)**	(558,774)
OTHER INCOME (EXPENSES) - NET (Note 19)	**(3,776,480)**	421,697
INCOME (LOSS) BEFORE INCOME TAX	**(4,870,269)**	1,257,131
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 20)	**975,921**	(56,249)
NET INCOME (LOSS)	**(₱3,894,348)**	₱1,200,882
Basic/Diluted Earnings (Loss) Per Share (Note 22)	**(₱0.10)**	₱0.04

See accompanying Notes to Parent Company Financial Statements.

ACEN CORPORATION
(Formerly AC Energy Corporation)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31	
	2022	2021
NET INCOME (LOSS)	**(₱3,894,348)**	₱1,200,882
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized fair value gain (losses) on derivative instrument designated under hedge accounting	**21,575**	(76,545)
Remeasurement gain (losses) on defined benefit plan	**10,322**	(4,604)
Income tax effect	**(7,975)**	20,287
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**23,922**	(60,862)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱3,870,426)**	₱1,140,020

See accompanying Notes to Parent Company Financial Statements.

ACEN CORPORATION
(Formerly AC ENERGY Corporation)
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Thousands)

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Other Equity Reserves (Note 15)	Treasury Shares (Note 15)	Unrealized Fair Value Gains on Equity Instruments at FVOCI (Note 23)	Unrealized Fair Value Losses on Derivative Instruments designated under hedge accounting (Note 23)	Remeasurement Gains (Losses) on Defined Benefit Obligation - net of tax	Retained Earnings (Deficit) (Note 15)	Total
BALANCES AT JANUARY 1, 2022	**₱38,338,527**	**₱97,857,306**	**₱43,080,191**	**(₱28,657)**	**(₱16,468)**	**₱–**	**(₱11,136)**	**₱5,233,547**	**₱184,453,310**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,894,348)**	**(3,894,348)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**16,181**	**7,741**	**–**	**23,922**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**16,181**	**7,741**	**(3,894,348)**	**(3,870,426)**
Issuance of shares of stock	**1,353,368**	**9,448,412**	**–**	**–**	**–**	**–**	**–**	**–**	**10,801,780**
Dividends declared and paid (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,298,950)**	**(2,298,950)**
	1,353,368	**9,448,412**	**–**	**–**	**–**	**–**	**–**	**(2,298,950)**	**8,502,830**
BALANCES AT DECEMBER 31, 2022	**₱39,691,895**	**₱107,305,718**	**₱43,080,191**	**(₱28,657)**	**(₱16,468)**	**₱16,181**	**(₱3,395)**	**(₱959,751)**	**₱189,085,714**
BALANCES AT JANUARY 1, 2021	₱13,706,957	₱8,634,385	(₱804,074)	(₱28,657)	(₱16,468)	₱57,409	(₱7,683)	₱5,230,267	₱26,772,136
Net income	–	–	–	–	–	–	–	1,200,882	1,200,882
Other comprehensive loss	–	–	–	–	–	(57,409)	(3,453)	–	(60,862)
Total comprehensive loss	–	–	–	–	–	(57,409)	(3,453)	1,200,882	1,140,020
Issuance of shares of stock	24,631,570	89,903,208	–	–	–	–	–	–	114,534,778
Effect of a common control transaction (Note 9)	–	–	43,884,265	–	–	–	–	–	43,884,265
Stock issuance costs	–	(680,287)	–	–	–	–	–	–	(680,287)
Dividends declared and paid (Note 15)	–	–	–	–	–	–	–	(1,197,602)	(1,197,602)
	24,631,570	89,222,921	43,884,265	–	–	–	–	(1,197,602)	156,541,154
BALANCES AT DECEMBER 31, 2021	₱38,338,527	₱97,857,306	₱43,080,191	(₱28,657)	(₱16,468)	₱–	(₱11,136)	₱5,233,547	₱184,453,310

See accompanying Notes to Parent Company Financial Statements.

ACEN CORPORATION
(Formerly AC ENERGY Corporation)
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱4,870,269)**	₱1,257,131
Adjustments for:		
Loss on disposal of investments in subsidiaries, associates and joint venture (Note 19)	**4,093,492**	–
Dividend income (Note 9)	**(3,315,545)**	(1,448,232)
Interest and other financial charges (Note 19)	**931,107**	558,774
Interest and other financial income (Note 19)	**(308,577)**	(171,516)
Provisions for impairment of investments (Notes 9 and 19)	**233,975**	3,553
Unrealized foreign exchange gain	**(171,382)**	(65,398)
Depreciation and amortization (Notes 17 and 18)	**160,008**	163,314
Employee stock ownership plan expense (Note 15)	**31,161**	3,553
Gain on derivatives - net (Note 19)	**(9,265)**	(41,745)
Loss on sale/disposal of asset held for sale	**8,664**	–
Movement in pension and other employee benefits	**(986)**	(8,468)
Gain on sale/disposal of property, plant and equipment (Note 19)	–	(9,443)
Impairment of property, plant and equipment	–	74,741
Reversal of provisions for oil spill (Note 19)	–	(122,320)
Operating income (loss) before working capital changes	**(3,217,617)**	190,391
Decrease (increase) in:		
Receivables	**(2,169,667)**	(1,736,833)
Fuel and spare parts	**123,824**	(119,610)
Other current assets	**(1,235,697)**	(594,349)
Increase (decrease) in accounts payable and other current liabilities	**539,608**	(21,826)
Net cash used in operations	**(5,959,549)**	(2,282,227)
Income taxes paid, including creditable withholding taxes	**-**	(33,111)
Net cash used in operating activities	**(5,959,549)**	(2,315,338)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments in subsidiaries, associates and joint venture (Note 9)	**(31,568,053)**	(9,761,531)
Loans to related parties (Note 21)	**(3,285,717)**	(2,228,400)
Property and equipment	**(233,252)**	(189,006)
Deposits for future subscription (Note 10)	–	(668,000)
Proceeds from:		
Disposal of investments (Note 19)	**7,166,269**	–
Disposal of asset (Note 7)	**187,440**	–
Insurance claims (Note 19)	–	58,331
Cash dividends received (Notes 9 and 15)	**1,489,328**	1,442,049
Interest received	**74,893**	108,633
Increase in other noncurrent assets	**301,981**	1,394,889
Net cash used in investing activities	**(25,867,111)**	(9,843,035)

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term loans (Note 12)	**₱23,259,020**	₱3,000,000
Issuance of capital stock (Note 15)	**10,558,570**	27,581,162
Bonds payable (Note 12)	**10,000,000**	–
Long-term loans (Note 12)	**9,695,000**	805,000
Payments of:		
Short-term loans (Note 12)	**(20,359,020)**	(12,438,600)
Cash dividends (Note 15)	**(2,298,950)**	(1,197,602)
Interest expense on:		
Loans and notes payable (Note 18)	**(785,810)**	(438,223)
Lease liability (Note 19)	**(38,334)**	(39,497)
Principal portion of:		
Long-term loans (Note 12)	**(153,020)**	(964,797)
Lease liability (Note 13)	**(74,336)**	(55,574)
Debt issuance costs (Note 12)	**(198,856)**	(6,038)
Stock issuance costs (Note 15)	–	(680,287)
Increase (decrease) in other noncurrent liabilities	**(299,481)**	253,860
Net cash from financing activities	**29,304,783**	15,819,404
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(32,686)**	(1,780)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,554,563)**	3,659,251
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,788,002**	1,128,751
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱2,233,439**	₱4,788,002

1. Corporate Information

ACEN CORPORATION, formerly AC Energy Corporation ("ACEN" or the "Parent Company"), was incorporated on September 8, 1969, and registered with the Philippine Securities and Exchange Commission ("SEC") on January 5, 1970. ACEN 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 can 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, 2022 and 2021, AC Energy and Infrastructure Corporation ("ACEIC") directly owns 57.74% and 64.65%, respectively, of the ACEN's total outstanding shares of stock.

The direct Company (or intermediate Company) of ACEN is ACEIC, a wholly owned subsidiary of Ayala Corporation ("AC"). AC is a publicly-listed company which is 47.91% owned by Mermac, Inc. (ultimate Company). ACEN, ACEIC, AC and Mermac, Inc. are all incorporated and domiciled in the Philippines.

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 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".

On the same date, the SEC approved the proposed amendments to ACEN's By-Laws and are intended to reflect the change in corporate name and principal office of ACEN.

On March 3, 2022, Bureau of Internal Revenue (BIR) Certificate of Registration was updated.

On July 20, 2022, the amendment to the Articles of Incorporation was approved by the SEC.

The parent company financial statements were approved and authorized for issuance by the Company's BOD on March 7, 2023.

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

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The parent company financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value and inventories which are valued at lower of cost and net realizable value. The parent company 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 when otherwise indicated.

The accompanying parent company financial statements are ACEN's separate financial statements prepared for submission with the Bureau of Internal Revenue (BIR) and Securities and Exchange Commission (SEC). ACEN also prepares and issues consolidated financial statements for the same period as the parent company financial statements presented in compliance with PFRS 10, *Consolidated Financial Statements*. The consolidated financial statements are filed with and may be obtained from the SEC.

3. **Summary of Significant Accounting Policies and Disclosures**

<u>Statement of Compliance</u>
The accompanying parent company financial statements, which are prepared for submission to the SEC and the Bureau of Internal Revenue (BIR), have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Parent Company prepares and issues consolidated financial statements in compliance with PFRS which are available at the registered office address of the Parent Company.

<u>New Standards, Interpretations and Amendments</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements.

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

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

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

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

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

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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

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

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

Effective beginning on or after January 1, 2023

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

  The amendments provide guidance and examples to help entities apply materiality judgments 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 Parent Company.

- 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 Parent Company.

- 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 judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

Summary of Significant Accounting Policies
The accounting policies set out below have been applied consistently to all periods presented in the parent company's financial statements, unless otherwise indicated.

Presentation of Financial Statements
The Parent Company has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (parent company statement of income) and a second statement beginning with profit or loss and displaying components of OCI (parent company statement of comprehensive income).

Current versus Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company 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 Parent Company 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 parent company 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.

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

Financial Asset
Initial recognition
The Parent Company classifies financial assets at initial recognition as at amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

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

Financial assets at amortized cost (debt instruments)
The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Parent Company's "Cash and cash equivalents", "Receivables", loans receivable, interest receivable and advances to affiliates under "Other noncurrent assets".

If the Parent Company revises its estimates of receipts of future cashflows, it shall adjust the gross carrying amount of the financial asset to reflect the revised estimated contractual cash flows that are discounted at the financial instrument's original effective interest rate. The adjustment is recognized in the profit or loss as income or expense.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Parent Company 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 Parent Company 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 Company 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 Parent Company actually hedges and the quantity of the hedging instrument that the Company 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 parent company 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 parent company 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 profit or loss.

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 parent company 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 Parent Company 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 Parent Company 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 Parent Company uses a coal swap contract as a hedge of its exposure to coal price risk on its coal purchases (see Note 24).

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a Parent Company of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Parent Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Modification of financial assets
The Parent Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

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 Parent Company 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.

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

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

The principal or the most advantageous market must be accessible to the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a 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 is its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For the purpose of fair value disclosures, the Parent Company 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 as explained above.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in profit or loss unless it qualifies for recognition as some type of asset or liability. In cases where no observable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the Day 1 profit amount.

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

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

For cash and cash equivalents, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The key inputs in the model include the Parent Companys definition of default and historical data of three years for the origination, maturity date and default date. The Parent Company considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

Determining the stage for impairment
At each reporting date, the Parent Company 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 Parent Company 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. The Parent Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

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

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

The Parent Company's financial liabilities pertain to "Accounts payable and other current liabilities", "Short-term loan", Long-term loans", and "Lease liabilities".

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings, accounts and other payables, and payables to related parties are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such 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 parent company statement of comprehensive income. Cost incurred to discharge and cancel a liability is recognized in the Parent Company statement of comprehensive income.

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

<u>Input Value-added Taxes (VAT)</u>
Input VAT represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Parent Company's Output VAT liabilities. Input VAT is stated at its net realizable value (NRV).

Creditable Withholding Taxes (CWT)
CWTs represent amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve months are classified as current assets; otherwise these are classified as noncurrent assets.

Noncurrent Asset Held for Sale
The Parent Company classifies noncurrent assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent 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, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group 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 sale will be withdrawn.

If an entity has classified an asset (or disposal group) as held for sale or as held for distribution to owners, but the criteria for held for sale or held for distribution to owners are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale or held for distribution to owners (respectively).

In such cases an entity shall measure a noncurrent asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners (or ceases to be included in a disposal group classified as held for sale or as held for distribution to owners) at the lower of:

a. its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale or as held for distribution to owners, and
b. its recoverable amount at the date of the subsequent decision not to sell or distribute.

Investments in Subsidiaries, Associates and Joint Ventures
The Parent Company's investments in subsidiaries, associates and joint ventures are accounted for under the cost method less accumulated provision for impairment losses, if any.

A subsidiary is an entity in which the Parent Company exercises control over the company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

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

a. The contractual arrangement with the other vote holders of the investee;
b. Rights arising from other contractual arrangements; and
c. The Parent Company's voting rights and potential voting rights.

An associate is an entity over which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no 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.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

On acquisition of the investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is included in the carrying amount of the investment and not amortized.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Parent Company disposes the investment, or the investee reacquires its own equity instruments from the Parent Company.

If a Parent Company disposed of an asset in exchange for an increased investment in a subsidiary, the shares of stocks acquired is recorded at the fair value of the consideration given.

Lease Liabilities
At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Parent Company 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. If the modification increases the scope of the lease (e.g., adding the right to use the underlying asset), the Parent Company recognizes the right-of-use assets and lease liability as a separate new lease after assessing that the consideration for the lease increases by an amount commensurate with the stand-alone price and any adjustments to that stand-alone price reflects the circumstances of the particular contract. For lease assignment, the Parent Company remeasures the lease liability and reduces the right-of-use assets, and any difference between those adjustments is recognized in profit or loss. For all other modifications, the Parent Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use assets, without affecting profit or loss.

Impairment of Non-financial Assets
The Parent Company 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 Parent Company 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 following assets have specific characteristics for impairment testing:

Investments in Subsidiaries, Associates and Interest in a Joint Venture
The Parent Company determines at the end of each reporting period whether there is any objective evidence that the investments in subsidiaries, 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 subsidiaries, associates and interests in joint ventures, and their carrying amounts.

Right-of-Use Assets
Right of use assets with finite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

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.*

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 Parent Company's best estimate of

the number of equity instruments that will ultimately vest. The charge or credit to the parent company 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. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Other Equity Reserves
Other equity reserves are imputed equity contribution or dividend distribution arising from common control transactions when there is difference between the agreed transaction price and fair value.

Retained Earnings (deficit)
Retained earnings (deficit) include all current and prior period results of operations as reported in the parent company 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.

Cash Dividend to Equity Holders of the Company
The Parent Company recognizes a liability to make 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 Parent Company. A corresponding amount is recognized directly in equity.

Basic/Diluted Earnings/Losses Per Share
Basic earnings/losses per share (EPS/LPS) is computed by dividing net income/loss attributable to equity holders of the Parent Company for the year by the weighted average number of common shares issued and outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Parent Company currently does not have potential dilutive common shares.

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 parent company statement of income on the acquisition, reissuance or retirement of the Parent Company'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 Comprehensive Income
OCI are items of income and expense that are not recognized in determining the profit or loss for the year in accordance with PFRS.

Revenue and Income Recognition
Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those services. The Parent Company has assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Energy sales
Sale of electricity is consummated whenever the electricity generated by the Parent Company is transmitted through the transmission line designated by the buyer, for a consideration.

Revenue from sale of electricity through Retail Electricity Supply Contract 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.

Revenue from sales of electricity using bunker fuel and coal 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.

Revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided.

The Parent Company identified the sale of electricity as its 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 Parent Company concluded that the revenue should be recognized overtime since the customers simultaneously receives and consumes the benefits as the Parent Company supplies electricity.

Management income
Management fees for services rendered are recognized when earned.

Dividend income
Dividend income is recognized when the Parent Company’s right to receive the payment is established.

Interest income
Interest income is recognized as it accrues using effective interest rate (EIR).

Other income
Other income is derived from activities other than the main business of the Parent Company and recognized in the period it is earned.

Costs of Sales and Expenses
Costs and expenses are recognized in the parent company statement of comprehensive income when decrease in economic benefits related to a decrease in an asset or an increase in liability has arisen that can be measured reliably. These are generally recognized as they are incurred.

Deferred Financing Cost
Deferred financing cost, including debt issue costs, represent the fees incurred to obtain financing and are accounted for as deduction to the related debt. Deferred financing costs are amortized using the EIR method over the terms of the related long-term loans.

Income Tax
Current tax
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period.

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investment in domestic subsidiaries, associates and interests in joint ventures.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period 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. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

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

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 Parent Company 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 Parent Company's 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.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting and adjusted to reflect the current best estimate.

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

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

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the accompanying parent company financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying parent company financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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

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

Assessment of Control
The Parent Company determined that it has control over its subsidiaries (see Note 9) by considering, among others, its power over 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 following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Partnership's voting rights and potential voting rights

Management has exercised significant judgement in assessing that the Parent Company has lost control over SLTEC on the basis of the following:

- It does not any have voting and economic rights over SLTEC
- The call option is considered non-substantive as it exercisable beginning only 2031
- The AMA and O&M agreements are considered service contracts arrangements (see Note 9)

As at December 31, 2022, the Parent Company lost its control over SLTEC following the sale of SLTEC's common shares to qualified third-party investors (see Note 9).

Assessment of Joint Control
The Parent Company's investments in joint ventures are structured in separate incorporated entities (see Note 9). Even though the Parent Company holds various percentages of ownership interests on these arrangements, their respective joint arrangement agreements require unanimous consent from all parties to the agreement for the relevant activities identified. In addition, the Parent Company considers the number of its Board seats in the incorporated entity. Further, the Parent Company and the parties to the agreement only have rights to the net assets of the joint venture through the term of the contractual agreements. Considering these factors, management assessed that it has joint control over the entity.

Assessment of Significant Influence
The Parent Company determined that it exercises significant influence over its associates by considering, among others, its ownership interest, Board representation and participation on Board sub-committees, and other contractual terms (see Note 9).

Classification of Noncurrent Asset Held for Sale
The Parent Company classified the (1) power barge assets and (2) diesel assets as held for sale under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, as a result of the assessment that the assets' carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The following criteria were met as at December 31, 2021:

A. Power Barge Assets

   a. The power barges are available for immediate sale as evidenced by the signed purchase agreements on September 16 and December 21, 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 or 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.

As at December 31, 2021, the carrying value of power barge assets amounted to ₱196.91 million. The sale of the Power Barge Assets were completed in 2022 (see Note 7).

B. Diesel Assets (Investments in Bulacan Power Generation Corporation and CIP II Power Corporation, collectively referred to as "Diesel Assets")

   a. The Parent Company is committed to transfer its interest in Diesel Assets through a share swap transaction with ENEX Energy Corp. ("ENEX") as evidenced by the approval by the Parent Company's BOD and ENEX's Executive Committee.
   b. The sale is highly probable to be completed within 12 months from end of period date
   c. The sale if subject to regulatory approvals which are usual and customary for a share swap transaction

   As at December 31, 2021, the carrying value of diesel assets amounted to ₱856.32 million.

   Following the cancellation of the share swap transaction, the Diesel Assets amounting to ₱856.32 million were reclassified back to investments in subsidiaries, associates, and joint ventures (see Notes 7 and 9).

Revenue Recognition
The Parent Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customers and the Parent's Company's promise to transfer the good or service to the customer is separately identifiable.

The Parent Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if (i) each distinct good or service in the series are transferred over time and (ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

The combined performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

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 Company uses the actual kwh dispatched which are also billed on a monthly basis.

For ancillary services, the Company determined that the output method is the best method in measuring progress since actual energy is supplied to customers. The Company recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

Management's Use of Estimates
The key assumptions concerning the future and other key 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.

Measurement of Expected Credit Losses (ECL)
At each reporting date, the Parent Company 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 Parent Company 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 6).

Determination of Significant Increase in Credit Risk (SICR)
The Parent Company 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 Parent Company 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, 2022 and 2021, the Parent Company assessed that for its financial assets such as cash and cash equivalents, non-trade and other receivables there has been no SICR since origination and is assessed as low credit risk based on published information of comparable entities. For trade receivables, the Parent Company 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.

Evaluation of impairment of nonfinancial assets
The Parent Company assesses whether there are any indicators of impairment for all nonfinancial assets (i.e., investment in subsidiaries, associates and joint ventures, property and equipment, and other assets) at each financial reporting date. These nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For investment in subsidiaries, associates and joint ventures, the Parent Company calculates the amount of impairment as the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the parent company statement of income.

Impairment of PB 101
In 2021, impairment losses amounting to ₱74.74 million were recognized for PB 101, PB 102 and 103 to reduce the carrying amount of the assets held for sale to their fair value less costs to sell. The provision for impairment loss on property, plant and equipment is included in “General and administrative expenses” in the parent company statement of income.

Impairment of Investment in Bataan Solar Energy, Inc. (BSEI)
In 2022, an impairment loss amounting to ₱233.98 million was recognized for BSEI to fully impair the investment since the Parent Company assessed that the expected revenue from BSEI cannot cover return of the investment made.

Realizability of Deferred Income Tax Assets
The Parent Company 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 Parent Company’s operations. As such, the Parent Company 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 Parent Company assessed that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

As at December 31, 2022 and 2021, deferred income tax assets recognized by the Parent Company amounted to ₱1,552.02 million and ₱520.03 million, respectively (see Note 20). The Parent Company’s deductible temporary differences, unused NOLCO and unused MCIT for which no deferred income tax assets were recognized are disclosed in Note 20.

Contingencies and Tax Assessments
The Parent Company is currently involved in various legal proceedings and assessments for local and national taxes. 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 parent company financial statements.

5. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	**₱2,228,399**	₱3,644,933
Cash equivalents	**5,040**	1,143,069
	₱2,233,439	₱4,788,002

Cash in banks earn interest at its applicable bank deposit rates for its peso and dollar accounts. Short-term deposits are made for varying periods between one day and three (3) months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term deposit rates.

Interest income earned on cash in banks in 2022 and 2021 amounted to ₱10.14 million and ₱17.42 million, respectively. Interest income earned on short-term deposits in 2022 and 2021 amounted to ₱15.06 million and ₱91.22 million, respectively (see Note 19).

6. Receivables

This account consists of:

	2022	2021
Trade receivables	**₱6,112,412**	₱4,607,570
Due from related parties (see Note 21)	**9,937,877**	7,227,631
Debt replacement (see Note 21)	**4,225,946**	–
Others	**615,588**	228,303
	20,891,823	12,063,504
Less allowance for credit losses	**106,394**	106,394
	₱20,785,429	₱11,957,110

Trade receivables
Trade receivables mainly represent receivables from IEMOP, NGCP and from bilateral customers. Trade receivables consist of interest-bearing and noninterest-bearing receivables. The terms are generally thirty (30) to sixty (60) days.

Due from related parties
Due from related party include the interest-bearing short-term loans availed by ENEX Energy Corp from the Parent Company in 2022 amounting to ₱127.00 million (see Note 21).

Debt replacement
Debt replacement facilities are provided to related parties to fund investment requirements for renewable power plants while under construction and undergoing implementation or release of project financing from financial institutions.

On February 4, 2021, the Parent Company, Citicore Solar Energy Corporation ("CSEC"), Endevor and Greencore 3, entered into an interest-bearing Omnibus Agreement amounting to ₱2,680.00 million in order to finance a 50MW solar power plant in Mexico, Pampanga (Arayat Phase 1). On February 9, 2022, the Omnibus Agreement was amended to increase the loan facility to ₱2,860.00 million and extend the maturity from March 1, 2023 to June 30, 2023. This loan is repayable upon maturity. On May 25, 2022, the Parent Company and Greencore entered into an interest-bearing Omnibus Agreement amounting to ₱1,990.00 million in order to finance a 30MW solar power plant in Mexico, Pampanga (Arayat Phase 2).

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to ₱4,225.95 million and ₱2,078.40 million, respectively.

The Parent Company earned interest income on receivables amounting to ₱283.07 million and ₱61.29 million in 2022 and 2021, respectively (see Note 19).

7. Noncurrent Assets Held for Sale

Power Barge Assets

On 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 ₱126.00 million, inclusive of VAT, and sold at cost.

On February 22, 2022, ACEN and SPC Island Power Corporation executed the Deed of Absolute Sale and Assignment implementing the sale of PB 102 amounting to ₱39.20 million, inclusive of VAT. 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. The sale resulted in a loss of ₱4.20 million.

On April 18, 2022, ACEN and SPC Power Corporation executed the Deed of Absolute Sale and Assignment implementing the sale of PB 103 amounting to ₱39.20 million, inclusive of VAT. The sale resulted in a loss of ₱4.20 million.

Diesel Assets (Investments in BPGC, OSGPC, CIP II, and Ingrid 3) (collectively "Diesel Assets") and Palawan 55

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 ENEX in the form of a property-for-share swap.

On the same date, the ENEX BOD approved the property-for-share swap with ACEN whereby ACEN will assign 100% of its equity in Palawan55 Exploration & Production Corporation (Palawan55), Bulacan Power Generation Corporation (BPGC), One Subic Power Generation Corporation (OSPGC), CIP II Power Corporation (CIP II), and Ingrid3 Power Corp. (Ingrid3), valued at ₱3.39 billion, in exchange for 339 million primary shares to be issued by ENEX to ACEN at a price of ₱10.00 per share, as supported by a fairness opinion from FTI Consulting Philippines, Inc. and subject to compliance with applicable regulatory requirements.

As a result of the issuance of primary shares to ACEN, the ENEX BOD also approved the conduct of a Stock Rights Offer (SRO) of up to 105,000,000 of ENEX's shares at ₱10.00 per share, subject to regulatory approvals. The ACEN BOD approved the underwriting of this SRO in relation to the share swap.

On December 29, 2021, ENEX and ACEN signed the Deed of Assignment wherein ENEX will issue 339,076,058 shares of stock in ENEX 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 BPGC representing 100% of the issued and outstanding shares in BPGC; (c) 6,351,000 common shares in CIP II with a par value of ₱50 per share representing 100% of the issued and outstanding shares in CIP II; (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 OSPGC with a par value of ₱1 per share representing 17.13% of the issued and outstanding shares in OSPGC.

After the property-for-share swap, ACEN's total direct and indirect interest in ENEX is expected to go up from 76.32% to 89.78%, prior to the conduct of the SRO.

Consequently, in 2021, ACEN reclassified its investments in Diesel Assets and Palawan 55 as noncurrent asset held for sale amounting to:

BPGC	₱701,721,871
CIPII	151,530,430
Ingrid 3	3,600,000
Palawan 55	3,064,897
	₱859,917,198

On June 3, 2022, ACEN BOD approved the cancellation of the property-for-share swap and Deed of Assignment between ACEN and ENEX due to unfavorable market conditions. As a result, the Request for Confirmation of the Valuation of the Asset in exchange for the shares filed with the SEC, and the Issuance of the Certificate Authorizing Registration filed with the Bureau of Internal Revenue are being withdrawn.

On the same date, ENEX's BOD also approved the cancellation of the conduct of a SRO.

Following the cancellation of the share swap, the investments in Diesel Assets and Palawan 55 amounting to ₱859.92 million were reclassified as investments in subsidiaries, associates, and joint ventures.

8. Other Current Assets

This account consists of:

	2022	2021
Creditable withholding taxes	**₱1,299,516**	₱690,779
Deferred input VAT	**1,171,378**	227,125
Deposits	**155,029**	146,759
Derivative assets (Notes 9 and 24)	**77,695**	241,743
Others	**47,203**	58,818
	₱2,750,821	₱1,365,224

Creditable withholding taxes represent amounts withheld by the Company's customers and are deducted from the Company's income tax payable.

Deferred input VAT arise from the purchases capital goods which are amortized over time and purchase of services that are realized as input VAT upon payment.

9. Investments in Subsidiaries, Associates and Joint Ventures

The Parent Company's investment in subsidiaries, associates, and joint ventures and the corresponding direct percentage of ownership are shown below:

		Percentage of Direct Ownership		Amounts	
	Principal Activity	**2022**	2021	**2022**	2021
Subsidiaries:					
ACEN International, Inc. ("ACEN International"; formerly AC Energy International, Inc.)	Investment holding	**100**	100	**₱85,931,872**	₱85,931,872
ACE Endevor, Inc. ("ACE Endevor")	Investment holding and management	**94**	94	**19,846,872**	9,726,315
Bayog Wind Power Corp. ("BWPC")	Power generation	**40**	–	**7,822,462**	65,000
AC Renewables International Pte. Ltd.("ACRI")	Investment holding	**100**	100	**7,319,993**	–
Guimaras Wind Corporation ("Guimaras Wind")	Wind power generation	**100**	100	**3,827,502**	3,827,502
Giga Ace 2, Inc. ("Giga Ace 2")	Power generation	**100**	100	**3,144,252**	3,144,252
Buendia Christiana Holdings Corp. ("BCHC")	Investment holding	**100**	100	**2,584,152**	1,090,000
Giga Ace 1, Inc. ("Giga Ace 1")	Power generation	**100**	100	**2,581,416**	2,586,376
Natures Renewable Energy Devt. Corporation ("NAREDCO")	Power generation	**60**	45	**2,006,625**	7,564
ACE Renewables Philippines, Inc. (ARPI)	Investment holding	**100**	100	**1,696,174**	1,580,234
Giga Ace 3, Inc. ("Giga Ace 3")	Power generation	**100**	100	**1,688,017**	1,688,017
Giga Ace 4, Inc. ("Giga Ace 4")	Power generation	**100**	100	**1,660,050**	1,660,050
Monte Solar Energy, Inc. ("Montesol")	Solar power generation	**96**	96	**1,158,272**	1,208,265
Northwind Power Development Corp. ("NPDC")	Wind power generation	**51.73**	51.73	**1,018,800**	1,018,800
Bulacan Power Generation Corporation ("Bulacan Power")	Power generation	**100**	–	**1,381,722**	–
SolarAce1 Energy Corp. ("SolarAce1")	Power generation	**95**	95	**734,457**	554,457
ENEX Energy Corp. ("ENEX"; formerly ACE Enexor, Inc.)	Oil, gas, and geothermal exploration	**75.92**	75.92	**280,475**	280,475
Manapla Sun Power Development Corp. ("MSPDC")	Leasing and land development	**36.37**	36.37	**253,703**	253,703
Viage Corporation ("Viage")	Investment holding	**100**	100	**237,000**	237,000
Sinocalan Solar Power Corp. ("SSPC")	Power generation	**100**	–	**164,398**	–
CIP II Power Corporation ("CIPP")	Power generation	**100**	–	**151,530**	–
ACE Shared Services, Inc. ("ACES")	Shared services	**100**	100	**150,000**	100,000
South Luzon Thermal Energy Corp. ("SLTEC")	Power generation	–	100	–	11,539,516
Others	various	**various**	various	**130,252**	123,586
				145,769,996	126,622,984

(Forward)

	Principal Activity	Percentage of Direct Ownership 2022	2021	Amounts 2022	2021
Joint venture:					
Philippine Wind Holdings Corp.(“PhilWind”)		**42.96**	42.96	**₱3,008,919**	₱2,956,926
NLR		**33.30**	–	**2,285,389**	–
Others		**various**	various	**691,981**	691,981
				5,986,289	3,648,907
Associates:					
MGI		**25.00**	25.00	**404,550**	404,550
Others		**various**	various	**26,735**	26,735
				431,285	431,285
Allowance for impairment				**(280,718)**	(46,742)
Total				**151,906,852**	130,656,434
Adjustments reflected in Other Equity Reserves (see Note 15)				**43,359,337**	43,079,580
				₱195,266,189	₱173,736,014

Unless otherwise indicated, the principal place of business and country of incorporation of the Parent Company's investment in subsidiaries, associates, and joint ventures is in the Philippines.

Except as discussed below, the voting rights held by the Parent Company in its investments in subsidiaries, associates, and joint ventures are in proportion to its ownership interest.

The following significant transactions affected the Parent Company's investments:

	2022			
	Subsidiaries	**Joint Ventures**	**Associates**	**Total**
Cost:				
Balance at beginning of year	**₱167,846,795**	**₱5,474,235**	**₱414,984**	**₱173,736,014**
Additions	**29,282,664**	**2,285,389**	**–**	**31,568,053**
Reclassifications*	**1,463,422**	**–**	**(7,564)**	**1,455,858**
Divestment**	**(11,259,761)**	**–**	**–**	**(11,259,761)**
Allowance for impairment (see Note 19)	**(233,975)**	**–**	**–**	**(233,975)**
Balance at end of year	**₱187,099,145**	**₱7,759,624**	**₱407,420**	**₱195,266,189**

	2021			
	Subsidiaries	Joint Ventures	Associates	Total
Cost:				
Balance at beginning of year	₱30,747,430	₱2,843,872	₱405,170	₱33,996,472
Additions	137,955,684	2,630,363	9,814	140,595,861
Reclassifications	(856,319)	–	–	(856,319)
Balance at end of year	₱167,846,795	₱5,474,235	₱414,984	₱173,736,014

** Cancellation of ACEX and ACEN property-for-share swap, acquisition of additional interest resulting to the reclassification of NAREDCO from associate to a subsidiary and ₱595.95 million reclassification of DFFFS to investments.*
***Pertains to the divestment of SLTEC.*

The additions made are as follow:

	2022	2021
Subsidiaries:		
Santa Cruz Solar Energy	**₱9,949,502**	₱1,799,905
Bayog Wind Power Corp.	**7,760,128**	65,000
ACRI	**7,319,993**	–
NAREDCO	**1,999,070**	–
BCHC*	**1,236,518**	765,000
OSPGC*	**680,000**	–
Pagudpud Wind Power Corp.	**171,055**	3,033,255
Sinocalan Solar Power Corp.	**164,398**	–
Gigawind6	**1,000**	–
Gigawind7	**1,000**	–
ACEN International, Inc.	–	85,931,873
Giga Ace 4, Inc	–	1,659,975
NPDC	–	933,480
Gigasol 3	–	723,076
SolarAce1 Energy Corp. *	–	554,457
BSEI	–	133,986

(Forward)

	2022	2021
ACE Shared Services, Inc. *	**₱–**	₱99,000
Various**	–	44,201,822
Joint Ventures:		
NLR	**2,285,389**	–
IPHI	–	684,600
Greencore	–	2,250
Solar Pilipinas	–	619
Associate:		
NAREDCO	–	7,563
	₱31,568,053	₱140,595,861

**2022 additions pertains to reclass from DFFS to investment to subsidiaries*
***Pertains to various Endevor SPVs and the ₱43.88 million FV adjustment for ACEN International inc.*

Dividend income received are as follows:

	2022	2021
Subsidiaries:		
ACEN International	**₱1,122,400**	₱–
ACE Endevor	**830,121**	–
Giga Ace 2	**282,000**	219,000
Guimaras Wind	**150,000**	45,000
NPDC	**115,941**	13,750
Viage	**110,000**	19,000
Giga Ace 1	**88,000**	445,779
Montesol	**48,004**	54,200
MSPDC	**22,913**	16,367
ARPI	–	25,000
Joint Ventures:		
Philwind	**303,586**	590,136
NLR	**242,580**	–
Associates:		
MGI	–	20,000
	₱3,315,545	₱1,448,232

As of December 31, 2022, and 2021, dividend receivable amounted to ₱1,832.40 million and ₱6.18 million, respectively.

Investments in Subsidiaries
Acquisitions of ACEIC's investee companies 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 ₱85,931.87 million 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 24,400,000,000 shares to 48,400,000,000 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 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.

Transfer of ACEIC Subsidiaries through Share Swap
On October 9, 2019, ACEN signed a Deed of Assignment with ACEIC for subscription by ACEIC to and the issuance to ACEIC of 6,185,182,288 common shares at subscription price of ₱2.37 per common share, or an aggregate subscription price of ₱14,658.88 million in exchange for ACEIC's ownership of various Philippine Assets.

On June 22, 2020, the transfer value was approved by the SEC together with its approval of the application for the increase in ACEN's capital stock. The closing date of the transaction was June 22, 2020.

On October 30, 2020, ACEN received BIR Certification Ruling SN027-2020 relative to the tax-exempt transfer of shares of stocks made by ACEIC to ACEN pursuant to Section 40 (C) (2) of the National Internal Revenue Code of 1997, as amended. The Certification Ruling states that the property-for-share swap between ACEIC and ACEN covering the issuance of 6,185,182,288 common shares of ACEN in favor of ACEIC in exchange for ACEIC's shares of stock in select Philippine Assets, not subject to income tax, capital gains tax, expanded withholding tax, donor's tax and value-added tax.

Below are the Philippine Assets transferred from ACEIC to ACEN via share swap, including the percentage of ownership and their corresponding fair value. The difference between the fair value of the issued ACEN shares of ₱0.13 per share and the agreed transfer value in the Deed of Assignment amounting to ₱804.07 million is recorded as a decrease in "Other equity reserves" (see Note 15).

	Percentage of Ownership	Fair Value
Subsidiaries		
SLTEC	35.00	₱5,100,157,223
ACE Endevor, Inc.	94.00	3,144,194,130
ACE Renewables Philippines, Inc.	100.00	1,580,233,932
Monte Solar Energy Inc.	96.00	1,208,264,963
Manapla Sun Power Development Corporation	36.37	253,703,333
Viage Corporation	100.00	237,000,000
NorthWind Power Development Corporation	19.52	85,320,000
ACTA Power Corporation	50.00	36,577,277
Ingrid Power Holdings Corp	100.00	4,512,480
Joint venture:		
Philippine Wind Holdings Corporation	42.74	3,008,918,685
		₱14,658,882,023

<u>ACEN International</u>
On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for subscription by ACEIC to, and the issuance to ACEIC of 16,685,800,533 common shares at a subscription price of ₱5.15 per common share, or an aggregate subscription price of ₱85,931.87 million in exchange for ACEIC's

1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in ACE International which holds ACEIC's international renewable assets. The closing date of the share swap transaction was on June 7, 2021.

On June 27, 2021, the transfer value was approved by the SEC together with its approval of the application for the increase in ACEN's capital stock. The closing date of the transaction was June 27, 2021.

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 difference between the fair value of the issued ACEN shares of ₱2.63 per share and the agreed transfer value in the Deed of Assignment amounting to ₱43,833.65 million is recorded as a decrease in "Other equity reserves" (see Note 15).

(1) *ACEN International, ACRI, Viage, ARPI, and NPDC*

In 2017, ACEIC entered into a share purchase agreement with ACEN International, ARPI, Viage, and BDO Capital and Investment Corporation to acquire 100% ownership of ACEN International, ARPI, and Viage. The acquisition gave ACEIC an indirect 50.00% effective stake in NPDC. ACEIC also has direct ownership in NPDC of 19.52%. NPDC owns and operates the 33MW wind power plant located in Bangui Bay, Ilocos Norte.

In 2021, the Parent Company made additional direct investment of ₱933.48 million in NPDC to acquire a collective100% direct and indirect investment in NPDC. As of December 31, 2021, the Parent Company has direct ownership in NPDC of 32.21% and an indirect ownership of 59.28% and 8.51% through ARPI and Viage, respectively.

On March 24, 2022, the Parent Company subscribed to 1,402,029 ACRI Class E redeemable preference shares with total par value of US$140,202,900 (₱7,319.99 million). Additional investment for the year amounting to ₱115.94 million which pertains to the reclassification from DFFS. ACRI was established in Singapore on May 23, 2016, as a private limited company intended to be the investment vehicle of the Parent Company for international projects.

(2) *ACE Endevor and MSPDC*

In 2017, ACEIC signed definitive agreements to acquire 100% ownership of ACE Endevor and 36.79% of MSPDC. The acquisition of ACE Endevor provided ACEIC with renewable energy development, management and operations platform. MSPDC on the other hand, engages in leasing, operating, managing and developing public or provide lands.

(3) *BWPC*

BWPC was incorporated in 2010 and is engaged in the business of developing, undertaking, implementing, operating, and owning wind energy projects and facilities. BWPC owns and is currently constructing a 160-MW wind power plant in Pagudpud, Ilocos Norte. Total investment made during the year amounted to ₱7,760.13 million.

(4) *Guimawas Wind*

Guimaras Wind was incorporated in 1994 and is engaged in the development of renewable sources. Guimaras Wind owns and operates the 54-MW wind power plant in San Lorenzo, Guimaras.

(5) *Giga Ace 2*

Giga Ace 2 was incorporated in 2019 and is engaged in the power generation business, both from renewable and non-renewable energy sources.

In 2019, ACEN signed a purchase agreement with PINAI for the acquisition of PINAI's 96.00% ownership interest in San Carlos Solar Energy, Inc. (SACASOL). SACASOL owns and operates the 45MW solar power plant located in Negros Occidental.

(6) *BCHC*

BCHC was incorporated in 2019 and engaged in activities of a holding company except as a stockholder or dealer of securities. In 2022, the Parent Company made additional investment of ₱1,492.12 million of which ₱250.0 million pertains to the reclassification from DFFS.

(7) *PWHC and GigaAce 1*

In 2013, ACEN signed an Investment Framework Agreement and Shareholder's Agreement with UPC Philippines Wind Holdco I BV and the Philippine Investment Alliance for Infrastructure fund (PINAI) to develop a wind power project in Ilocos Norte through North Luzon Renewable Energy Corporation (NLREC).

In 2020, ACEN purchased all the shares of PINAI in PWHC for ₱2,573.30 million through its wholly-owned subsidiary, Giga Ace 1. Giga Ace 1 was incorporated in 2019 and is engaged in the power generation business, both from renewable and non-renewable energy sources.

On March 18, 2022, ACEN and UPC Philippines Holdco I BV executed a Deed of Absolute Sale of Shares covering 16,668 common shares and 740 preferred shares representing 33% ownership in NLREC for ₱2,385.27 million.

PWHC directly and indirectly owns 67.00% of NLREC through its 38.00% direct interest and 28.70% indirect interest through its 100.00% owned subsidiary, Ilocos Wind Energy Holdings Co., Inc.

(8) *NAREDCO*

On March 24, 2022, ACEN, ACE Endevor, CleanTech Renewable Energy 4 Corp. ("CREC4"), and NAREDCO executed a Shareholder's Agreement for the acquisition of 55% interest in NAREDCO for ₱1,000.01 million. NAREDCO owns and is currently constructing a 133MW solar power plant (Phase 1) in Lal-lo, Cagayan. The total capacity of the solar power plant is 200MW.

(9) *Giga Ace 3*

Gigae Ace 3 was incorporated in 2019 and is engaged in the power generation business, both from renewable and non-renewable energy sources.

In 2019, ACEN signed a purchase agreement with PINAI for the acquisition of PINAI's 98.00% ownership interest in Negros Island Solar Power, Inc. (ISLASOL). ISLASOL owns and operates the 80MW solar power plant in La Carlota and Manapla, Negros Occidental

(10) *Giga Ace 4*

Gigae Ace 4 was incorporated in 2019 and is engaged in the power generation business, both from renewable and non-renewable energy sources.

(11) *Montesol*

In 2017, ACEIC signed the Subscription and Shareholder's Agreement with Bronzeoak Philippines, Inc. for 18MW solar power plant in Negros Oriental.

(12) *SolarAce 1*

SolarAce 1 was incorporated in 2018 and operates and maintains a 120MW solar power plant in Alaminos, Laguna. Total additions for the year amounting to ₱180.0 million pertains to the reclassification from DFFS.

(13) *Bulacan Power and CIPP (referred to as "Diesel Plants")*

Bulacan Power was incorporated in 1996 and operates and maintains a 54MW diesel power plant in Norzagaray, Bulacan.

CIPP was incorporated in 1998 and operates and maintains a 21MW diesel power plant in Bacnotan, La Union.

Following the cancellation of the property-for-shares-swap between ACEN and ENEX, the Parent Company reclassified its investments in Diesel Plants to investments in subsidiaries, associates, and joint ventures.

(14) *ENEX and Palawan 55*

ENEX was incorporated in 1994 and is engaged in oil and gas exploration, exploitation and production. Its primary purpose also includes generally engaging in the business of power generation.

Palawan 55 was incorporated in 2021 and is an upstream oil and gas company which holds the 6.82% participating interest in SC55.

As of December 31, 2022, ENEX and Palawan 55 have not yet started commercial operations.

(15) *Sinocalan*

On November 29, 2022, ACEN, Sungrow Power Renewables Corp. (Sungrow), and Havilah AAA Holdings Corp. (Havilah) signed an agreement for the sale and purchase of Sungrow's and Havilah's interest in Sinocalan for ₱164.40 million. Sinocalan is the developer of a 60MW solar power plant in San Miguel, Pangasinan.

(16) *ACES*

ACES was incorporated in 2019 and was organized to provide a full range of business process outsourcing services. Total additions for the year amounting to ₱50.0 million pertain to the reclassification from DFFS.

(17) *MGI*

MGI was incorporated in 2010 and operates a 32MW geothermal power plant in Sto. Tomas, Batangas.

(18) *SLTEC*

In 2011, ACEN and ACEIC entered into a 50-50 joint venture to incorporate SLTEC. SLTEC is the project company for the 246MW coal power plant in Calaca Batangas.

In 2016, ACEN and ACEIC sold its 5% and 15% interest, respectively to Axia Power Holdings Philippines Corp. (AXIA). The sale resulted to ownership interest of 35% ACEIC, 45% ACEN, and 20% AXIA.

On July 10, 2019, ACEIC and AXIA signed a share purchase agreement for AXIA's 20% interest in SLTEC. On November 4, 2019, ACEN signed an agreement with ACEIC for assignment of ACEIC's right to acquire 20% ownership of AXIA in SLTEC.

On October 18, 2021, the Board of Directors of the Parent Company approved and authorized management to work towards the early retirement of SLTEC coal plant by 2040 using an ETM, which includes the redemption, retirement and sale of common and redeemable preferred shares held by ACEN.

On April 8, 2022, SLTEC refinanced the existing ₱9,800.00 million SLTEC loan and upsized it by ₱3,900.00 million pursuant to the Amended and Restated Omnibus Loan and Security Agreement ("AROLSA") executed on April 11, 2022.

On April 11, 2022, SLTEC applied with the SEC for the reduction in authorized capital stock ("ACS") from 35,830,250 common shares to 832,500 common shares. On the same date, SLTEC applied for the amendment of features of the SLTEC redeemable preferred shares from voting to non-voting. Both applications were approved on October 7, 2022.

SLTEC redeemed all of the redeemable preferred shares held by the Parent Company for a total redemption price of ₱3,583.03 million in three tranches: (1) 32,000,000 on October 21, 2022, (2) 2,480,000 on November 7, 2022 and (3) 1,350,250 also on November 7, 2022.

On October 28, 2022, SLTEC retired 34,997,750 common shares held by ACEN at par value of ₱100/share or a total of ₱3,499.78 million. After retirement, the Parent Company held the remaining 832,500 common shares of SLTEC.

On November 7, 2022, SLTEC redeemed 3,830,250 common shares held by ACEN at par value for a total redemption price of ₱383.03 million.

On November 7, 2022, the Parent Company and ETM Philippines Holdings, Inc. ("EPHI") (a third party) executed a share purchase agreement covering the sale of 832,500 common shares with a purchase price of ₱83.25 million (equivalent to ₱100/share). The deed of absolute sale was executed on the same date.

After sale to EPHI, ACEN has fully divested its interest in SLTEC. ACEN recognized loss of ₱4,093.71 million which represents the difference between the total investment cost in SLTEC carried in ACEN books of ₱11,259.76 million and proceeds from the divestment of ₱7,166.05 million.

The Parent Company paid donor's tax amounting to ₱6.90 million which is presented as "Others" under "General and administrative expenses" in the consolidated statement of income.

Execution of Option Agreements between ACEN and InLife, GSIS and EPHI to implement the overall energy transition mechanism for SLTEC

On October 24, 2022 and November 7, 2022, the Parent Company executed separate Option Agreements with InLife, GSIS and EPHI, (collectively the "Investors") involving SLTEC, following the issuance of SLTEC redeemable preferred shares to these Investors and purchase by EPHI of the common shares.

The Option Agreements entitle ACEN and the Investors, severally, to exercise call and put options, respectively, based on certain pre-agreed conditions, to enable the early retirement of the coal plant by 2040, and its transition to cleaner technology. The call options for common and redeemable preferred shares are exercisable only beginning 2031 to 2040, while the put option on redeemable preferred shares is exercisable only on 2040. Both options are accounted as derivative asset and liability. As of December 31, 2022, derivative asset on call options on common and redeemable preferred shares amounted to ₱16.43 million (see Note 8) and the derivative liability on put options on redeemable preferred shares amounted to ₱7.16 million (see Note11).

Administration and Management Agreement ("AMA") and Operations and Maintenance Agreement ("O&M Agreement")

Executed on October 4, 2019, ACEN and SLTEC entered into an AMA granting ACEN the exclusive rights and obligations 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. On April 11, 2022, ACEN and SLTEC terminated the AMA and executed a new AMA where, in addition to ACEN's rights and obligations to administer and manage the entire capacity of SLTEC, ACEN shall pay SLTEC regardless of availability based on a pricing formula that will ensure SLTEC has sufficient cash to cover debt service and distributions to shareholders.

On April 11, 2022, ACEN entered into an Operations and Maintenance Agreement ("O&M Agreement") with SLTEC, wherein ACEN shall provide operation, maintenance, and administrative services to SLTEC to ensure the proper and efficient operation and maintenance of the power plant. The O&M Agreement is valid for a period of five (5) years effective from April 11, 2022 and shall automatically renew for successive five (5) year terms from April 11, 2022 until December 25, 2040.

The AMA and O&M do not give ACEN control over SLTEC. The rights of ACEN and terms and conditions under this agreement are subject to review and approval of SLTEC BOD.

(19) *Bataan Solar Energy Inc. (BSEI)*

BSEI was incorporated in 2016 and is engaged in development activities such as but not limited to securing land, permitting, undertaking project studies, project planning, and procuring and installing equipment for new technologies in Mariveles, Bataan.

In 2022, the Parent Company assessed that the expected revenue from BSEI cannot cover return of the investment made. Accordingly, the Parent Company recognized allowance for full impairment losses amounting to ₱233.98 million. The recoverable amount is value in use computed by discounting the future cash flows using average discount rate of 10.00%.

10. **Other Noncurrent Assets**

This account consists of:

	2022	2021
Loans receivable	**₱1,288,171**	₱2,228,400
Creditable withholding tax - net of current portion	**666,753**	666,753
Receivables from third parties and employees	**598,366**	387,314
Advances to affiliates (Note 21)	**519,963**	519,963
Interest receivable	**43,244**	–
Deposits for future stock subscriptions	–	595,940
Receivable from PEMC Multilateral Agreement	–	571,714
Others	**81,329**	133,572
	₱3,197,826	₱5,103,656

Loans receivable

Provincia Investments Corporation
In 2021, ACEN and Provincia Investments Corporation ("PIC") entered into an interest-bearing term loan facility to fund its various acquisition of project sites for solar power projects. The interest-bearing loan has a total facility of ₱1,000.00 million and bears annual fixed interest rate and payable upon maturity. On July 2, 2021, Provincia made an initial drawdown amounting ₱150.00 million. The principal and interest of the loan are payable on July 2, 2026.

As of December 31, 2022 and 2021, the outstanding loans receivable amounts to ₱150.00 million. Interest income from the loans receivable amounts to ₱12.00 million and ₱5.79 million in 2022 and 2021, respectively.

Natures Renewable Energy Devt. Corporation (NAREDCO)
In 2022, ACEN and NAREDCO entered into an interest-bearing term loan facility to finance the engineering, construction and procurement of the solar power projects. The interest bearing loan has a total facility of ₱1,139.00 million and bears annual fixed interest rate of payable upon maturity.

As of December 31, 2022, the outstanding loans receivable and interest income amounts to ₱1,138.17 million and ₱29.80 million, respectively.

Deposit for future stock subscription (DFFS)
Deposit for future stock subscription consist of unpaid subscription to the following:

BCHC - ₱250.00 million, SolarAce1 - ₱180.00 million, AC Renewables - ₱115.94 million, and ACES - ₱50.00 million. These were all settled in 2022 and reclassified as investments in subsidiaries, associates, and joint ventures.

Receivables from PEMC Multilateral Agreements
In December 2013, there were elevated WESM prices because of a Malampaya outage. As a result, ERC issued an Order imposing Administered/Regulated Pricing, which was lower than the WESM rates at the time. The receivables from PEMC Multilateral Agreements is the refundable amount from the PEMC arising from recalculation of November and December 2013 spot prices as directed by the ERC. In 2014, ACEN, 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 ₱571.71 million. Collections are presented as “Trade payables” under “Other noncurrent liabilities” (see Note 14).

In July 2022, the Supreme Court declared the administered regulated pricing void and upheld the December 2023 Meralco hike for recovery costs. In October 2022, the Supreme Court denied all Motions for Reconsideration.

The ERC has not yet issued guidance on the method of implementation of these adjustments. Consequently, the Parent Company has reversed its receivables amounting to ₱571.71 million and recorded additional cost of purchased power of equivalent amount. The unpaid cost of purchased power is presented as “Trade payables” under “Accounts Payable and Other Current Liabilities (see Notes 11 and 14).

11. **Accounts Payable and Other Current Liabilities**

This account consists of:

	2022	2021
Trade payables	**₱2,670,517**	₱2,710,342
Due to related parties (Note 21)	**1,704,160**	1,442,149
Deferred output VAT	**988,719**	779,515
Accrued expenses	**686,218**	388,913
Accrued interest payable	**187,109**	95,091
Output VAT - net	**114,115**	59
Derivative liability	**44,660**	241,744
Refundable Deposits	**105,471**	42,602
Others	**252,370**	103,752
	₱6,753,339	₱5,804,167

Trade payables include billings of goods and services from various suppliers and are normally settled within 30 days.

Accrued expenses include compensation and benefits, professional fees, oil spill costs and operating expense such as security fee, plant repairs and maintenance, among others.

Output VAT is the net of input VAT which is due for remittance to the government.

Deferred output VAT represents the tax related to sales of electricity which are to be settled by the customers in future period. This shall be reclassed to output VAT once realized.

Others comprise of the payable to employees, other mandatory contributions, and refundable deposits.

12. **Loans**

Short-term Loans

This account consists of:

	2022	2021
Beginning balance	**₱–**	₱9,438,600
Availments	**23,259,020**	3,000,000
Payments	**(20,359,020)**	(12,500,800)
Foreign exchange adjustments	**–**	62,200
Ending balance	**₱2,900,000**	₱–

The Parent Company has outstanding short-term loans availed during the year ended December 31, 2022, from various local banks amounting to ₱2,900.00 million with interest range from 2.20% to 4.25% (nil year ended December 31, 2021).

Total interest expense recognized on short-term loans amounted to ₱179.92 million and ₱52.52 million for the years ended December 31, 2022 and 2021, respectively

Loans-term loans

The rollforward of this account follows:

	2022	2021
As at beginning of year	**₱7,915,610**	₱8,072,925
Availment	**9,695,000**	805,000
Payments	**(153,020)**	(964,797)
Additional debt issue cost	**(72,712)**	(6,038)
Amortization of debt issue cost	**8,980**	8,520
Balance at end of year	**17,393,858**	7,915,610
Less current portion	**196,988**	141,598
Noncurrent portion	**₱17,196,870**	₱7,774,012

The rollforward of unamortized debt issue costs follows:

	2022	2021
Balance at beginning of year	**₱52,940**	₱55,422
Additional debt issue cost	**72,712**	6,038
Amortization of debt issue cost (Note 19)	**(8,980)**	(8,520)
Balance at end of year	**₱116,672**	₱52,940

The relevant terms of the long-term loans of the Parent Company are as follows:

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	**2022**	2021
₱1,175.00 million Loan A	₱1,175.00 million	January 11, 2017	July 11, 2029	6.50% per annum	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x* Based on the ACEN consolidated year-end balances. Tested semi-annual *On August 24, 2022, lender approved amendment to financial covenants. Previously, covenant included minimum DSCR 1.00x; maximum DE ratio of 1.50x; and minimum current ratio of 1.00x.	**₱692,425**	₱768,813

(Forward)

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
₱5,000.00 million Loan B	₱5,000.00 million	November 15, 2019	November 14, 2029	5.0505% per annum for the first 5 years; repricing for the succeeding five (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	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on the ACEN consolidated year-end balances. Tested semi-annual	**₱4,842,105**	₱4,894,737
₱7,000.00 million Loan C	₱500.00 million ₱1,000.00 million ₱1,000.00 million ₱2,000.00 million	July 15, 2020 August 24, 2020 June 10, 2022 November 15, 2022	July 15, 2030 July 15, 2030 July 15, 2030 July 15, 2030	5.00% per annum 5.00% per annum 5.066% per annum 5.8096% per annum	Principal and interest payable semi-annual Principal and interest payable quarterly	Maximum net DE ratio of 3.0x Based on the ACEN consolidated year-end balances. Tested semi-annual	**4,476,000**	1,500,000
₱4,500.00 million Loan D	₱805.00 million ₱2,000.00 million ₱1,695.00 million	March 30, 2021 February 28, 2022 April 11, 2022	March 30, 2031 March 30, 2031 March 30, 2031	Floating interest rate repriced on every succeeding semi-annual period. Can be converted to fixed up to the 2nd anniversary of initial drawdown.	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on the ACEN consolidated year-end balances. Tested semi-annual	**4,500,000**	805,000
₱10,000.00 million Loan E	₱3,000.00 million	December 13, 2022	December 13, 2032	Floating interest rate repriced on every succeeding semi-annual period. Can be converted to fixed up to the 2nd anniversary of initial drawdown.	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on the ACEN consolidated year-end balances. Tested semi-annual	**3,000,000**	–
Totals							**₱17,510,530**	₱7,968,550
Less unamortized debt issue cost							**₱116,672**	₱52,940
Less current portion							**₱196,988**	₱141,598
Long-term loans, net of current portion							**₱17,196,870**	₱7,774,012

Loan C

On June 10, 2022, the Parent Company made drawdown amounting to ₱1,000.00 million. The loan has a term of 97 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on July 15, 2022. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On November 15, 2022, the Parent Company made drawdown amounting to ₱2,000.00 million. The loan has a term of 92 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on January 13, 2023. 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 Company to make an optional prepayment, wholly or partially, starting the fifth (5th) anniversary of the initial drawdown date and on every interest payment date thereafter. The amount payable to the bank 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 redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Loan D

On March 19, 2021, the Parent Company entered into a new loan agreement with a local bank for a maximum principal amount of ₱4,500.00 million.

On March 30, 2021, the Parent Company made drawdowns amounting to ₱805.00 million. The loan has a term of 120 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On February 28, 2022, the Parent Company made drawdowns amounting to ₱2,000.00 million. The loan has a term of 108 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On April 11, 2022, the Parent Company made drawdowns amounting to ₱1,695,00 million. The loan has a term of 108 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from 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 floating interest rate that is repriced on every succeeding semi-annual period. The Parent Company has the option to convert the interest rate to fixed on any semi-annual payment date up to the 2nd anniversary from the initial drawdown of 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. The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Loan E
On December 9 2022, the Parent Company entered into a new loan agreement with a local bank for a maximum principal amount of ₱10,000.00 million.

On December 13, 2022 the Parent Company made drawdowns amounting to ₱3,000.00 million. The loan has a term of 120 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 60th month from 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 floating interest rate that is repriced on every succeeding semi-annual period. The Parent Company has the option to convert the interest rate to fixed on any semi-annual payment date up to the 2nd anniversary from the initial drawdown of 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. The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Loan covenant
The Parent Company has complied with all its loan covenants as at December 31, 2022, and 2021.

Interest expense
Total interest expense on loans payable amounted to ₱531.46 million and ₱386.00 million in 2022 and 2021, respectively (see Note 19).

ACEN Fixed-Rate ASEAN Green Bonds due 2027
As at December 31, this account consists of:

	2022
Principal	
Balance at end of year	₱10,000,000
Unamortized debt issue cost	
Addition	126,276
Amortization (Note 19)	(5,964)
Balance at end of year	120,312
	₱9,879,688

On September 22, 2022, the Parent Company (the Issuer) issued an unsecured-fixed rate Peso Green Bonds with an aggregate principal amounting to ₱10,000.00 million. The proceeds of the issuance will be used to finance investments in various solar power plants. The issue cost amounted to ₱126.28 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Peso Green Bonds due on September 22, 2027 with interest rate of 6.0526% per annum. This is the first tranche offered out of the shelf registration of Peso Green Bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Peso Green Bonds is payable quarterly on March 22, June 22, September 22, and December 22.

Total interest expense recognized on the Peso Green Bonds amounted to ₱166.45 million in 2022.

Redemption at the option of the Issuer
The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding PHP Green Bonds before the relevant Maturity on any one of the following Interest Payment Dates indicated below, or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

1. 12th to 15th Interest Payment Date at Call Option Price of 101.00%
2. 16th to 19th Interest Payment Date at Call Option Price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

13. Lease Liabilities

The rollforward of this account follows:

	2022	2021
As at January 1,	**₱994,612**	₱25,834
Additions	–	1,024,352
Interest expense (Note 19)	**38,334**	39,497
Payments	**(112,670)**	(95,071)
As at December 31	**₱920,276**	₱994,612
Less current portion	**(64,796)**	(108,582)
Noncurrent portion	**₱855,480**	₱886,030

14. Other Noncurrent Liabilities

This account consists of:

	2022	2021
Deposit payables (Note 24)	**₱79,344**	₱174,581
Trade payable (Note 10)	–	571,714
	₱79,344	₱746,295

15. Equity

Capital Stock

This account, consists of:

	Number of Shares	
	2022	2021
Authorized capital stock - ₱1 par value	**48,400,000,000**	48,400,000,000
Issued and outstanding:		
Balance at beginning of year	**38,338,527**	13,706,957
Issuance during the year	**1,353,369**	24,631,570
Adjustment in grants through Employee Stock Ownership Plan	**(1)**	–
Balance at end of year	**39,691,895**	38,338,527

The issued and outstanding shares as at December 31, 2022 and 2021 are held by 3,182 and 3,188 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	Issue/ Offer Price
Prior to 2005*	1,000,000,000	**840,601,987	₱0.01/1.00	₱0.01/1.00
2005	1,000,000,000	264,454,741	1.00	1.00
2007	–	552,528,364	1.00	1.00
2008	–	4,713,558	1.00	1.00

(Forward)

Year Approval	No. of shares Registered	No. of shares Issued	Par Value	Issue/ Offer Price
2009	–	304,419	₱1.00	₱1.00
2010	–	2,022,535	1.00	1.00
2011	2,200,000,000	1,165,237,923	1.00	1.00
2012	4,200,000,000	2,027,395,343	1.00	1.00
2013	–	6,603,887	1.00	1.00
2014	–	1,283,332	1.00	1.00
2016	–	20,751,819	1.00	1.00
2017	–	3,877,014	1.00	1.00
2019	–	2,632,000,000	1.00	1.00
2020	16,000,000,000	6,185,182,288	1.00	1.00
2021	24,000,000,000	24,631,569,964	1.00	1.00
2022	–	1,353,367,599	1.00	1.00

**On April 7, 1997, par value was increased from ₱0.01 to ₱1.00.*
***Equivalent number of shares at ₱1.00 par.*

Additional Paid-in Capital

The rollforward of this account follows:

	2022	2021
Beginning balance	**₱97,857,306**	₱8,634,385
Issuance of shares of stock	**9,448,417**	89,903,208
Stock issuance costs	**–**	(680,287)
Adjustment in grants through Employee Stock Ownership Plan	**(5)**	–
Ending balance	**₱107,305,718**	₱97,857,306

Subscription by Sellers of UPC-ACE Australia and UPC Australia and Sellers of UPC Philippines
On March 21, 2022, ACEN signed Subscription Agreements with the following entities for the following number of shares in ACEN at a price of ₱7.871 per share:

UPCAPH	₱869,119,204
Anton Rohner ("Rohner")	61,630,796
Total ACEN shares to be issued	930,750,000
Subscription price per share	7.871
Total subscription price	₱7,325,933,250

On March 22, 2022, ACEN signed Subscription Agreements with the following entities for the following number of shares in ACEN at a price of ₱8.2889 per share:

Estanyol Holdings Ltd.	₱153,493,200
Wind City Inc.	142,668,634
Tenggay Holdings Ltd.	70,525,763
UPC Philippines Wind Partners Ltd	19,059,423
Alan Kerr (collectively, the "UPC Philippines Group")	4,248,813
Total ACEN shares subscribed	389,995,833
Subscription price per share	8.2889
Total subscription price	₱3,232,636,460

The subscription by Sellers of UPC-ACE Australia and UPC Australia and Sellers of UPC Philippines to ACEN shares was approved by the BOD of ACEN on October 18, 2021.

The issuance and listing of the ACEN common shares were approved by ACEN's stockholders on December 15, 2021. On March 8, 2022, the BOD of ACEN approved a revised list of subscribers constituting the UPC Philippines, including a re-allocation of some of the shares for subscription, which was presented to the stockholders for approval during the 2022 annual stockholders' meeting of ACEN on April 25, 2022.

ACEN Stock Rights Offering (SRO)
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 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 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, at ₱2.37 per share, comprised of two rounds and a domestic institutional offer.

During the Rights Offer Period from January 18, 2021 to January 22, 2021, ACEN sold, by way of SRO, 2,094,898,876 common shares and 172,681,558 common shares in first round and second round allocation, respectively, which were subsequently listed with the PSE on January 29, 2021.

ACEN Follow-On Offering (FOO)
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 2,000,000,000 primary common shares.

On March 18, 2021, the BOD of ACEN approved the issuance of 1,580,000,000 primary common shares for the FOO.

On April 29, 2021, the Executive Committee approved the offer price of ACEN's FOO at ₱6.50 per common share.

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 22,010,248,617 common shares priced at ₱6.50 per share, consisting of 1,580,000,000 primary common shares, 330,248,617 secondary common shares offered by ACEIC and Bulacan Power, and an over-subscription of 100,000,000 secondary common shares sold by ACEIC.

The primary shares were listed on the PSE on May 14, 2021.

<u>Employee Stock Ownership Plan</u>
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 ("ESOWN") out of the unsubscribed portion of the ACEN's capital stock, to be available to qualified employees upon achievement of the Company'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, of which 8,188,097 shares were issued in 2022, resulting to an adjustment of 900 shares in the grants.

On August 19, 2022, ACEN issued 32,622,666 common shares to various employees of the Parent Company through the ESOWN.

Total expense arising from the equity-settled share-based payment transaction (included under General and administrative expenses) amounted to ₱31.16 million and ₱3.55 million in 2022 and 2021, respectively. There were no grants and availments during 2022 and 2021.

Retained Earnings (Deficit)
The Company's retained earnings balance (deficit) amounted to (₱959.75) million and ₱5,233.55 million as at December 31, 2022 and 2021, respectively. Retained earnings available for dividend declaration amounted to nil and ₱5,233.55 million as at December 31, 2022 and 2021, respectively.

On February 23, 2023, the BOD of ACEN International, Inc. approved the declaration of cash dividends amounting to USD$100.00 million. Dividends will be paid for its peso equivalent on or before March 31, 2023 to its shareholders on record as of December 31, 2023. Consequently, retained earnings available for dividend declaration of the Parent Company increased by equivalent amount.

Dividends
On March 18, 2021, the BOD of ACEN approved the declaration of cash dividends of ₱0.06 per share on the 19,960,037,644 issued and outstanding shares, or a total dividend amount of ₱1,197.60 million paid on April 19,2021 to the shareholders on record as at April 5, 2021.

On March 8, 2022, the BOD of ACEN approved the declaration of cash dividends of ₱0.06 per share on the 38,315,838,177 outstanding shares of ACEN, or a total dividend amounting to ₱2,298.95 million, paid on April 19, 2022, to the shareholders on record as at April 5, 2022.

Other Equity Reserves
This represents the impact of share swap transaction from ACEIC to ACEN. The amount reflected in other equity reserves is the difference between the fair value of the issued ACEN shares and the agreed transfer values in the Deeds of Assignment (see Note 9).

Treasury Shares
On March 18, 2020, the BOD of the Company approved a share buy-back program to support its share prices through the repurchase in the open market of up to ₱1,000.00 million worth of common shares beginning March 24, 2020. As at December 31, 2022 and 2021, the cumulative number of shares repurchased is at 14.50 million for an aggregate repurchase price of ₱28.66 million.

Capital Management
The primary objective of the Parent Company'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 Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or acquire long-term debts.

16. Revenue from Sale of Electricity

The table presents the Parent Company's revenue from different revenue streams.

	2022	2021
Revenue from power supply contracts	**₱29,810,006**	₱21,811,624
Revenue from power generation and trading and ancillary services	**19,222**	296,892
	₱29,829,228	₱22,108,516

Power Supply Agreement with MERALCO
On September 9, 2019, the Parent Company won the bid to supply MERALCO a baseload demand of 200MW from December 26, 2019 until December 25, 2029 subject to the approval of 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.

On September 11, 2019, the Parent Company won the bid to supply MERALCO a baseload demand of 110MW from December 26, 2019 until December 25, 2024 subject to the approval of 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.

Pre-termination fees
Revenues from power supply contract were reduced by RES customer pre-termination fees of ₱605.00 million in 2022 (nil in 2021).

17. Costs of Sale of Electricity

This account consists of:

	2022	2021
Costs of power purchased	**₱29,982,678**	₱19,323,896
Fuel	**2,279,853**	1,235,242
Others	**203,429**	159,691
	₱32,465,960	₱20,718,829

Power Administration and Management Agreement (PAMA)
The Parent Company entered into PAMAs with its affiliates Bulacan Power, CIPP and One Subic Power. Under the terms of the PAMA, the Parent Company will administer and manage the entire generation output of the 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 or quarterly. 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 Subic Bay Metropolitan Authority.

Power Purchase and Supply Agreement with GNPower Dinginin Ltd. Co.
On October 25, 2022, The BOD of ACEN approved the execution of a Power Purchase and Supply Agreement ("PPSA") between ACEN and GNPower Dinginin Ltd. Co. ("GNPD") for the supply of 43 MW of capacity. The PPSA commenced on October 26, 2022.

18. General and Administrative Expenses

This account consists of:

	2022	2021
Salaries and directors' fees	**₱961,100**	₱362,426
Management and professional fees	**234,791**	613,400
Outsourced services	**227,451**	56,115
Depreciation and amortization	**160,008**	137,230
Pension and other employee benefits	**122,695**	70,270
Taxes and licenses	**105,349**	351,548
Insurance, dues and subscriptions	**67,749**	170,941
Utilities	**31,502**	6,516
Transportation and travel	**29,179**	1,587
Advertising expense	**20,760**	25,781
Corporate Social Responsibility	**14,997**	7,009
Others	**85,515**	144,293
	₱2,061,096	₱1,947,116

Others includes rental, repairs, bank charges and other miscellaneous expenses.

19. Other Income (Expenses) - Net

This account consists of:

	2022	2021
Interest and other financial income	**₱308,577**	₱171,516
Foreign exchange gain - net	**215,189**	17,753
Gain on derivatives - net	**9,265**	41,745
Loss on divestment in SLTEC (Note 9)	**(4,093,492)**	–
Provision for impairment of investment in BSEI (Note 9)	**(233,975)**	–
Reversal of allowance for impairment of property, plant and equipment	–	72,000
Claims on insurance	–	58,331
Reversal of excess provisions for oil spill	–	50,320
Others	**17,956**	10,032
	(₱3,776,480)	₱421,697

Interest and Other Financial Income
The details of interest and other financial income are as follows:

	2022	2021
Interest income on:		
Receivables (Note 6)	**₱283,071**	₱61,286
Short-term deposits (Note 5)	**15,063**	91,215
Cash in banks (Note 5)	**10,135**	17,418
Interest income not subject to final tax	**308**	1,597
	₱308,577	₱171,516

Interest and Other Financial Charges
The details of interest and other financial charges are as follows:

	2022	2021
Interest expense on:		
Long-term loans (Note 12)	**₱531,462**	₱386,001
Notes Payable (Note 12)	**166,447**	–
Short-term loans (Note 12)	**179,920**	52,522
Lease obligation (Note 13)	**38,334**	39,497
Amortization of debt issue cost (Note 12)	**14,944**	8,221
Amortization of discount on nontrade payable	**–**	72,533
	₱931,107	₱558,774

20. **Income Taxes**

a. The provision for (benefit from) income taxes consist of:

	2022	2021
Final taxes	**₱2,155**	₱13,129
MCIT	**–**	23,763
Deferred income taxes	**(978,076)**	19,357
	(₱975,921)	₱56,249

b. The components of the Parent Company's net deferred income tax assets as at December 31 are as follows:

	2022	2021
Deferred income tax assets on:		
NOLCO	**₱1,155,195**	₱88,000
Lease liabilities	**230,069**	248,653
MCIT	**88,800**	88,800
Allowance for credit losses	**26,598**	28,348
Allowance for probable losses on deferred exploration costs	**11,372**	11,372
Pension and other employee benefits	**7,579**	7,045
Accrued expenses	**₱198**	₱25,066
Unamortized discount on long-term receivables	**12**	107
Others	**32,192**	22,643
	₱1,552,015	₱520,034

(Forward)

	2022	2021
Deferred income tax liabilities on:		
Right-of-use asset	**(₱205,937)**	(₱234,263)
Unamortized debt issue cost	**(59,246)**	(13,235)
Unrealized foreign exchange gain	**(51,024)**	(16,361)
Derivative asset	**(4,106)**	–
Unamortized interest cost on payable to APHPC	**(52)**	(52)
	(320,365)	(263,911)
Presented in other comprehensive income		
Deferred tax asset -		
Remeasurement loss on defined benefit obligation	**2,581**	2,613
	2,581	2,613
Deferred tax liability -		
Derivative asset on hedging	**(5,942)**	–
	(5,942)	–
Deferred income tax assets – net	**₱1,228,289**	₱258,736

Deferred income tax not recognized by the Parent Company pertains to portion of NOLCO amounting to ₱217.82 million and ₱569.82 million in 2022 and 2021, respectively while deferred income tax not recognized by the Parent Company on excess MCIT over RCIT amounted to nil and ₱23.76 million as at December 31, 2022 and 2021, respectively.

The details of the Parent Company's NOLCO and MCIT as at December 31, 2022 and 2021 are as follows:

NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry
2019	₱299,242	₱–	(₱299,242)	₱–	2022
2021	569,823	–	–	569,823	2026
2022	4,268,781	–	–	4,268,781	2025
	₱5,137,846	₱–	(₱299,242)	₱4,838,604	

Excess MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry
2020	₱88,800	₱–	₱–	₱88,800	2023
2021	23,763	–	–	23,763	2024
	₱112,563	₱–	₱–	₱112,563	

c. The reconciliation between the effective income tax rates and the statutory income tax rate follows:

	2022	2021
Applicable statutory income tax rate	**25%**	25%
Decrease in tax rate resulting from:		
Dividend income exempt from tax	**68.11**	(28.80)
Interest income subjected to final tax	**0.69**	(2.14)

(Forward)

	2022	2021
Movement in unrecognized DTA	**3.66**	6.07
Effect of change in tax rates	**–**	(1.00)
Non-deductible expenses from share issuances	**(84.08)**	(13.53)
Nondeductible expenses	**(0.75)**	2.07
Others	**0.20**	1.00
Effective income tax rate	**12.83%**	(11.33%)

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. 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.

Outstanding balances at year-end are unsecured and are expected to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

No provision for credit losses was recognized for receivables from related parties in both 2022 and 2021. The assessment of collectability of receivables from related parties is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. In the ordinary course of business, the Parent Company transacts with subsidiaries, associates, affiliates, jointly-controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply.

The balances of accounts pertaining to related parties as at and for the years ended December 31 are as follows:

	Receivables		**Payables**	
	2022	2021	**2022**	2021
Intermediate Parent				
ACEIC	**₱46,391**	₱10,594	**₱14,978**	₱170,792
Subsidiaries				
SolarAce 1	**3,603,263**	3,580,442	**–**	–
NAREDCO	**1,732,724**	–	**–**	–
Gigasol 3	**1,463,464**	1,447,912	**–**	–
BWPC	**1,330,322**	–	**–**	–
ACEN International	**1,124,525**	–	**–**	–
ACE Endevor	**567,819**	–	**–**	–
Sta. Cruz	**502,111**	584,000	**–**	–
Giga Ace 4	**269,338**	268,570	**–**	25
BSEI	**159,663**	159,658	**–**	–
ENEX	**147,019**	572	**–**	–
BPGC	**65,053**	64,380	**50,199**	36,176
OSPGC	**62,506**	700,506	**66,783**	72,756
ACES	**319**	44	**105,557**	53,697
Giga Ace 3	**–**	–	**700,000**	–
BCHC	**–**	554,999	**–**	–
Various	**370,512**	220,317	**21,977**	13,849

(Forward)

	Receivables		Payables	
	2022	2021	**2022**	2021
Associates	**–**	–	**–**	–
Greencore	**₱4,468,683**	₱2,130,018	**₱–**	₱–
IPHI	**199,281**	35	**1**	–
MGI	**23,130**	–	**111,922**	111,321
GNPower Dinginin Ltd. Co.	**(11,235)**	–	**623,400**	–
SLTEC	**–**	78,613	**–**	923,995
Various	**7,256**	24,919	**254**	254
Other related parties				
Various	**258,900**	150,415	**9,089**	59,284
Total	**₱16,391,044**	₱9,975,994	**₱1,704,160**	₱1,442,149
Due from related parties (see Note 6)	**₱9,937,877**	₱7,227,631	**₱–**	₱–
Debt replacement (see Note 6)	**4,225,946**	–	**–**	–
Advances to affiliates	**519,963**	519,963	**–**	–
Due to related parties	**–**	–	**1,704,160**	1,442,149
Loans receivable	**1,707,258**	2,228,400	**–**	–

Intermediate Parent

ACEIC
The Parent Company has a management contract with PHINMA, Inc. This management contract was assigned to ACEIC on June 25, 2019 through the executed Deed of Assignment.

Subsidiaries

SolarAce1
The transactions with SolarAce 1 include advances include advances for working capital requirement, project funding and management fees charged by the Parent Company.

Natures Renewable Energy Development Corp.
The transaction with NAREDCO pertains to the loan provided by the Parent Company.

Gigasol 3
The transactions with Gigasol 3 includes advances for working capital requirement and management fees charged by the Parent Company.

BWPC
The transactions with BWPC includes project funding and management fees charged by the Parent Company.

ACEN International Inc.
The Parent company's receivable pertains to the dividends declared by ACEN International this was collected on January 6, 2023.

ACE Endevor Inc.
The transaction with ACED pertains to dividends to be received by the Parent Company.

Sta. Cruz Solar Energy Inc.
The transactions with Sta. Cruz pertain to management fees charged by the Parent Company.

GigaAce 4
The transactions with GigaAce 4 include advances for working capital and advances for investment and reimbursements of expenses.

Bataan Solar Energy, Inc.
The transactions with BSEI include advances for working capital requirement.

ENEX Energy Corp.
On December 10, 2021, the ENEX BOD approved the availment of a short-term loan from ACEN of up to ₱150.00 million to fund the initial subscription by ENEX to shares in BCEI and authorized the ENEX to secure bank loans in an aggregate amount of up to ₱150.00 million to be guaranteed by ACEN subject to the payment of a guarantee fee. On December 13, 2021, the ACEN BOD approved the short-term loan up to ₱150.00 million in favor of ENEX. As at December 31, 2022, a total of ₱127.00 million was already availed by ENEX to fund its investment in BCEI.

Interest expense related to short-term loan amounted to ₱5.24 million for the year ended December 31, 2022. The loan is subjected to 3.875% p.a payable on or before November 10, 2022. On November 11, 2022, extension of the loan was granted. The loan is subjected to 7.2954% p.a payable on or before November 10, 2023. Total interest expense remains unpaid as of March 7, 2023.

Bulacan Power Generation Corporation
The receivables from BPGC are unpaid dividends declared in 2021. The payables to BPGC are unpaid capacity fee by virtue of the PAMA.

One Subic Power Generation Corporation
The receivables from OSPGC are for working capital advances. The payables to OPGC are unpaid capacity fee by virtue of the PAMA.

ACE Shared Services, Inc.
The transaction with ACES includes advances for working capital requirement, advances for investment and management/outsourcing fees charged to the Parent Company.

GigaAce 3
The transactions with GigaAce 4 include advances for working capital and advances for investment and reimbursements of expenses.

BCHC
The transactions with BCHC include advances for working capital requirement and advances for investment.

Joint Venture and Associates

Greencore Power Solutions 3, Inc.
The transaction with Greencore pertains to the loan provided by the Parent Company.

Ingrid Power Holdings, Inc.
The transactions with IPHI include loan drawdown and advances for miscellaneous expenses.

Maibara Geothermal Inc.
The Parent Company purchases the entire net electricity output of MGI. Other transactions with MGI include reimbursements of expenses and advances for future subscriptions.

GNPower Dinginin Ltd. Co
The transaction with GNPD pertains to the Power Supply Agreement with the Parent Company.

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 Parent Company 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.

For related party transactions that, aggregately within a 12-month period, breach the SEC materiality threshold, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Compensation of Key Management Personnel
Compensation of key management personnel of the Parent Company are as follows which pertain to compensation and benefits of officers:

	2022	2021
Short-term employee benefits	**₱54,431**	₱64,215
Post-employment benefits	**4,133**	2,691
	₱58,564	₱66,906

22. **Earnings/(loss) per Share**

Basic and diluted earnings (loss) per share are computed as follows:

	2022	2021
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Net income (loss)	**(₱3,894,348)**	₱1,200,882
Common shares outstanding at beginning of year (Note 15)	**₱38,338,527,174**	₱13,706,957,210
Weighted average number of shares:		
Shares issued during the year	**1,043,557,948**	15,719,838,696
(b) Weighted average common shares outstanding	**39,382,085,122**	29,426,795,906
Basic/Diluted Earnings (Loss) per share (a/b)	**(₱0.10)**	₱0.04

For the years ended December 31, 2022 and 2021, except for ESOWN, the Parent Company does not have material potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings per share is the same as the basic earnings per share for the year ended December 31, 2022 and 2021.

23. Financial Risk Management Objectives and Policies

Objectives and Investment Policies

The funds of the entities held directly by the Parent Company are managed by the Corporate Finance ("CORFIN"). All cash investments of the Parent Company 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 is yield to trump the absolute requirement that the principal amount of investment be preserved and placed in liquid instruments.

The CORFIN manages the funds of the Parent Company 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 Parent Company's financial assets that finance the Parent Company's operations and investments in enterprises.

CORFIN focuses on the following major risks that may affect its transactions:

- Foreign exchange risk
- Credit or counterparty risk
- Liquidity risk
- Market 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 ("CO") 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 Parent Company.

Risk Management Process

Foreign Exchange Risk

The Parent Company defines foreign exchange risk as the risk of realizing reduced operating cash flows , higher capital expenditure, cost of international investments 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:

- Matching the currency of borrowing to the de facto operating currency of the respective projects or investments funded;
- 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 Parent Company 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 Parent Company's significant foreign currency-denominated financial assets and financial liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
	US Dollar (US$)	US Dollar (US$)
Financial Assets		
Cash and cash equivalents	**$667**	$504
Receivables	**43,774**	25,999
Foreign currency-denominated assets	**$44,441**	$26,503
Financial Liability		
Accounts payable and other current liabilities	**($25)**	($5)
	($25)	($5)
Net foreign currency denominated assets (liabilities)	**$44,416**	$26,498
Philippine peso equivalent	**₱2,492,626**	₱1,345,303

In translating foreign currency-denominated financial assets and financial liabilities into Philippine peso amounts, the exchange rate used were ₱56.12 to US$1.00 as at December 31, 2022 and ₱50.77 to US$1.00 as at December 31, 2021.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Parent Company's profit before tax (due to the changes in the fair value of monetary assets and liabilities) in 2022 and 2021. The possible changes are based on surveys conducted by management among its banks. There is no impact on the Parent Company's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives.

Year	**Increase (Decrease) in Foreign Exchange Rate**	**US$**
2022	**(₱0.50)**	**(₱22,208)**
	(1.00)	**(44,416)**
	0.50	**22,208**
	1.00	**44,416**

(Forward)

Year	Increase (Decrease) in Foreign Exchange Rate	US$
2021	(₱0.50)	(₱13,249)
	(1.00)	(26,498)
	0.50	13,240
	1.00	26,498

Credit or Counterparty Risk
The Parent Company defines Credit or Counterparty Risk as the risk of sustaining a loss resulting from a counterparty's default on a transaction entered with the Parent Company.

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 CORFIN before it is executed subject to the Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and a CORFIN finance managers supervises the execution of major transaction.
- 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 other financial assets of the Parent Company, which comprise cash and cash equivalents, and derivative instruments, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Parent Company's assessments of the credit quality of its cash and cash equivalents and derivative assets were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.

There are no significant concentrations of credit risk within the Company.

Maximum exposure to credit risk of financial assets subject to impairment
The gross carrying amount of financial assets as at December 31 subject to impairment are as follows:

	2022	2021
Financial Assets at Amortized Cost (Portfolio 1)		
Cash in banks and cash equivalents	**₱2,233,114**	₱4,787,697
Receivables:		
Trade receivables	**6,112,412**	4,607,570
Due from related parties	**9,937,877**	7,227,631
Debt replacement	**4,225,946**	
Others	**615,588**	228,303
Other Current Assets:		
Refundable deposits	**155,029**	146,759
Other Noncurrent Assets:		
Trade receivables	–	571,714
Loans receivables	**1,288,171**	2,228,400
Receivables from third parties	**332,457**	332,150
Refundable deposits	**80,379**	132,621
	₱24,980,973	₱20,262,845

Credit risk under general and simplified approach

	2022				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash in banks and cash equivalents	₱2,233,114	₱–	₱–	₱–	₱2,233,114
Receivables:					–
Trade	–	–	–	6,112,412	6,112,412
Due from related parties	9,563,000			374,877	9,937,877
Debt replacement	4,225,946	–	–	–	4,225,946
Others	615,588	–	–	–	615,588
Refundable deposits under "Other current assets"	155,029	–	–	–	155,029
Other noncurrent assets:				–	
Loans receivables	1,288,171	–	–	–	1,288,171
Receivable from third parties	332,457	–	–	–	332,457
Refundable deposits	80,379	–	–	–	80,379
	₱18,493,684	₱–	₱–	₱6,487,289	₱24,980,973

	2021				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash in banks and cash equivalents	₱4,787,697	₱–	₱–	₱–	₱4,787,697
Receivables:					–
Trade	–	–	–	4,607,570	4,607,570
Due from related parties	7,079,544			148,087	7,227,631
Debt replacement	228,303	–	–	–	228,303
Others	146,759	–	–	–	146,759
Refundable deposits under "Other current assets"				–	
Other noncurrent assets:	571,714				571,714
Loans receivables	2,228,400	–	–	–	2,228,400
Receivable from third parties	332,150	–	–	–	332,150
Refundable deposits	132,621	–	–	–	132,621
	₱15,507,188	₱–	₱–	₱4,755,657	₱20,262,845

Simplified Approach

Set out below is the information about the credit risk exposure on the Group's trade receivables using simplified approach (provision matrix):

	2022					
		Days Due				
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	7.53%	
Estimated total gross carrying amount at default	₱3,001,808	₱1,979,507	₱40,807	₱51,757	₱1,413,410	₱6,487,289
Expected credit loss	₱–	₱–	₱–	₱–	₱106,394	₱106,394

	2021					
		Days Due				
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	7.53%	
Estimated total gross carrying amount at default	₱3,004,272	₱333,153	₱2,126	₱2,696	₱1,413,410	₱4,755,657
Expected credit loss	₱–	₱–	₱–	₱–	₱106,394	₱106,394

Liquidity Risk

Liquidity risk is defined as the risk that the Parent Company 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 Parent Company.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Parent Company's plans. Average duration of investments do not exceed one (1) year.
- Setting up working capital lines to address unforeseen cash requirements that may cause pressure to liquidity.

The tables below summarize the maturity profile of the Parent Company's financial liabilities as at December 31 based on contractual undiscounted payments:

	2022					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More than 5 years**	**Total**
Accounts payable and other current liabilities[a]:						
Trade and nontrade accounts payable	**₱182,429**	**₱2,350,530**	**₱23,443**	**₱–**	**₱–**	**₱2,556,402**
Due to related parties	**–**	**2,327,347**	**–**	**–**	**–**	**2,327,347**
Accrued interest	**–**	**187,109**	**–**	**–**	**–**	**187,109**
Accrued expenses[b]	**–**	**687,736**	**–**	**–**	**–**	**687,736**
Derivative liability	**–**	**–**	**44,660**	**–**	**–**	**44,660**
Due to stockholders	**16,585**	**–**	**–**	**–**	**–**	**16,585**
Short-term loan[c]	**–**	**2,900,000**	**–**	**–**	**–**	**2,900,000**
Long-term loans[c]	**–**	**–**	**460,056**	**4,133,270**	**19,414,602**	**24,007,928**
Notes Payable[c]	**–**	**–**	**–**	**9,877,342**	**–**	**9,877,342**
Lease liability[d]	**–**	**–**	**85,092**	**478,565**	**701,779**	**1,265,436**
Other noncurrent liabilities	**–**	**–**	**–**	**79,344**	**–**	**79,344**
	₱199,014	**₱7,944,247**	**₱613,251**	**₱14,568,521**	**₱20,116,381**	**₱43,949,889**

[a] *Excludes output VAT amounting to ₱114 million as at December 31, 2022 (see Note 11).*
[b] *Excludes current portion of vacation and sick leave accruals amounting to ₱0.83 million as at December 31, 2022).*
[c] *Includes contractual interest payments.*
[d] *Gross contractual payments.*

	2021					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
Accounts payable and other current liabilities[a]:						
Trade and nontrade accounts payable	₱348,109	₱1,642,076	₱720,486	₱–	₱–	₱2,710,671
Due to related parties	–	1,441,751	–	–	–	1,441,751
Accrued interest	–	95,091	–	–	–	95,091
Accrued expenses[b]	–	654,134	–	–	–	654,134
Derivative liability	–	–	241,744	–	–	241,744
Due to stockholders	16,585	–	–	–	–	16,585
Short-term loan[c]	–	–	–	–	–	–
Long-term loans[c]	–	151,606	389,987	2,223,579	8,438,310	11,203,482
Lease liability[d]	–	29,902	84,540	478,565	661,753	1,254,760
Other noncurrent liabilities	–	–	–	–	174,581	174,581
	₱364,694	₱4,014,560	₱1,436,757	₱2,702,144	₱9,274,644	₱17,792,799

[a] *Excludes output VAT amounting to ₱59 million as at December 31, 2022 (see Note 11).*
[b] *Excludes current portion of vacation and sick leave accruals amounting to ₱0.83 million as at December 31, 2021.*
[c] *Includes contractual interest payments.*
[d] *Gross contractual payments.*

As at December 31, the profile of financial assets used to manage the Parent Company's liquidity risk is as follows:

	2022				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Current					
Cash in banks and cash equivalents	**₱2,233,439**	**₱–**	**₱–**	**₱–**	**₱2,233,439**
Receivables:					
Trade	–	**4,817,051**	**1,295,361**	–	**6,112,412**
Due from related parties	**257,235**	**1,912,596**	**11,993,992**	**-**	**14,163,823**
Others	**28,899**	**559,861**	**58,809**		**647,659**
Refundable deposits*	**–**	**–**	**155,029**	**–**	**155,029**
Derivative asset*	–	**61,270**	–	–	**61,270**
Noncurrent					
Receivables from third parties	–	–	–	**332,457**	**332,457**
Refundable deposits**	–	–	–	**80,379**	**80,379**
	₱2,519,573	**₱7,350,778**	**₱13,503,191**	**₱412,836**	**₱23,786,468**

**Included in "Other current assets" account.*
***Included in "Other noncurrent assets" account.*

	2021				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Current					
Cash in banks and cash equivalents	₱4,788,002	₱–	₱–	₱–	₱4,788,002
Receivables:					
Trade	458,748	3,146,366	1,002,456	–	4,607,570
Due from related parties	504,450	481,647	6,241,534	–	7,227,631
Others	73,591	209,002	–	–	282,593
Refundable deposits*	–	–	146,759	–	146,759
Derivative asset*	–	241,744	–	–	241,744
Noncurrent					
Trade receivables	571,714	–	–	–	571,714
Receivables from third parties	–	–	–	332,150	332,150
Refundable deposits**	–	–	–	132,621	132,621
	₱6,396,505	₱4,078,759	₱7,390,749	₱464,771	₱18,330,784

**Included in "Other current assets" account.*
***Included in "Other noncurrent assets" account.*

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.

As at December 31, 2022 and 2021, the Parent Company has already liquidated all outstanding investment in marketable securities and will discontinue investing in highly volatile financial instruments to keep a risk-averse position.

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, 2022 and 2021, the Parent Company has fixed rate financial instruments measured at fair value.

The Parent Company's exposure to interest rate risk relates primarily to long-term debt obligations that bear floating interest rate. The Parent Company 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:

Loan A
In 2017, the Parent Company availed a loan from a local bank amounting to ₱1,175 million to be used to fund its projects and working capital. Loan has a term of twelve (12) years and comes a fixed interest rate. Principal and interest are payable semi-annually.

Loan B
In 2019, the Parent Company availed a ₱5,000.00 million loan with a local bank 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.

Loan C
On July 15, 2020, the Parent Company entered into a term loan agreement with a local bank amounting to ₱7,000.00 million. 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, 2022, the Parent Company has drawn ₱4,500.00 million. The undrawn portion of the term loan facility amounting to ₱3,500.00 million is still subject to interest rate risk depending on the pricing structure to be selected once drawdown is made.

Loan D
On March 30, 2021 the Parent Company entered into a term loan agreement with a local bank amounting to ₱4,500.00 million. The loan has a term of ten (10) years with a floating interest rate repriced on every succeeding semi-annual period and can be converted to fixed rate up to the 2nd anniversary of initial drawdown.

Loan E
On December 13, 2022, the Parent Company entered into a term loan agreement with a local bank amounting to ₱10,000.00 million. 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, 2022, the Company has drawn ₱3,000.00 million and is subject to a fixed interest rate of 5.79% for ten (10) years. The undrawn portion of the term loan facility amounting to ₱7,000.00 million is still subject to interest rate risk depending on the pricing structure to be selected once drawdown is made.

The following table sets out the carrying amount, by maturity of the Parent Company's financial assets that are exposed to interest rate risk:

				2022			
	Interest Rates	**Within 1 Year**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years to 4 years**	**Beyond 4 years**	**Total**
Long-term loans							
Loan A	**6.50%**	**₱121,987**	**₱227,453**	**₱189,640**	**₱77,410**	**₱67,267**	**₱683,757**
Loan B	**5.17%**	**283,733**	**506,015**	**432,544**	**192,687**	**2,964,510**	**4,379,489**
Loan C	**5.10 – 6.72%**	**252,168**	**524,234**	**453,023**	**392,602**	**2,695,973**	**4,318,000**
Loan D	**4.50 – 6.80%**	**151,495**	**337,423**	**340,100**	**347,842**	**3,057,989**	**4,234,849**
Loan E	**5.89%**	**167,454**	**310,654**	**291,194**	**292,751**	**2,068,665**	**3,130,718**
Notes Payable	**6.35%**	**627,789**	**1,260,069**	**632,476**	**10,475,512**	**–**	**12,995,846**
Special savings account (SSA) - Peso	**0.375 – 0.75%**	**1,064,770**	**–**	**–**	**–**	**–**	**1,064,770**

	2021						
	Interest Rates	Within 1 Year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	Beyond 4 years	Total
Long-term loans							
Loan A	6.50%	₱125,130	₱258,594	₱127,475	₱130,765	₱227,182	₱869,146
Loan B	5.17%	299,170	591,029	291,196	288,538	5,038,102	6,508,035
Loan C	5.10%	93,816	185,095	91,078	90,165	1,600,476	2,060,630
Loan D	6.09%	22,138	50,664	29,800	29,578	840,208	972,388
Special savings account (SSA) - Peso	0.375 – 0.75%	187, 840	–	–	–	–	187, 840

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Parent Company that are not included in the above table are noninterest-bearing investments and are therefore not subject to interest rate volatility.

The following tables demonstrate the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Parent Company's profit before tax for the years ended December 31, 2022 and 2021. The possible change are based on a survey conducted by management among its banks. There is no impact on the Parent Company's equity other than those already affecting the profit or loss.

	2022	
	Increase (Decrease) in Basis Points	**Increase (Decrease) in Income Before Tax**
Long-term loan	**262**	**(₱74,739)**
	(262)	**74,739**
SSA – Peso	**262**	**39,538**
	(262)	**(39,538)**

	2021	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Income Before Tax
Long-term loan	262	(₱34,012)
	(262)	34,012
SSA – Peso	262	6,975
	(262)	(6,975)

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 Parent Company's exposure to equity price risk relates primarily to its financial assets at FVOCI.

Cash flow hedges
Commodity Price Risk
The Parent Company 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 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 Parent Company developed a Coal Hedging Strategy designated to:

- Manage the risk associated with unexpected increase in coal prices which affect the target Profit & Loss of the Company
- 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 Parent Company's Chief Executive Officer, Chief Finance Officer and Philippine Chief Operating Officer (PH COO) are authorized to make coal hedging decisions for the Parent Company. 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 Hedging Strategy is reviewed monthly by the commercial operations group. Continuation, addition, reduction and termination of existing hedges are decided by the PH COO and any material change in permissible hedging instrument, counterparties and limits are elevated to the Board for approval.

The Parent Company purchases coal under the AMA with SLTEC 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 Parent Company 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 Parent Company 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 Parent Company is holding the following foreign exchange and commodity swap contracts:

	Maturity						
	< 1 month	1-3 months	4-6 months	7-9 months	10-12 months	>12 months	Total
As at December 31, 2022							
Foreign exchange forward contracts							
Notional amount ($000)	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**
Average forward rate ($/₱)	–	–	–	–	–	–	–
Fuel							
Notional amount (in Metric Tons)	**16,800**	–	–	–	–	–	**16,800**
Notional amount (in $000)	**(461)**	–	–	–	–	–	**(461)**
Average hedged rate ($ per Metric ton)	**327.97**	–	–	–	–	–	
Coal							
Notional amount (in Metric Tons)	**9,000**	–	–	–	–	**1,950**	**10,950**
Notional amount (in $000)	**846**	–	–	–	–	**39**	**885**
Average hedged rate ($ per Metric ton)	**408.63**	–	–	–	–	–	
As at December 31, 2021							
Foreign exchange forward contracts							
Notional amount ($000)	$–	$360	$270	$181	$273	$–	$1,084
Average forward rate ($/₱)	–	48.23	48.38	48.37	48.72	–	–

There were no additional fuel and coal commodity swap contracts entered into and the remaining coal contracts in 2022 were all settled as at December 31, 2022.

The impact of the hedging instruments on the statements of financial position is, as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the year
As at December 31, 2022				
Foreign exchange forward contracts	**$–**	**₱–**	**Other current assets;**	**₱–**
Commodity swap contracts – Fuel	**16,800**	**11,604**	**Other current assets**	**8,703**
Commodity swap contracts – Fuel		**(37,500)**	**Other noncurrent liabilities**	**(28,125)**
Commodity swap contracts – Coal	**10,950**	**49,666**	**Other current assets**	**35,603**
As at December 31, 2021				
Foreign exchange forward contracts	$1,084	₱241,744	Other current assets	(₱41,745)

The impact of hedged items on the Parent Company statements of financial position is, as follows:

	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve
As at December 31, 2022		
Highly probable forecast purchases	**₱55,500**	**(₱51,722)**
Highly probable forecast purchases	**(3,012)**	–
Fuel purchase	**8,703**	–
Fuel purchase	**(28,125)**	–
Coal purchase	**35,603**	–
As at December 31, 2021		
Highly probable forecast purchases	(₱47,029)	₱6,228
Highly probable forecast purchases	241,744	–

The effect of the cash flow hedge in the statements of comprehensive income is, as follows:

	Total hedging gain/(loss) recognized in OCI	Ineffectiveness recognized in profit or loss	Line item in Company 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
As at December 31, 2022						
Foreign exchange forward contracts	₱–	₱–		–	–	–
Foreign exchange forward contracts	–	–		–	–	–
Commodity swap contracts - Fuel	**8,703**	–	**Unrealized fair value gains on derivative instruments designated as hedges**	–	–	–
Commodity swap contracts - Fuel	**(28,125)**	–	**Unrealized fair value gains on derivative instruments designated as hedges**	–	–	–
Commodity swap contracts - Coal	**35,603**	–	**Unrealized fair value gains on derivative instruments designated as hedges**	–	–	–
As at December 31, 2021						
Foreign exchange forward contracts	₱–	₱41,745	Other income (expense)	–	–	–
Foreign exchange forward contracts	(57,409)	–	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:

- 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.
- Weekly portfolio reports are submitted to the Management Committee that includes an updated summary of global and domestic events of the past month and the balance of the year.
- 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.

24. **Fair Values**

The table below presents the carrying values and fair values of the Parent Company's financial assets and financial liabilities, by category and by class, as at December 31, 2022 and 2021.

	2022			
		Fair value		
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Input (Level 3)**
Assets:				
Derivative assets*	**₱77,695**	**₱–**	**₱77,695**	**₱–**
Refundable deposits*	**235,408**	**–**	**–**	**235,408**
Receivables from third parties	**332,457**	**–**	**–**	**332,457**
	₱645,560	**₱–**	**₱77,695**	**₱567,865**
Liabilities:				
Long-term loans	**₱17,393,858**	**₱–**	**₱–**	**₱24,007,928**
Deposit payable & other liabilities**	**79,344**	**–**	**–**	**79,344**
Derivative liability**	**44,660**	**–**	**44,660**	**–**
	₱17,517,862	**₱–**	**₱44,660**	**₱24,087,272**

** Included under "Other current assets" and "Other noncurrent assets" accounts.*
*** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

	2021			
		Fair value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Input (Level 3)
Assets:				
Derivative assets*	₱241,744	₱–	₱241,744	₱–
Refundable deposits*	279,380	–	–	279,380
Receivables from third parties	332,150	–	–	332,150
	₱853,274	₱–	₱241,744	₱611,530
Liabilities:				
Long-term loans	₱7,915,610	₱–	₱–	₱7,877,493
Deposit payable & other liabilities**	174,581	–	–	176,805
Derivative liability	241,744	–	241,744	–
	₱8,331,935	₱–	₱241,744	₱8,054,298

** Included under "Other current assets" and "Other noncurrent assets" accounts.*
*** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

The Parent Company 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, Receivables, Accounts Payable and Other Current Liabilities (excluding Statutory Payables), Due to Stockholders and Short-term loans
The carrying amounts approximate their fair values due to the relatively short-term maturities of these financial instruments.

Financial Assets at FVOCI
Quoted market prices have been used to determine the fair values of quoted financial assets at FVOCI. In 2022 and 2021, the fair values of financial assets at FVOCI are determined based on the discounted free cash flows of the investee.

Refundable Deposits, Receivables from Third Parties, and Deposits Payable and Other Liabilities
Estimated fair value is based on present value of future cash flows discounted using the prevailing PHP BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period. The fair value differences of refundable deposits, receivables from third parties, and deposits payable and other liabilities approximate are not material.

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 1.03% to 9.13% and 4.45% to 7.13% as at December 31, 2022 and 2021, respectively.

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.

25. 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.

For management purposes, the Parent Company is organized into the two business units:

1. Philippines which includes Retail Electricity Supply (RES) or Commercial Operations (CO)
2. Parent and others which represents the Company operations.

The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Company's internal reports in order to assess performance of the Parent Company.

Revenue earned from a single external customer amounted to ₱11,880 million and ₱7,023 million in 2022 and 2021, respectively, arising from sales in the Philippines segment.

The following tables regarding operating segments present revenue and income information for the years ended December 31, 2022 and 2021 and assets and liabilities as at December 31, 2022 and 2021:

	2022		
	Parent and others	**Philippines**	**Segment Total**
Revenues	**₱4,535,146**	**₱29,829,228**	**₱34,364,374**
Costs and expenses	**(1,976,717)**	**(32,550,339)**	**(34,527,056)**
Interest and other finance charges	**(931,107)**	**–**	**(931,107)**

(Forward)

	2022		
	Parent and others	**Philippines**	**Segment Total**
Interest and other financial income	**₱302,577**	**₱10,898**	**₱313,475**
Other income (expenses)	**(4,095,344)**	**5,389**	**(4,089,955)**
Net loss before income tax	**2,165,445**	**2,704,824**	**4,870,269**
Benefit from income tax	**975,921**	**–**	**975,921**
Segment loss	**₱1,189,524**	**₱2,704,824**	**₱3,894,348**
Operating assets	**₱217,474,099**	**₱9,694,603**	**₱227,168,702**
Operating liabilities	**₱33,027,927**	**₱5,055,061**	**₱38,082,988**
Capital expenditures	**₱233,003**	**₱249**	**₱233,252**
Capital disposals	**696**	**3,425**	**4,121**
Investments in subsidiaries, associates and joint ventures	**195,266,189**	**–**	**195,266,189**
Depreciation and amortization	**152,871**	**7,137**	**160,008**

	2021		
	Parent and others	Philippines	Segment Total
Revenues	₱1,951,637	₱22,108,516	₱24,060,153
Costs and expenses	(1,618,365)	(21,047,580)	(22,665,945)
Interest and other finance charges	(558,774)	–	(558,774)
Interest and other financial income	169,985	1,532	171,517
Other income (expenses)	259,445	(9,265)	250,180
Net income before income tax	203,928	1,053,203	1,257,131
Provision for income tax	(56,249)	–	(56,249)
Segment income	₱147,679	₱1,053,203	₱1,200,882
Operating assets	₱197,674,166	₱2,347,887	₱200,022,053
Operating liabilities	₱14,897,730	₱671,013	₱15,568,743
Capital expenditures	₱75,448	₱113,558	₱189,006
Capital disposals	23,238	682,466	705,704
Investments in subsidiaries, associates and joint ventures	173,736,014	–	173,736,014
Depreciation and amortization	130,299	33,015	163,314

26. Supplemental Cash Flow Information

The following table shows the Parent Company's non-cash investing and financing activities and corresponding transactions' amounts for the years ended December 31, 2022 and 2021:

	2022	2021
Non-cash investing activities:		
Reclassifications to receivables from other non-current assets	**₱4,225,946**	₱–
Reclassifications to assets held for sale (Notes 7 & 9)	**859,918**	₱1,053,229
Reclassifications to investments in subsidiaries, associates and joint ventures from deposit for future stock subscription (Note 10)	**595,940**	–
Acquisition of investments through share swap	**–**	129,815,528
Addition to right-of-use assets (Note 13)	**–**	1,024,352

Movements in the Parent Company's liabilities from financing activities are as follows:

	January 1, 2022	**Availments**	**Payments**	**Others**	**December 31, 2022**
Current portion of:					
Short-term loan	**₱–**	**₱23,259,020**	**(₱20,359,020)**	**₱–**	**₱2,900,000**
Interest payable	**95,091**		**(785,810)**	**877,828**	**187,109**
Long-term loans	**141,598**		**(153,020)**	**208,410**	**196,988**

(Forward)

	January 1, 2022	**Availments**	**Payments**	**Others**	**December 31, 2022**
Lease liability	**₱108,582**	**₱–**	**(₱112,670)**	**₱68,884**	**₱64,796**
Due to stockholders	**16,585**	**–**	**–**	**–**	**16,585**
Noncurrent portion of:					
Bonds payable	**–**	**10,000,000**	**–**	**(120,312)**	**9,879,688**
Long-term loans	**7,774,012**	**9,695,000**	**–**	**(272,142)**	**17,196,870**
Lease liability	**886,030**		**–**	**(30,550)**	**855,480**
Total liabilities from financing activities	**₱9,021,898**	**₱42,954,020**	**(₱21,410,520)**	**₱732,118**	**₱31,297,516**

	January 1, 2021	Availments	Payments	Others	December 31, 2021
Current portion of:					
Short-term loan	₱9,438,600	₱3,000,000	(₱12,438,600)	₱–	₱–
Interest payable	220,153	–	(438,223)	313,161	95,091
Long-term loans	191,200	–	(191,200)	141,598	141,598
Lease liability	22,028	–	(95,071)	181,625	108,582
Due to stockholders	16,585	–	–	–	16,585
Noncurrent portion of:					
Long-term loans	7,881,725	805,000	(964,797)	52,084	7,774,012
Lease liability	3,806	–	–	882,224	886,030
Total liabilities from financing activities	₱17,774,097	₱3,805,000	(₱14,127,891)	₱1,570,692	₱9,021,898

Others includes the amortization of debt issue costs, interest expense, foreign exchange gains/losses and the effect of reclassification of non-current portion to current due to passage of time.

27. Events After the Reporting Period

Below are the events after the reporting period which are treated as non-adjusting events as at December 31, 2022.

Issuance of Corporate Guarantee in Support of the Company's Australia Projects; ACEN secures its largest syndicated green term loan facility for Australia platform
On January 6, 2023, ACEN, as Guarantor to its indirect subsidiary ACEN Australia Pty Ltd. ("ACEN Australia"), executed a Syndicated Facility Agreement with ACEN Australia, various banks (the "Lenders") for a AU$ 277.00 million syndicated green term loan facility. The Lenders and ACEN Australia also entered into an Accession Letter to include BOC HK, BOC Manila, CTBC SG, CTBC PH and SCB as Lenders under the Common Provisions Agreement dated August 18, 2022, as amended through an Amending Deed on January 6, 2023 among the Company, ACEN Australia, DBS Bank Ltd., Australia Branch, MUFG Bank, Ltd., Sydney Branch and Clean Energy Finance Corporation.

Update on the Company's up to ₱1,000.00 million Omnibus Loan and Security Agreement ("OLSA") with Provincia Investments Corporation ("PIC") and Solar Philippines Power Project Holdings, Inc. ("Solar PH")
The Parent Company's Executive Committee (acting on authority from the Board) approved on January 25, 2023, the execution by the Parent Company of definitive agreements whereby the Parent Company will receive from Solar PH, 500 million shares in SPNEC, a listed company which is an affiliate of Solar PH (which SPNEC shares have a market value of ~₱660 million as of January 24, 2023) as (a) pre-payment for part of the loan's principal, and (b) payment of interest and arrangement and security amendment fees in consideration for the Company releasing its pledge over shares owned by Solar PH in SPNEC (the "Transaction").

28. **Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010**

In compliance with the Bureau of Internal Revenue (BIR) RR No. 15-2010, following are the information on the taxes and licenses fees that the Parent Company reported and/or paid for the year:

a. VAT

Details of the Parent Company's net sales/receipts, output VAT and input VAT accounts are as follows:

Output VATs
Net sales/receipts and output VAT declared in the Parent Company's VAT returns filed for the period follows:

	Net Sales/ Receipts	Output VAT
Taxable sales:		
Sale of services	₱26,316,858	₱3,158,023
Sale of goods	1,403	168
Zero-rated sales	7,472,574	–
Exempt sales	15,042	–
	₱33,805,877	₱3,158,191

Zero-rated sales consist of sale of power to PEZA and sale of power generated from renewable sources of energy under Republic Act (R.A.) No. 9513.

Exempt sales represent collections allocated to universal charges, franchise tax and benefits to host communities and sales under Presidential Decree No. 87 which are not subject to VAT.

The Parent Company's sale of services and rental income which are subjected to VAT are based on actual collections received, hence, may not be the same as amounts accrued in the Parent Company statement of income.

Input VAT

The amount of VAT Input taxes claimed broken down into:

Beginning of the year	₱146,793
Deferred on capital goods exceeding 1 million from previous period	3,383
Current year's purchases:	
Services under cost of goods sold	2,778,137
Goods other than for resale or manufacture	265,144
Importations other than capital goods	
Capital goods not subject to amortization	59
Capital goods subject to amortization	11,737
Total available input tax	3,205,253
Less:	
Deferred on capital goods exceeding 1 million for the succeeding period	2,560

(Forward)

Input VAT applied against output VAT	₱3,158,191
Remittance for the year	(185,087)
Allocable to exempt sales	1,346
Balance at December 31, 2022	₱228,243

b. Other Taxes and Licenses

This includes all other taxes, local and national, including real property taxes, licenses and permit fees.

Details of other taxes and license fees are as follows:

Local	
Business permits	₱167,761
Community tax certificates	
Professional tax	–
Other taxes and licenses	10,846
	₱178,607

National	
Gross receipts taxes on loans	₱487,337
Documentary stamp taxes (DST)	164,324
Fringe benefits tax	36,189
BIR Annual Registration	500
	₱688,350

c. DST

The Parent Company's DST for the year ended December 31, 2022 is as follows:

DST on:	
Loans	₱106,500
Others	57,824
	₱164,324

DST on the long-term debt availed in 20212 amounting to ₱106.5 million is recorded as debt issue costs which is deducted from the loan balance for reporting purposes and amortized over the term of the loan.

d. Withholding Taxes

Details of withholding taxes are as follows:

	Paid	Balance as at December 31, 2022
Withholding taxes on compensation and benefits	₱181,562	₱11,094
Expanded withholding taxes	548,815	71,820
Final withholding taxes	56,580	28,271
Fringe benefits	35,262	927
	₱822,219	₱112,112

e. Tax Assessments and Cases

i. On August 20, 2014, the Parent Company distributed cash and property dividends in the form of shares in ENEX after securing SEC's approval of the registration and receipt of Certificate Authorizing Registration (CAR) from the BIR.

On October 22, 2014, the Parent Company received from the BIR a Formal Letter of Demand (FLD), assessing the Company 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, the Parent Company 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 the Parent Company 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 the Parent Company;
2) The Parent Company 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 the Parent Company.

On May 27, 2015, the Parent Company received from the BIR a Final Decision on Disputed Assessment (FDDA) dated May 26, 2015, denying the protest.

On June 25, 2015, the Parent Company filed with the 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 cancelled and withdrew the FLD. On January 18, 2020, the CTA denied the BIR's motion for reconsideration. On February 22, 2021, BIR filed its petition for review seeking CTA's reversal of its decision on September 28, 2020 and its resolution on January 18, 2021. In response, the Parent Company filed its Comment/Opposition. The CTA referred the case for mediation. However, the parties had no agreement to mediate so CTA submitted the case for decision on July 10, 2020. On October 13, 2021, CTA En Banc issued a resolution stating that the Motion for Reconsideration and Motion to Release Surety Bond are now submitted for resolution. As at March 7, 2023, there still has been no resolution issued by the CTA en Banc on the foresaid motions.

SGV
Building a better working world

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1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
ACEN Corporation (formerly AC Energy Corporation)
35th Floor, Ayala Triangle Gardens Tower 2,
Paseo de Roxas corner Makati Avenue, Makati City

We have audited the financial statements of ACEN Corporation (formerly AC Energy Corporation) (the Parent Company) as at and for the years ended December 31, 2022 and 2021, on which we have rendered the attached report dated March 7, 2023.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the above Parent Company has a total number of 2,825 stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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. 111562-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-120-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9566017, January 3, 2023, Makati City

March 7, 2023

EXHIBIT C

ACEN RENEWABLES INTERNATIONAL PTE. LTD.
(Formerly AC Renewables International Pte. Ltd.)

Consolidated Financial Statements

December 31, 2022 and 2021
And Years Ended December 31, 2022 and 2021