

ACEN Environmental, Social and Governance Policy (ESG) Statement

Last updated: December 2023

Responsibility: Head of Sustainability

ACEN, the Ayala group's listed energy platform, is an investor, developer, and operator of power generation assets [with Philippines as its core market]. ACEN, its subsidiaries, and its affiliates (the "**ACEN group**") provide reliable and affordable power across multiple markets and is in the process of expanding its renewable energy capacity globally.

ACEN aligns itself with the United Nations Framework Convention on Climate Change and the Paris Agreement on reducing global carbon emissions to limit global temperature increase to well below 2 degrees Celsius. Consistent with the Ayala group's commitment to the UN Sustainable Development Goals, ACEN is additionally focused on protecting the wider environment and creating value for the communities it serves.

This ESG policy statement has been approved by the ACEN Board of Directors and is fully supported by the ACEN Group's management, officers, and employees, and serves as a guide to the ACEN Group as it pursues its priority targets and goals through 2050.

1. We are committed to Net Zero GHG emissions by 2050

ACEN commits to take measures to prevent, minimize and control its direct greenhouse gas (GHG) emissions. To this end, ACEN will scale up renewable energy investments, and leverage new technologies such as energy storage, and limit thermal energy production.

ACEN is the first energy company in Southeast Asia to announce its Net Zero roadmap that includes near-term scope 1, 2 and 3 greenhouse gas (GHG) emissions reduction targets, aligned with a 1.5°C pathway for the power sector and long-term targets that are consistent with the deep decarbonization of the power sector.

By 2025: ACEN attributable capacity will be 100% renewables generation, which will result in zero Scope 1 stationary GHG emissions from the company's generation portfolio.

By 2030: ACEN aspires to reach 20 GW of renewables capacity by 2030

- ACEN aims to expand geographically to build more renewable energy projects and continue to take advantage of M&A opportunities globally to achieve its target
- Achieve the net zero near-term emission reduction targets by 2030

By 2040: Early retirement of the 246 MW SLTEC coal plant, and its transition to cleaner technology by 2040

- ACEN successfully implemented the world's first market-based Energy Transition Mechanism (ETM) which reached financial close in November 2022.
- The transaction involves the divestment and early retirement of the 246 MW SLTEC coal plant, and its transition to cleaner technology by 2040 when the Coal Fire Power Plant (CFPP) completes 25 years of operations. As the operating life of CFPP's typically reach up to 50 years, the groundbreaking ETM initiative reduces up to 50mn tons of carbon emissions (~2 million tons per year over 25 years).

- Achieve the net zero long-term emission reduction targets in 2040.

2. We aspire for excellence in environmental management

ACEN commits to protecting and conserving biodiversity, preserving ecosystem services, and sustainably managing and utilizing living natural resources throughout the lifecycle of its power plants.

Biodiversity Assessments

- ACEN undertakes to conduct rapid biodiversity assessments prior to implementing projects and at regular intervals thereafter.
- ACEN endeavors to only operate in critical habitats¹ if no other viable alternatives are available in the area (e.g., modified or non-critical natural habitats).

Forest Use/Land Conversion

- ACEN endeavors to utilize areas that are not considered as natural habitats and to only convert natural habitats to power plant use, in coordination with regulatory agencies and local communities, if no other viable alternatives are available in the area (e.g., modified or non-critical natural habitats).
- In utilizing forest areas, ACEN also undertakes to implement mitigation measures designed to achieve no net loss, including to identify and protect set-asides, and/or to restore the natural habitat during and/or after operations.

Endangered and Migratory Species

ACEN aims to be highly sensitive in selecting its project sites and in this regard, it aims to implement projects in areas: (a) which are not of significant importance to Critically Endangered or Endangered Species, as listed on the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species if the project would lead to a net reduction of the species over a reasonable period of time; and (b) where migratory species will not be threatened with extinction (or where migratory species would significantly benefit from international co-operation), as identified by the Convention on the Conservation of Migratory Species of Wild Animals.

Water Resources and Aquatic Habitats

Recognizing the importance of preserving our water resources, ACEN aims to conserve water resources particularly in areas with limited water resources, by using site appropriate technologies in coordination with regulatory agencies and local communities. To properly manage aquatic habitats, ACEN aims to reduce intake flow for freshwater rivers and streams, lakes and reservoirs, and estuaries and tidal rivers, to a level sufficient to maintain resource use and protect biodiversity.

¹ “Critical habitat” is defined areas with high biodiversity value, including (i) habitat of significant importance to Critically Endangered and/or Endangered¹¹ species; (ii) habitat of significant importance to endemic and/or restricted-range species; (iii) habitat supporting globally significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes. (IFC Performance Standard 6)

3. We seek to fulfill our commitment to protect and improve the communities affected by our operations

ACEN commits to protecting and improving communities, including indigenous populations and vulnerable populations, that are affected by its operations. In this regard:

- ACEN seeks to develop and operate projects in areas that require little or no involuntary resettlement. As part of its process, ACEN undertakes to conduct a rapid assessment prior to implementing a project to determine if involuntary resettlement or economic displacement will occur.
- ACEN commits to engage with affected communities and local government units in developing and operating its projects and throughout the lifecycle of its power plants.
- ACEN will establish grievance mechanisms as early as possible in project development phases.
- ACEN will conduct a rapid assessment to determine if involuntary resettlement or economic displacement will occur as a result of a project.
- In the case of physical displacement, ACEN will provide compensation, in either resettlement property or cash, at full replacement cost for land and other assets lost. In the case of economic displacement, ACEN will compensate for lost assets and access to assets at full replacement cost, and provide opportunities to improve or at least restore their means of income-earning capacity production levels and standards of living.
- ACEN adheres to a higher level of standards on a broader range of material issues that impact power companies, including business ethics, labor practices, employee health and safety, water and waste management, as well as materials sourcing and efficiency, and product design and lifecycle management.

4. We aspire to be a governance leader in the power industry

ACEN recognizes that good governance permeates a sound and effective ESG policy. As such, it commits to put a premium on environmental and social considerations in making investment decisions and to ensure among others that adequate systems, processes and measures are in place to ensure that this ESG Policy is properly and sufficiently implemented from project conceptualization to investment decision making, then to project development and operations.

ACEN aspires to be a power industry governance leader in all the jurisdictions where it operates and it commits to continuously transform and evolve, as needed, to achieve this target.