



**Together, we are building the PH's first techglomerate**

Annual Report 2022  
SEC FORM 20 - IS (Information Statement)



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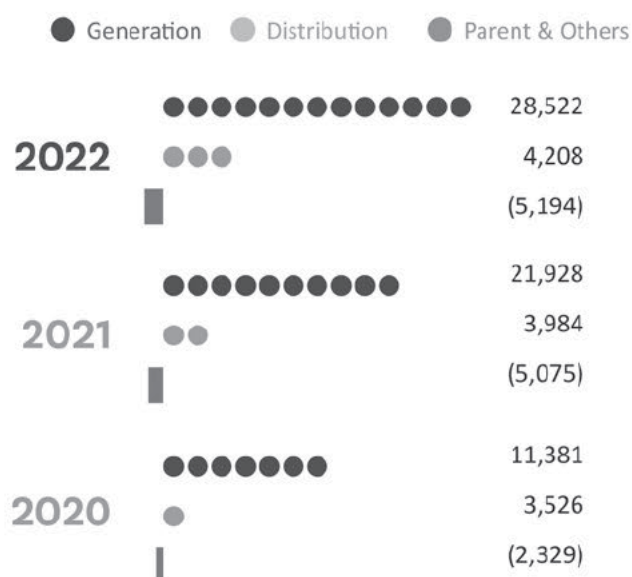


# Financial Summary

(in PHP millions)	2020	2021	2022	% Change (2022 vs. 2021)
<b>INCOME STATEMENT</b>				
Operating revenues	110,377	134,359	193,994	44%
Operating expenses	83,497	106,149	164,191	55%
Operating profit	26,880	28,210	29,803	6%
Share in net earnings of associates and joint ventures	2,675	9,480	15,135	60%
Other income (charges)	(8,672)	(13,034)	(12,227)	-6%
Income before income tax	20,883	24,656	32,711	33%
Provision for income tax	6,062	2,111	3,164	50%
Net income before non-controlling interests	14,821	22,545	29,547	31%
Net income attributable to non-controlling interests	2,244	1,708	2,012	18%
Net income attributable to equity holders of the parent	12,578	20,837	27,535	32%
<b>EBITDA</b>	44,687	50,662	57,597	14%
<b>FINANCIAL CONDITION</b>				
Total assets	397,925	427,416	477,594	12%
Total liabilities	263,340	271,835	297,419	9%
Non-controlling interests	7,426	7,630	9,072	19%
Equity attributable to equity holders of the parent	127,159	147,951	171,103	16%
<b>RATIOS</b>				
Per Share (Pesos)				
Earnings	1.71	2.83	3.74	32%
Book Value	17.28	20.11	23.25	16%
Cash dividend to common	1.18	0.85	1.45	71%
Return on equity	11%	17%	20%	
Current ratio	1.38	1.53	1.78	
Debt/Equity	1.96	1.75	1.65	
Net debt/Equity	1.37	1.11	0.99	

## Income Contribution Breakdown

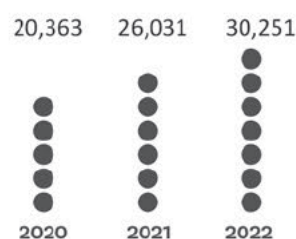
Per Business Segment (in PHP millions)



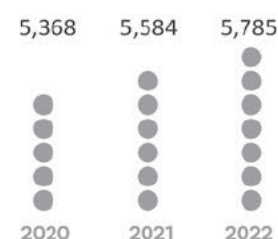
## Attributable Power Sales

(in GWh)

### Generation



### Distribution







# NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

## **ABOITIZ POWER CORPORATION**

32<sup>nd</sup> Street, Bonifacio Global City  
Taguig City, Metro Manila 1634, Philippines

**NOTICE** is hereby given that the Annual Meeting of the Stockholders of **ABOITIZ POWER CORPORATION** (the "Company") will be held on **April 24, 2023, Monday at 1:00 p.m.** (Philippine time) (the "2023 ASM"). The meeting will be conducted virtually and will be streamed live from 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City. The 2023 ASM is accessible through the hyperlink provided in the Company's website at <https://aboitizpower.com/2023asm> (the "ASM Portal") beginning on March 23, 2023.

The Agenda\* of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting and Determination of Quorum
3. Reading and Approval of the Minutes of the Previous Annual Stockholders' Meeting held on April 25, 2022
4. Presentation of the President's Report
5. Approval of the 2022 Annual Report and Financial Statements
6. Appointment of the Company's External Auditor for 2023
7. Election of the Members of the Board of Directors
8. Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from April 25, 2022 up to April 24, 2023
9. Other Business
10. Adjournment

Only stockholders of record at the close of business hours on March 21, 2023 are entitled to notice of, to participate in, and to vote at this meeting by registering at the ASM Portal beginning on March 23, 2023 until 10:00 a.m. on April 24, 2023. Once registered, stockholders may send in questions or remarks through the ASM Portal.

Stockholders may vote through proxy, or remotely *in absentia*.

Registered stockholders may cast their votes by remote communication or *in absentia* using the online voting platform available at the ASM Portal beginning March 23, 2023. Votes cast by registered stockholders until 10:00 a.m. of April 24, 2023 will be tabulated and presented during the 2023 ASM.

Stockholders may still vote after the cut-off time, and the final votes received through proxy and through the ASM Portal after the cut-off time will be included in the minutes of the 2023 ASM and posted on the Company's website.

The procedures for attendance and voting during the 2023 ASM are included in the Information Statement and will be distributed to the stockholders and published in the Company's website at [www.aboitizpower.com](http://www.aboitizpower.com) and in the PSE EDGE portal at [edge.pse.com.ph](http://edge.pse.com.ph).

Stockholders may send their duly accomplished proxies on or before the close of business hours on April 17, 2023 to the Corporate Secretary either through email at [AP\\_BoardSecretariat@aboitiz.com](mailto:AP_BoardSecretariat@aboitiz.com) or hard copies delivered at NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City. Validation of proxies will be on April 20, 2023 virtually from the Office of the Corporate Secretary. **WE ARE NOT SOLICITING PROXIES.**

For the Board of Directors:

(SGD.)

**MANUEL ALBERTO R. COLAYCO**  
Corporate Secretary

\*The rationale for each Agenda item is explained in the attached Annex "A" and may also be viewed at AboitizPower's website at [www.aboitizpower.com/2023asm](http://www.aboitizpower.com/2023asm).

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **ABOITIZ POWER CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
4. SEC Identification Number: **C199800134**
5. BIR Tax Identification Code: **200-652-460-000**
6. Address of principal office: **32<sup>ND</sup> STREET, BONIFACIO GLOBAL CITY  
TAGUIG CITY, METRO MANILA  
1634 PHILIPPINES**
7. Registrant's telephone number, including area code: **(02) 8 886-2800**
8. Date, time and place of the meeting of security holders:  
 Date: **APRIL 24, 2023**  
 Time: **1:00 P.M.**  
 Place: Streamed live from NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City accessible through the link available in the Company's website at <https://aboitizpower.com/2023asm>
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **MARCH 28, 2023**
10. In case of Proxy Solicitations: **No proxy solicitation is being made.**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

**Authorized Capital Stock:** **₱17,000,000,000.00**

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	₱1.00	16,000,000,000	₱16,000,000,000.00
Preferred	₱1.00	1,000,000,000	₱1,000,000,000.00
<b>Total</b>		<b>17,000,000,000</b>	<b>₱17,000,000,000.00</b>

No. of Common Shares Outstanding as of December 31, 2022 7,358,604,307

Amount of Debt Outstanding as of December 31, 2022 ₱248,396,589,000.00

Outstanding Fixed-Rate Peso Retail Bonds Issued by the Company:

Issue Date	Series	Amount of Issuance	Maturity Date	Tenor
July 2017	Series A	₱3 billion	July 2027	10 years
October 2018	Series C	₱2.50 billion	October 2028	10 years
October 2019	Series D	₱7.25 billion	October 2026	7 years
July 2020	Series F	₱550 million	July 2025	5 years
March 2021	Series A	₱8 billion	March 2026	5 years



Issue Date	Series	Amount of Issuance	Maturity Date	Tenor
December 2021	Series B	₱4.8 billion	December 2025	4 years
December 2021	Series C	₱7.2 billion	December 2028	7 years
March 2022	Series D	₱3 billion	March 2027	5 years
March 2022	Series E	₱7 billion	March 2028	7 years

For a discussion on the Company's bond issuances, please refer to Section C Item 9.

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**The common stock of the Company is listed at the Philippine Stock Exchange, Inc. ("PSE").**

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## INFORMATION REQUIRED IN INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### Item 1. Date, time, and place of the 2023 Annual Stockholders' Meeting

Date of meeting	:	<b>April 24, 2023</b>
Time of meeting	:	<b>1:00 p.m.</b>
Place of meeting	:	Streamed live from NAC Tower, 32 <sup>nd</sup> Street, Bonifacio Global City, Taguig City accessible through the link provided in the Company's website at <a href="https://aboitizpower.com/2023asm">https://aboitizpower.com/2023asm</a>
Approximate mailing date of this statement	:	<b>March 28, 2023</b>
Complete mailing address of the principal office of the Registrant	:	<b>NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila 1634 Philippines</b>

#### Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the 2023 Annual Stockholders' Meeting ("2023 ASM") that may give rise to a possible exercise by the stockholders of their appraisal rights.

Generally, however, the stockholders of Aboitiz Power Corporation (hereinafter referred to as "AboitizPower", the "Company" or the "Registrant"), in accordance with Section 80 of Republic Act (RA) No. 11232, or the Revised Corporation Code of the Philippines (the "Revised Corporation Code"), have the right of appraisal in the following instances: (a) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; (c) in case of merger or consolidation; and (d) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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

- (a) Other than the election to AboitizPower's Board of Directors, no current director or officer of AboitizPower, or nominee for election as director of AboitizPower, or any associate of any of the foregoing persons, has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting.
- (b) No director has informed AboitizPower in writing that he intends to oppose any action to be taken by AboitizPower at the meeting.



## B. CONTROL AND COMPENSATION INFORMATION

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

#### (a) Class of Voting Shares as of March 21, 2023:

Nationality	Class of Voting Shares	Number of Shares	Percentage
Filipino	Common	5,201,622,013	70.69%
Non-Filipino	Common	2,156,982,294	29.31%
<b>Total No. of Shares Entitled to Vote</b>		<b>7,358,604,307</b>	<b>100.00%</b>

Every stockholder shall be entitled to one vote for each share of stock held, as of the established record date.

#### (b) Record Date

All common stockholders of record as of March 21, 2023 are entitled to notice of and to vote at AboitizPower's 2023 ASM.

#### (c) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, stockholders may vote in person, by proxy, or through remote communication or *in absentia* the number of shares of stock in their own name in the stock and transfer book of the Company. Stockholders may vote such a number of shares for as many persons as there are directors to be elected. They may also cumulate said shares and give one candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as they shall see fit, provided that the total number of votes cast by the stockholders shall not exceed the total number of shares owned by each stockholder as shown in the books of AboitizPower, multiplied by the number of directors to be elected, and provided further, that no delinquent stock shall be voted.

Article 6 of the Company's Amended Articles of Incorporation provides that the number of directors of AboitizPower shall be nine, who are to serve until their successors are elected and qualified as provided in the Company's By-Laws.

Section 5, Article I of the Amended By-Laws of AboitizPower provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Moreover, Section 6 of the same Article states that stockholders may vote at all meetings either in person, or by proxy duly given in writing and presented to the Corporate Secretary for inspection, validation and recording, at least seven days prior to the said meeting. In addition, the Revised Corporation Code now allows stockholders of public companies (such as AboitizPower) to cast their votes through remote communication or *in absentia*.

Nominations for independent directors are accepted starting January 1 of the year in which the nominee director is to serve. The table for nominations closes by February 15 of the year, unless the Board Environmental, Social, and Corporate Governance (ESCG) Committee, acting as the Nomination and Compensation Committee, unanimously agrees to extend the deadline for meritorious reasons. Section 7, Article I of the Amended By-Laws of AboitizPower provides that nominations for the election of directors, other than independent directors, for the ensuing year must be received by the Corporate Secretary no less than 15 working days prior to the Annual Meeting of Stockholders, except as may be provided by the Board in appropriate guidelines that it may promulgate from time to time in compliance with law.

No discretionary authority to cumulate votes is solicited.

Pursuant to Sections 4, 5, and 6 of Article I of the Amended By-Laws and Sections 23 and 57 of the Revised Corporation Code, which allow for voting through remote communication or *in absentia*, stockholders may access AboitizPower's online web address at <https://aboitizpower.com/2023asm> beginning on March 23, 2023, in order to register and vote on the matters at the 2023 ASM. Stockholders may cast their votes online until 10:00 a.m. on April 24, 2023. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum.

Please refer to **Annex "E"** on the Requirements and Procedure for the Voting and Participation in the 2023 ASM for the detailed and complete information on voting via remote communication or *in absentia*, as well as on how to join the livestream for the 2023 ASM.

(d) Security Ownership of Certain Record and Beneficial Ownership and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of the voting shares) as of March 21, 2023

Title of Class of Shares	Name and Address of Stockholder and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	<b>1. Aboitiz Equity Ventures Inc. (AEV)<sup>1</sup></b> 32 <sup>nd</sup> Street, Bonifacio Global City, Taguig City (Stockholder)	Aboitiz Equity Ventures Inc. <sup>2</sup>	Filipino	3,817,195,833 (Record and Beneficial)	51.87%
Common	<b>2. JERA Asia Private Limited (JERA Asia)<sup>3</sup></b> 88 Market Street #42-01 CapitaSpring, Singapore 048948 (Stockholder)	JERA Asia Private Limited	Japanese	1,986,823,063 (Record)	27.00%
Common	<b>3. PCD Nominee Corporation<sup>4</sup></b> 37 <sup>th</sup> Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers <sup>5</sup>	Filipino	1,082,533,162 (Record)	14.71%

On December 16, 2021, JERA Asia acquired a 27% stake in AboitizPower, which consisted of a 25.01% stake from AEV and a 1.99% stake from the Aboitiz family's privately held company, Aboitiz & Company, Inc. (ACO). JERA Asia is an affiliate of JERA Co., Inc. (JERA), a joint venture company organized under the laws of Japan and established in 2015 by two major Japanese electric companies (TEPCO Fuel & Power Incorporated and Chubu Electric Power Company Incorporated). JERA is Japan's largest power generation company and has a global footprint through its subsidiaries operating in various countries around the world.

Aboitiz Equity Ventures Inc. (AEV) is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of March 21, 2023, the following entities own at least five per centum (5%) or more of AEV:

Title of Class of Shares	Name and Address of Stockholder and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	<b>1. Aboitiz &amp; Company, Inc.</b> Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	Aboitiz & Company, Inc.	Filipino	2,735,600,915 (Record and Beneficial)	48.59%

<sup>1</sup> AEV is the parent company of AboitizPower.

<sup>2</sup> Mr. Sabin M. Aboitiz, President and Chief Executive Officer of AEV, will vote the shares of AEV in AboitizPower in accordance with the directive of the AEV Board of Directors.

<sup>3</sup> Messrs. Takao Onuki and Katsuya Harada, Authorized Representatives of JERA Asia, will vote for the shares of JERA Asia in AboitizPower in accordance with the directive of JERA Asia's Board of Directors.

<sup>4</sup> PCD Nominee Corporation is not related to the Company. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

<sup>5</sup> Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant. AboitizPower has no record relating to the power to decide how the shares held by PCD are to be voted. None of the beneficial owners under a PCD participant own more than 5% of the Company's common shares, as of March 21, 2023.

Title of Class of Shares	Name and Address of Stockholder and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	<b>2. PCD Nominee Corporation (Filipino)</b> 37 <sup>th</sup> Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Filipino	1,080,826,404 (Record)	19.20%
Common	<b>3. Ramon Aboitiz Foundation, Inc.</b> 35 Lopez Jaena St., Cebu City 1226 (Stockholder)	Ramon Aboitiz Foundation, Inc.	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	<b>4. PCD Nominee Corporation</b> 37 <sup>th</sup> Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Non-Filipino	322,503,696 (Record)	5.73%

**(2) Security Ownership of Management as of March 21, 2023 (Record and Beneficial)**

Title of Class of Shares	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Common	<b>Sabin M. Aboitiz</b> Chairman of the Board	5,667,406	Direct	Filipino	0.08%
		16,835,679	Indirect		0.23%
Common	<b>Eric Ramon O. Recto</b> Vice Chairman of the Board/Lead Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Emmanuel V. Rubio</b> Director/President and Chief Executive Officer	89,130	Direct	Filipino	0.00%
		428,000	Indirect		0.01%
Common	<b>Luis Miguel O. Aboitiz</b> Director	11,167,081	Direct	Filipino	0.15%
		21,238,323	Indirect		0.29%
Common	<b>Danel C. Aboitiz</b> Director/Chief Commercial and Stakeholder Engagement Officer	9,000,000	Direct	Filipino	0.11%
		4,504,100	Indirect		0.06%
Common	<b>Toshiro Kudama</b> Director	100	Direct	Japanese	0.00%
		0	Indirect		0.00%
Common	<b>Satoshi Yajima</b> Director	100	Direct	Japanese	0.00%
		0	Indirect		0.00%
Common	<b>Edwin R. Bautista</b> Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Cesar G. Romero</b> Independent Director	100	Direct	Filipino	0.00%
		0	Indirect		0.00%

Title of Class of Shares	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Common	Veronica C. So Group Treasurer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Liza Luv T. Montelibano Senior Vice President/Chief Financial Officer/ Corporate Information Officer	19,600	Direct	Filipino	0.00%
		26,600	Indirect		0.00%
Common	Manuel Alberto R. Colayco Corporate Secretary and Compliance Officer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Mailene M. de la Torre Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		5,000	Indirect		0.00%
Common	Ma. Clarisse S. Osteria Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Mark Louie L. Gomez Data Privacy Officer and Vice President for Risk and Organizational Performance Management	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Juan Pascual C. Cosare Internal Audit Head	0	Direct	Filipino	0.00%
		300	Indirect		0.00%
	<b>TOTAL</b>	<b>68,983,519</b>			<b>0.88%</b>

**(3) Voting Trust Holders of Five Per Centum (5%) or More of Common Equity**

No person holds under a voting trust or similar agreement more than five percent (5%) of AboitizPower's common equity.

**(4) Changes in Control**

There are no arrangements that may result in a change in control of AboitizPower during the period covered by this report.

**Item 5. Directors and Executive Officers**

**(a) Directors and Officers for 2022-2023**

The overall management and supervision of the Company is undertaken by its board of directors (the "Board"). The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition, and results of operations for its review.



**(1) Directors for 2022-2023**

The Company's Board is composed of nine directors, two of whom are Independent Directors, five are Non-Executive Directors, and two are Executive Directors. Below are the profiles of each director for 2022-2023 with their corresponding positions, offices, and business experience held for the past five years. Except for Mr. Cesar G. Romero who assumed his directorship on October 1, 2022, the directors were elected during AboitizPower's 2022 ASM to serve for a term of one year, and until their successors are duly elected and qualified.

<p><b>SABIN M. ABOITIZ</b>  Chairman of the Board  Non-Executive Director</p> <p><u>Age</u>: 58 years old  <u>Citizenship</u>: Filipino  <u>Date of First Appointment</u>: April 26, 2021  <u>Tenure</u>: 1 year</p> <p><b>Committee Memberships:</b></p> <table border="1"> <tr> <td>Chairman</td> <td>Board Risk and Reputation Management Committee <i>(since April 26, 2021)</i></td> </tr> <tr> <td>Member</td> <td>Board Environmental, Social, and Corporate Governance Committee <i>(since April 26, 2021)</i>  Board Executive Committee <i>(since April 26, 2021)</i>  Board Cybersecurity Committee <i>(since April 26, 2021)</i></td> </tr> </table> <p><b>Present Positions:</b></p> <table border="1"> <tr> <td>Chairman of the Board</td> <td>Aboitiz Power Corporation*  Aboitiz Foundation, Inc.  Aboitiz Land, Inc.  Aboitiz Renewables, Inc.  CRH Aboitiz Holdings, Inc.  Filagri Holdings, Inc.  Manila-Oslo Renewable Enterprise, Inc.  SN Aboitiz Power – Benguet, Inc.</td> </tr> <tr> <td>Director/President and Chief Executive Officer</td> <td>Aboitiz Equity Ventures, Inc.*  Aboitiz &amp; Company, Inc.</td> </tr> <tr> <td>Director/President</td> <td>AEV CRH Holdings, Inc.</td> </tr> <tr> <td>Director</td> <td>Aboitiz Construction International, Inc.  Aboitiz Construction, Inc.  Aboitiz Data Innovation Pte. Ltd.  Aboitiz FeedAll Holdings, Inc.  Aboitiz Impact Ventures, Inc.  Aboitiz InfraCapital, Inc.  AboitizPower International Pte. Ltd.  AEV International Pte Ltd.  Apo Agua Infraestructura, Inc.  Lima Land, Inc.  Pilmico Animal Nutrition Corporation  Pilmico Foods Corporation  Republic Cement &amp; Building Materials, Inc.  Republic Cement Services, Inc.  Therma Luzon, Inc.  Therma South, Inc.  Unity Digital Infrastructure Inc.  Union Bank of the Philippines, Inc.*  UnionDigital Bank, Inc.</td> </tr> <tr> <td>Head</td> <td>Private Sector Advisory Council</td> </tr> <tr> <td>Business Advisory Council (ABAC) PH Member</td> <td>Asia-Pacific Economic Cooperation</td> </tr> </table>		Chairman	Board Risk and Reputation Management Committee <i>(since April 26, 2021)</i>	Member	Board Environmental, Social, and Corporate Governance Committee <i>(since April 26, 2021)</i> Board Executive Committee <i>(since April 26, 2021)</i> Board Cybersecurity Committee <i>(since April 26, 2021)</i>	Chairman of the Board	Aboitiz Power Corporation* Aboitiz Foundation, Inc. Aboitiz Land, Inc. Aboitiz Renewables, Inc. CRH Aboitiz Holdings, Inc. Filagri Holdings, Inc. Manila-Oslo Renewable Enterprise, Inc. SN Aboitiz Power – Benguet, Inc.	Director/President and Chief Executive Officer	Aboitiz Equity Ventures, Inc.* Aboitiz & Company, Inc.	Director/President	AEV CRH Holdings, Inc.	Director	Aboitiz Construction International, Inc. Aboitiz Construction, Inc. Aboitiz Data Innovation Pte. Ltd. Aboitiz FeedAll Holdings, Inc. Aboitiz Impact Ventures, Inc. Aboitiz InfraCapital, Inc. AboitizPower International Pte. Ltd. AEV International Pte Ltd. Apo Agua Infraestructura, Inc. Lima Land, Inc. Pilmico Animal Nutrition Corporation Pilmico Foods Corporation Republic Cement & Building Materials, Inc. Republic Cement Services, Inc. Therma Luzon, Inc. Therma South, Inc. Unity Digital Infrastructure Inc. Union Bank of the Philippines, Inc.* UnionDigital Bank, Inc.	Head	Private Sector Advisory Council	Business Advisory Council (ABAC) PH Member	Asia-Pacific Economic Cooperation
Chairman	Board Risk and Reputation Management Committee <i>(since April 26, 2021)</i>																
Member	Board Environmental, Social, and Corporate Governance Committee <i>(since April 26, 2021)</i> Board Executive Committee <i>(since April 26, 2021)</i> Board Cybersecurity Committee <i>(since April 26, 2021)</i>																
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Director/President and Chief Executive Officer	Aboitiz Equity Ventures, Inc.* Aboitiz & Company, Inc.																
Director/President	AEV CRH Holdings, Inc.																
Director	Aboitiz Construction International, Inc. Aboitiz Construction, Inc. Aboitiz Data Innovation Pte. Ltd. Aboitiz FeedAll Holdings, Inc. Aboitiz Impact Ventures, Inc. Aboitiz InfraCapital, Inc. AboitizPower International Pte. Ltd. AEV International Pte Ltd. Apo Agua Infraestructura, Inc. Lima Land, Inc. Pilmico Animal Nutrition Corporation Pilmico Foods Corporation Republic Cement & Building Materials, Inc. Republic Cement Services, Inc. Therma Luzon, Inc. Therma South, Inc. Unity Digital Infrastructure Inc. Union Bank of the Philippines, Inc.* UnionDigital Bank, Inc.																
Head	Private Sector Advisory Council																
Business Advisory Council (ABAC) PH Member	Asia-Pacific Economic Cooperation																

\* A publicly listed company

**Previous Positions:**

First Vice President	Aboitiz Equity Ventures Inc.
Senior Vice President	
Executive Vice President and Chief Operating Officer	

**Educational Background:**

College	Business Administration, Major in Finance Gonzaga University, Spokane, U.S.A
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He is not connected with any Philippine government agency or instrumentality.

**ERIC RAMON O. RECTO**

Vice Chairman of the Board  
Lead Independent Director

Age: 59 years old

Citizenship: Filipino

Date of First Appointment: May 21, 2018

Tenure: 4 years

**Present Positions:**

Vice Chairman of the Board/ Lead Independent Director	Aboitiz Power Corporation*
Chairman of the Board	Philippine Bank of Communications*
Chairman of the Board and President	Bedfordbury Development Corporation
Chairman of the Board and Chief Executive Officer	Alphaland Corporation
President and Vice Chairman	Atok-Big Wedge Co., Inc.*
President/Director	Q-Tech Alliance Holdings, Inc.
Director	DITO CME Holdings Corp.* Miescore Infrastructure Development Corporation
Independent Director	PH Resorts Group Holdings, Inc.*
	Manila Water Company, Inc.*
	Waterfront Cebu City Casino Hotel Inc.
	Davao Insular Hotel Company Inc.
Senior Adviser	Stonepeak Infrastructure Partners

\* A publicly listed company

**Previous Positions:**

Vice Chairman	Alphaland Corporation
President	Top Frontier Investment Holdings, Inc.
Director	San Miguel Corporation Manila Electric Company (Meralco) Maynilad Water Services, Inc. Metro Pacific Investments Corporation
Independent Director	Philippine National Bank Energy Development Corporation
Undersecretary	Department of Finance

**Educational Background:**

College	Bachelor of Science in Industrial Engineering University of the Philippines – Diliman
Graduate Studies	Masters in Business Administration, with concentration in Finance and Operation Management Johnson Graduate School of Management at the Cornell University in Ithaca, New York, U.S.A

He is not connected with any Philippine government agency or instrumentality.

**LUIS MIGUEL O. ABOITIZ**

Non-Executive Director

Age: 58 years old

Citizenship: Filipino

Date of First Appointment: April 26, 2021

Tenure: 1 year

**Committee Memberships:**

Member	Board Audit Committee <i>(since April 26, 2021)</i> Board Environmental, Social and Corporate Governance Committee <i>(since April 26, 2021)</i> Board Executive Committee <i>(since April 26, 2021)</i> Board Cybersecurity Committee <i>(since April 26, 2021)</i>
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**Present Positions:**

Chairman of the Board	Aboitiz Impact Ventures, Inc.
Director	Aboitiz & Company, Inc. Aboitiz Power Corporation* AB Capital Securities, Inc.
Director and President	DDL5 Aboitiz, Inc.
Trustee	Pacific Basin Economic Council Philippine Business for Social Progress

\* A publicly listed company

**Previous Positions:**

Vice Chairman of the Board	Aboitiz Power Corporation
Executive Vice President – Chief Strategy Officer	
Executive Vice President and Chief Operating Officer – Corporate Business Group	
Senior Vice President-Power Marketing and Trading	

**Educational Background:**

College	Bachelor of Science in Computer Science and Engineering Santa Clara University, California, U.S.A.
Graduate Studies	Master’s degree in Business Administration University of California, Berkeley, U.S.A.

He is not connected with any Philippine government agency or instrumentality. He is not a director of any other publicly-listed company in the Philippines.

**EMMANUEL V. RUBIO**

Executive Director/President and Chief Executive Officer

Age: 58 years old

Citizenship: Filipino

Date of First Appointment: January 1, 2020

Tenure: 3 years

**Committee Memberships:**

Chairman	Board Executive Committee <i>(since January 1, 2020)</i>
Member	Board Risk and Reputation Management Committee <i>(since April 26, 2021)</i>
<i>Ex-Officio</i> Member	Board Cybersecurity Committee <i>(since July 29, 2021)</i>

**Present Positions:**

Director/President and Chief Executive Officer	Aboitiz Power Corporation*
Chairman of the Board	AA Thermal, Inc. SN Aboitiz Power Group Therma South, Inc.

\* A publicly listed company

Director	Aboitiz Power Distributed Energy, Inc. Aboitiz Power Distributed Renewables, Inc. Aboitiz Renewables, Inc. AboitizPower International Pte. Ltd. Abovant Holdings, Inc. Cebu Energy Development Corporation Cebu Private Power Corporation CELL Power Energy Corporation Cotabato Light & Power Company Davao Light & Power Co., Inc. Hedcor Group Maaraw Holdings San Carlos, Inc. Mindanao Sustainable Solutions, Inc. Redondo Peninsula Energy, Inc. San Carlos Sun Power Inc. Sinag Solar Power Corporation STEAG State Power, Inc.
Directorship and Management Position	GNPower Mariveles Energy Center Ltd. Co.
Trustee	Aboitiz Foundation, Inc.

**Previous Positions:**

Executive Vice President and Chief Operating Officer – Power Generation Group	Aboitiz Power Corporation
Executive Vice President - Chief Operating Officer	

**Educational Background:**

College	Bachelor of Science in Industrial Management Engineering with a minor in Mechanical Engineering De La Salle University, Manila
Graduate Studies	Masters in Business Administration Certificate of Completion De La Salle University, Manila
Certificates and Courses	The LEAD Program, Columbia University Advanced Management Program, Columbia University Strategic Management Course, Nanyang Technological University, Singapore Executive Certificate in Directorship, Singapore Management University – Singapore Institute of Directors (SMU-SID)

He is not connected with any Philippine government agency or instrumentality. He is not a director of any other publicly-listed company in the Philippines.



**TOSHIRO KUDAMA**  
Non-Executive Director

Age: 65 years old

Citizenship: Japanese

Date of First Appointment: December 22, 2021

Tenure: 1 year

**Committee Memberships:**

Member	Board Executive Committee (since December 22, 2021) Board Risk and Reputation Management Committee (since December 22, 2021)
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**Present Positions:**

Director	Aboitiz Power Corporation*
Senior Managing Executive Officer	JERA Co., Inc.
Chief Executive Officer	JERA Asia Private Limited

\* A publicly listed company

**Previous Positions:**

Managing Executive Officer	JERA Co., Inc.
Chief Power Development Officer and Senior Executive Vice President	
Director and Chief Executive Officer	JERA Americas Inc.
Managing Director, Head of Overseas and Domestic Operations	TEPCO Fuel & Power, Incorporated

**Educational Background:**

College	Bachelor's Degree in Mechanical Engineering Tokyo Institute of Technology
Graduate Studies	Master's Degree in Mechanical Engineering Graduate School of Tokyo Institute of Technology

He is not connected with any Philippine government agency or instrumentality. He is not a director of any other publicly-listed company in the Philippines.

**EDWIN R. BAUTISTA**

Non-Executive Director

Age: 62 years oldCitizenship: FilipinoDate of First Appointment: April 26, 2021Tenure: 1 year**Committee Memberships:**

Member	Board Environmental, Social, and Corporate Governance Committee <i>(since April 25, 2022)</i> Board Audit Committee <i>(since April 25, 2022)</i>
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**Present Positions:**

Director	Aboitiz Power Corporation*
Director/ President and Chief Executive Officer	Union Bank of the Philippines*
Director	City Savings Bank First Union Direct Corp. First Union Plans, Inc. Petnet, Inc. UBX Philippines Corporation UnionDigital Bank, Inc. Union Investments Corp.

\* A publicly listed company

**Previous Positions:**

Chief Operating Officer	Union Bank of the Philippines
Senior Executive Vice President	
Executive Vice President	

**Educational Background:**

College	Bachelor of Science in Mechanical Engineering De La Salle University, Manila
Graduate Studies	Advance Management Program Harvard Business School in Massachusetts, U.S.A

He is not connected with any Philippine government agency or instrumentality.

**DANEL C. ABOITIZ**

Executive Director

Age: 41 years oldCitizenship: FilipinoDate of First Appointment: December 11, 2018Tenure: 4 years**Committee Memberships:**

Member	Board Audit Committee <i>(since January 28, 2020)</i> Board Executive Committee <i>(since April 26, 2021)</i>
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**Present Positions:**

Director and Chief Commercial and Stakeholder Engagement Officer	Aboitiz Power Corporation*
Chairman of the Board	Republic Cement Services, Inc.
Vice Chairman of the Board	Republic Cement & Building Materials, Inc.
Director and President	Manila-Oslo Renewable Enterprise, Inc.
Director	AA Thermal, Inc. AEV CRH Holdings, Inc. CRH Aboitiz Holdings, Inc. Hedcor Group AboitizPower Coal Business Units AboitizPower Oil Business Units Pagbilao Energy Corporation SN AboitizPower Group STEAG State Power, Inc. Therma Power, Inc.
Management Committee Representative	GNPower Dinginin Ltd. Co.
Member of the Board of Advisors	Aboitiz & Company, Inc.
Board Observer	Aboitiz FeedAll Holdings, Inc.

\* A publicly listed company

**Previous Positions:**

SVP for Regulatory Affairs and External Relations	Aboitiz Power Corporation
President and COO	AboitizPower Coal Business Units
President and COO	AboitizPower Oil Business Units

**Educational Background:**

College	MA, Philosophy & Politics (with Second Honors) University of Edinburgh
Gap Year	Beijing Language and Culture University Chinese Language

**Affiliations:**

Director	Philippine Electricity Market Corporation
Vice Chairman	Philippine Independent Power Producers Association

He is not connected with any Philippine government agency or instrumentality. He is not a director of any other publicly-listed company in the Philippines.

**CESAR G. ROMERO**  
Independent Director

Age: 57 years old  
Citizenship: Filipino  
Date of First Appointment: October 1, 2022  
Tenure: 4 months

**Committee Memberships:**

Chairman	Board Environmental, Social and Corporate Governance Committee <i>(since October 1, 2022)</i>
Member	Board Risk and Reputation Management Committee <i>(since October 1, 2022)</i> Board Audit Committee <i>(since October 1, 2022)</i> Board Related Party Transactions Committee <i>(since October 1, 2022)</i>

**Present Positions:**

Independent Director	Aboitiz Power Corporation* Aboitiz Equity Ventures Inc.* Robinsons Retail Holdings, Inc.*
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\* A publicly listed company

**Previous Positions:**

President and Chief Executive Officer	Pilipinas Shell Petroleum Corporation
Vice President – Global Retail Network	Shell’s Global Downstream Business
Vice President of Retail Sales and Operations East	
Vice President for Supply – East based in Singapore	
Vice President for Downstream Management Consultancy based in London	
Business Assistant to the Executive Director	

**Educational Background:**

College	Bachelor of Science in Mechanical Engineering <i>(cum laude)</i> , University of the Philippines
Graduate Studies	Master’s Degree in Business Administration (with High Distinction), University of Michigan, Michigan, U.S.A.
Various Management Development Courses	London Business School
	Wharton Business School

He is not connected with any Philippine government agency or instrumentality.

**SATOSHI YAJIMA**

Non-Executive Director

Age: 55 years oldCitizenship: JapaneseDate of First Appointment: April 25, 2022Tenure: 8 months**Committee Memberships:**

Observer	Board Environmental, Social and Corporate Governance Committee <i>(since April 25, 2022)</i> Board Audit Committee <i>(since April 25, 2022)</i> Board Cyber and Information Security Committee <i>(since April 25, 2022)</i>
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**Present Positions:**

Managing Executive Officer/ Senior Operating Officer – Business Development Department	JERA Co., Inc.
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**Previous Positions:**

Senior Vice President of Energy Infrastructure Group	JERA Co., Inc.
Executive Officer and Senior Operating Officer – Business Development Department	

**Educational Background:**

College	Bachelor's Degree in Electrical Engineering Waseda University, Japan
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He is not connected with any Philippine government agency or instrumentality. He is not a director of any other publicly-listed company in the Philippines.

**Performance Assessment and Attendance Reports of the Board**

In accordance with AboitizPower's Revised Manual on Corporate Governance (as amended on February 23, 2022) (the "Revised Manual"), the members of the Board and Board Committees conduct an annual self-assessment of their collective and individual performance. In addition, the directors assess the performance of the Company's corporate officers such as the Chairman of the Board, the Chief Executive Officer, the Chief Risk Officer, the Compliance Officer, and the Group Internal Audit Head.

The assessment forms are prepared and regularly reviewed by the Compliance Officer to elicit relevant and valuable insights on the following assessment criteria: (1) compliance with best governance practices and principles; (2) participation and contribution to the Board and committee meetings; and (3) performance of their duties and responsibilities as provided in the Company's Revised Manuals, Charters, Amended Articles of Incorporation, and Amended By-Laws.



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In addition, AboitizPower directors are evaluated by its key officers based on the following criteria: (1) business acumen, (2) independent judgment, (3) familiarity with the business, (4) active participation and effective challenge, (5) professional expertise and network, (6) value contribution, (7) embodiment of Aboitiz core values, and (8) reputation. Assessment results are presented to the Board ESCG Committee as part of the nomination and selection process of incumbent Board members.

The Corporate Governance Code and the Revised Manual requires that at least once in every three years, the conduct of the Board performance assessment must be supported by an independent third-party facilitator. AboitizPower complied with this requirement in 2020 with the engagement of the Good Governance Advocates and Practitioners of the Philippines ("GGAPP"), an independent association of corporate governance practitioners, to support the Board performance assessment exercise. The results of the assessment, as well as the recommendations from GGAPP, were presented and discussed at the Board ESCG Committee meeting on February 16, 2021.

For more discussion on the Board's (i) performance assessment, and (ii) attendance record at Board, Board Committee, and stockholders' meetings for the year 2022, please refer to the Board Matters portion of Part III – Corporate Governance on page 126 of this Definitive Information Statement.

### **Nominations for Independent Directors and Procedure for Nomination**

The procedure for the nomination and election of the Independent Directors is in accordance with Rule 38 of the Securities Regulation Code ("SRC Rule 38"), AboitizPower's Amended By-Laws, and AboitizPower's Amended Guidelines for the Nomination and Election of Independent Directors, approved by the Board of Directors on March 23, 2017 (the "Amended Guidelines").

Nominations for Independent Directors were opened beginning January 1, 2023 and the table for nominations was closed on February 15, 2023, in accordance with Section C (1) of the Guidelines. The period may be extended by unanimous vote of the Board ESCG Committee for meritorious reasons.

SRC Rule 38 further requires the Board ESCG Committee (in its capacity as the Board Nominations and Compensation Committee) to meet and pre-screen all nominees and submit a Final List of Nominees to the Corporate Secretary, so that such list will be included in the Company's Preliminary and Definitive Information Statements. Only nominees whose names appear on the Final List shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of nominees has been prepared. The name of the person or group of persons who nominates an Independent Director shall be identified in such report including any relationship with the nominee.

On February 15, 2023, the Chairman of the Board of the ESCG Committee submitted the Final List of Nominees to the Corporate Secretary. In approving the nominations for Independent Directors, the Board ESCG Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Amended Guidelines, and AboitizPower's Revised Manual. In 2022, Mr. Cesar G. Romero, Independent Director, was the Chairman of the Board ESCG Committee. The other voting members are Messrs. Sabin M. Aboitiz, Luis Miguel O. Aboitiz and Edwin R. Bautista, while the *ex-officio* non-voting members are Mr. Manuel Alberto R. Colayco, Ms. Maria Luisa C. Inofre, and Mr. Ronald Francis A. Suarez.

Independent Directors shall be elected at the stockholders' meeting during which other members of the Board are to be elected. However, no nominations for Independent Director shall be accepted at the floor during the 2023 ASM.

Messrs. Eric Ramon O. Recto and Cesar G. Romero are the nominees for Independent Directors of AboitizPower for the 2023 ASM. They are neither officers nor employees of AboitizPower or any of its Affiliates, and do not have any relationship with AboitizPower which would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director. Attached as **Annexes "B-1"** and **"B-2"** are the Certifications of Qualification as Independent Director of Messrs. Recto and Romero, respectively.

AboitizPower stockholders, Mesdames Esmeralda C. Dano and Katrina B. Aliman, have respectively nominated Messrs. Recto and Romero as AboitizPower's Independent Directors. None of the nominating stockholders have any relation to the respective independent director they are nominating.

### Other Nominees for Election as Members of the Board of Directors

As the Board ESCG Committee conveyed to the Corporate Secretary on February 15, 2023, the following were also nominated and qualified as candidates to the AboitizPower Board of Directors for the ensuing year 2023-2024:

**Sabin M. Aboitiz**  
**Luis Miguel O. Aboitiz**  
**Emmanuel V. Rubio**  
**Danel C. Aboitiz**  
**Edwin R. Bautista**  
**Toshiro Kudama**  
**Satoshi Yajima**

Pursuant to Section 7, Article I of the Amended By-Laws of AboitizPower, nominations for members of the Board, other than Independent Directors, for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the ASM on April 24, 2023, or not later than March 28, 2023.

All other information regarding the positions and offices held by nominees are integrated in Item 5(a)(1) above.

### Officers for 2022-2023

Below is the list of AboitizPower’s officers for 2022-2023 with their corresponding positions and offices held for the past five years. Unless otherwise indicated, the officers assumed their positions during AboitizPower’s organizational meeting in 2022 for a term of one year.

<p><b>SABIN M. ABOITIZ</b>  Chairman – Board of Directors  <i>Refer to Item 5 (a)(1) for the profile of Mr. Sabin M. Aboitiz.</i></p>
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<p><b>ERIC RAMON O. RECTO</b>  Vice Chairman – Board of Directors  <i>Refer to Item 5 (a)(1) for the profile of Mr. Eric Ramon O. Recto.</i></p>
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<p><b>EMMANUEL V. RUBIO</b>  Director/President and Chief Executive Officer  <i>Refer to Item 5 (a)(1) for the profile of Mr. Emmanuel V. Rubio.</i></p>
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<p><b>LIZA LUV T. MONTELIBANO</b>  Senior Vice President – Chief Financial Officer/Corporate Information Officer  <u>Age:</u> 47 years old  <u>Citizenship:</u> Filipino</p> <p><b>Committee Memberships:</b></p> <table border="1"> <tr> <td>Ex-Officio Member</td> <td>Board Risk and Reputation Management Committee Board Executive Committee</td> </tr> </table> <p><b>Present Positions:</b></p> <table border="1"> <tr> <td>Senior Vice President – Chief Financial Officer/Corporate Information Officer</td> <td>Aboitiz Power Corporation*</td> </tr> <tr> <td>Director/Treasurer/Chief Finance Officer</td> <td>AA Thermal, Inc.</td> </tr> <tr> <td>Director/SVP – Finance</td> <td>Aboitiz Renewables, Inc.</td> </tr> </table>	Ex-Officio Member	Board Risk and Reputation Management Committee Board Executive Committee	Senior Vice President – Chief Financial Officer/Corporate Information Officer	Aboitiz Power Corporation*	Director/Treasurer/Chief Finance Officer	AA Thermal, Inc.	Director/SVP – Finance	Aboitiz Renewables, Inc.
Ex-Officio Member	Board Risk and Reputation Management Committee Board Executive Committee							
Senior Vice President – Chief Financial Officer/Corporate Information Officer	Aboitiz Power Corporation*							
Director/Treasurer/Chief Finance Officer	AA Thermal, Inc.							
Director/SVP – Finance	Aboitiz Renewables, Inc.							

Director	AboitizPower International Pte. Ltd. AP Renewable Energy Corporation Archipelago Insurance Pte. Ltd. CELL Power Energy Corporation Cotabato Light & Power Company Davao Light & Power Co., Inc. Hedcor Group Luzon Hydro Corporation Manila-Oslo Renewables Enterprise, Inc. PV Sinag Power, Inc. Sinag Solar Power Corporation Subic Enerzone Corporation Therma Power, Inc. Visayan Electric Co., Inc.
Directorship and Management Position	GNPower Mariveles Energy Center Ltd. Co.

\* A publicly listed company

**Previous Positions:**

Country Controller	NXP Semiconductors
Chief Financial Officer	SteelAsia Manufacturing Corporation
General Manager for Finance and Administration	L'Oreal Philippines, Inc.

**Educational Background:**

College	Bachelor of Science in Management, Minor in Finance ( <i>cum laude</i> ) Ateneo de Manila University, Manila
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She is also a Certified Internal Auditor under the Institute of Internal Auditors. She is not connected with any Philippine government agency or instrumentality. She is not a director of a publicly-listed company in the Philippines.

**MARIA VERONICA C. SO**

Group Treasurer

Age: 51 years old

Citizenship: Filipino

**Committee Memberships:**

None	N/A
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**Present Positions:**

Group Treasurer	Aboitiz Power Corporation*
Senior Vice President – Group Treasurer	Aboitiz Equity Ventures Inc.*

\* A publicly listed company

**Previous Positions:**

First Vice President – Deputy Group Treasurer	Aboitiz Equity Ventures Inc.
Vice President – Treasury Services	
Various treasury and finance positions	Globe Telecom

**Educational Background:**

College	Bachelor of Science in Business Management Ateneo de Manila University, Manila
Graduate Studies	Master’s in Business Management Asian Institute of Management

She is not connected with any Philippine government agency or instrumentality. She is not a director of any publicly-listed company in the Philippines.

**MANUEL ALBERTO R. COLAYCO**

Corporate Secretary and Compliance Officer

Age: 53 years old

Citizenship: Filipino

**Committee Memberships:**

None	N/A
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**Present Positions:**

Corporate Secretary	Aboitiz Power Corporation*
Senior Vice President – Chief Legal and Compliance Officer/Corporate Secretary	Aboitiz Equity Ventures Inc.*

\* A publicly listed company

**Previous Positions:**

First Vice President and Chief Legal Officer	Aboitiz Equity Ventures Inc.
General Counsel	AGP International Holdings Ltd. Atlantic, Gulf & Pacific Company of Manila, Inc.
Executive Director and Assistant General Counsel	J.P. Morgan Chase Bank N.A.
Vice President and Legal Counsel	DKR Oasis (Hong Kong) LLC
Associate	Skadden, Arps, Slate, Meagher & Flom, LLP Romulo Mabanta Buenaventura Sayoc & de los Angeles

**Educational Background:**

College	Bachelor of Arts in Economics Ateneo de Manila University, Manila
Graduate Studies	Juris Doctor Ateneo de Manila University, Manila
	Master of Laws New York University School of Law, New York, U.S.A.

He is a member in good standing of the Integrated Bar of the Philippines and of the New York State Bar. He is not connected with any Philippine government agency or instrumentality. He is not a director of any publicly-listed company in the Philippines.

**MAILENE M. DE LA TORRE**

Assistant Corporate Secretary

Age: 42 years old

Citizenship: Filipino

**Committee Memberships:**

None	N/A
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**Present Positions:**

Assistant Corporate Secretary	Aboitiz Power Corporation*
Assistant Vice President – Governance and Compliance and Assistant Corporate Secretary	Aboitiz Equity Ventures Inc.*
Corporate Secretary	Various Subsidiaries of the Aboitiz Group
Assistant Corporate Secretary	Various Subsidiaries of the Aboitiz Group

\* A publicly listed company

**Previous Positions:**

Senior Associate General Counsel for Governance and Compliance	Aboitiz Equity Ventures Inc.
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**Educational Background:**

College	Bachelor of Arts Degree in Political Science ( <i>Cum Laude</i> ) University of the Philippines – Diliman
Graduate Studies	Bachelor of Laws University of the Philippines – Diliman

She is a graduate member of the Institute of Corporate Directors and completed the Professional Director's Program, and she is a member in good standing of the Integrated Bar of the Philippines. She is not connected with any Philippine government agency or instrumentality. She is not a director of a publicly-listed company in the Philippines.



**MA. CLARISSE S. OSTERIA**  
Assistant Corporate Secretary

Age: 34 years old  
Citizenship: Filipino

**Committee Memberships:**

None	N/A
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**Present Positions:**

Assistant Corporate Secretary	Aboitiz Power Corporation*
Assistant Vice President for Governance and Compliance	
Corporate Secretary	Various Subsidiaries of the AboitizPower Group
Assistant Corporate Secretary	Various Subsidiaries of the AboitizPower Group

\* A publicly listed company

**Previous Positions:**

Corporate Secretary	RL Fund Management, Inc. RL Property Management, Inc.
Assistant Corporate Secretary	Altus Property Ventures Inc. Robinsons Land Corporation and Subsidiaries

**Educational Background:**

College	Bachelor of Arts in Journalism University of the Philippines – Diliman
Graduate Studies	Juris Doctor University of the Philippines – Diliman

She is a member in good standing of the Integrated Bar of the Philippines. She is not connected with any Philippine government agency or instrumentality. She is not a director of any publicly-listed company in the Philippines.

**MARK LOUIE L. GOMEZ**  
Vice President for Risk and Organizational Performance Management and Data Privacy Officer

Age: 42 years old  
Citizenship: Filipino

**Committee Memberships:**

Ex-Officio Member	Board Risk and Reputation Management Committee
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**Present Positions:**

Vice President for Risk and Organizational Performance Management and Data Privacy Officer
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Aboitiz Power Corporation*
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\* A publicly listed company

**Previous Positions:**

Assistant Vice President – Enterprise Risk Management and Data Protection Officer
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Therma Luzon, Inc.
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Compliance Manager
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AP Renewables Inc.
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**Educational Background:**

College
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Bachelor of Arts in Political Science University of the Philippines – Diliman
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Graduate Studies
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Bachelor of Laws San Beda College of Law, Manila
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He is a member in good standing of the Integrated Bar of the Philippines. He is not connected with any Philippine government agency or instrumentality. He is not a director of any publicly-listed company in the Philippines.

**JUAN PASCUAL C. COSARE**

Internal Audit Head

Age: 37 years old

Citizenship: Filipino

**Committee Memberships:**

None
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N/A
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**Present Positions:**

Internal Audit Head/Assistant Vice President – Audit
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Aboitiz Power Corporation*
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\* A publicly listed company

**Previous Positions:**

Audit Operations Head/Senior Manager
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Aboitiz Power Corporation
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Internal Audit Manager
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Internal Audit Supervisor
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### **Educational Background:**

College	Bachelor of Science in Accountancy ( <i>Cum Laude</i> ) University of Immaculate Concepcion, Davao City
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Mr. Cosare is a Certified Public Accountant, Certified Internal Auditor, Certified Asset Management Assessor (taken in Singapore), and an Information Security Management Systems (ISMS) Lead Auditor Candidate (taken in Malaysia), as well as an ISO 45001:2018 OSH Management Systems Lead Auditor Candidate. He is not connected with any Philippine government agency or instrumentality. He is not a director of any publicly-listed company in the Philippines.

### **Period in which the Directors Should Serve**

The directors shall serve for a period of one year.

### **Term of Office of a Director**

Pursuant to the Company's Amended By-Laws, the directors are elected at each ASM by stockholders entitled to vote. Each director holds office until the next annual election, or for a term of one year and until his successor is duly elected, unless he resigns, dies, or is removed prior to such election.

Any vacancy in the Board, other than by removal or expiration of term, may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. Otherwise, said vacancy must be filled by the stockholders or members in a regular or special meeting called for that purpose. The director so chosen shall serve for the unexpired term of their predecessor in office.

When the vacancy arises as a result of removal by the stockholders or members, the election may be held on the same day of the meeting authorizing the removal and this fact must be so stated in the agenda and notice of said meeting. In all other cases, the election must be held no later than 45 days from the time the vacancy arose. The director so chosen to fill a vacancy shall serve for the unexpired term of his/her predecessor in office.

When the vacancy prevents the remaining directors from constituting a quorum and emergency action is required to prevent grave, substantial, and irreparable loss or damage to the corporation, the vacancy may be temporarily filled from among the officers of the corporation by unanimous vote of the remaining directors. The action by the designated director shall be limited to the emergency action necessary, and the term shall cease within a reasonable time from the termination of the emergency or upon the election of the replacement director, whichever comes earlier.

### **(2) Significant Employees**

AboitizPower considers the contribution of every employee important to the fulfillment of its goals.

### **(3) Family Relationships**

Mr. Sabin M. Aboitiz is an uncle of Mr. Danel C. Aboitiz.

Other than this, no other officers or directors are related within the fourth degree of consanguinity.

### **(4) Involvement in Certain Legal Proceedings as of March 21, 2023**

To the knowledge and/or information of AboitizPower, none of its nominees for election as directors, its present members of the Board, or its executive officers have been involved in any of the following during the past five years up to March 21, 2023:

- (a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

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- (b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
  - (c) Being subject to 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/her involvement in any type of business, securities, commodities or banking activities; and
  - (d) Being found 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, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

#### **(5) Certain Relationships and Related Transactions**

AboitizPower and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into related party transactions consisting of professional fees, advances, various guarantees, construction contracts, and rental fees. These are made on an arm's length basis as of the time of the transactions.

AboitizPower ("Parent") has provided support services to its Business Units, such as marketing, trading, billing and other technical services, necessary for the effective and efficient management and operations among and between the Subsidiaries and Associates.

The Group has existing Service Level Agreements (SLAs) with its parent company, AEV, for corporate center services such as human resources, internal audit, legal, information technology, treasury and corporate finance, among others. These services are obtained from AEV to enable the Group to realize cost synergies and optimize expertise at the corporate center. AEV maintains a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transaction costs are always benchmarked on third party rates to ensure competitive pricing and consistency with prevailing industry standards. SLAs are in place to ensure quality of service.

Material and significant related party transactions are reviewed and approved by the Board Related Party Transactions Committee, composed of all independent directors.

No other transactions, without proper disclosure, were undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest. Other than what has been discussed in this Definitive Information Statement and the Company's 2022 Annual Financial Statements, there are no other related party transactions entered into by the Company with related parties, including transactions with directors or self-dealings by the Company's directors.

AboitizPower employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are brought to the attention of the management.

In 2021, AboitizPower updated the Related Parties Certification for Directors and Officers in compliance with the Bureau of Internal Revenue (BIR) Regulation No. 19-2020 on the reporting guidelines for the transactions of individuals and juridical entities with related parties. The RPT Committee continued to ensure that related party transactions are taken on an arm's-length basis, within market rates, and with sufficient documentation. Lastly, the RPT Committee ensured that RPTs falling below the SEC-defined materiality threshold are coursed through the appropriate levels of review, reporting, and/or approval process.

For detailed discussion on related party transactions, please refer to the Consolidated Financial Statements.

#### **(6) Parent Company**

AboitizPower's parent company is AEV. As of March 21, 2023, AEV owned 51.99% of the voting shares of AboitizPower. In turn, ACO owned, as of March 21, 2023, 48.59% of the voting shares of AEV.

(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned or declined to stand for re-election to the Board since the date of AboitizPower's last ASM because of a disagreement with AboitizPower on matters relating to its operations, policies, and practices.

Item 6. Compensation of Directors and Executive Officers

(a) Summary of Compensation of Executive Officers

Information as to the aggregate compensation paid or accrued to AboitizPower's Chief Executive Officer and four most highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years and the ensuing fiscal year, are as follows:

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
<b>Chief Executive Officer and the Four Most Highly Compensated Executive Officers:</b> <b>1. EMMANUEL V. RUBIO</b> <i>- President and Chief Executive Officer</i> <b>2. LIZA LUV T. MONTELIBANO</b> <i>- Senior Vice President - Chief Financial Officer/Corporate Information Officer</i> <b>3. DANIEL C. ABOITIZ</b> <i>- Chief Commercial and Stakeholder Engagement Officer</i> <b>4. MARK LOUIE M. GOMEZ</b> <i>- Data Privacy Officer and Vice President for Risk and Organizational Performance Management</i> <b>5. JUAN PASCUAL C. COSARE</b> <i>- Internal Audit Head</i>				
<b>All above named officers as a group</b>	<b>Actual 2022</b>	<b>₱117,580,000.00</b>	<b>₱6,080,000.00</b>	<b>₱22,330,000.00</b>
	Actual 2021	₱95,120,000.00	₱5,220,000.00	₱34,340,000.00
	Projected 2023	₱125,800,000.00	₱6,500,000.00	₱23,900,000.00
<b>All other officers and directors as a group</b>	<b>Actual 2022</b>	<b>₱3,090,000.00</b>	<b>₱280,000.00</b>	<b>₱16,880,000.00</b>
	Actual 2021	₱11,640,000.00	₱810,000.00	₱13,790,000.00
	Projected 2023	₱3,300,000.00	₱300,000.00	₱18,100,000.00

The 2020 Amended By-Laws of the Company, as approved by the Securities and Exchange Commission (SEC) on October 1, 2020, defines corporate officers as follows: the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the Treasurer, the Corporate Secretary, the Assistant Corporate Secretary, and such other officers as may be appointed by the Board of Directors. For the year 2022, the Company's Summary of Compensation of Executive Officers covers the compensation of officers as reported under Item 5 (a)(1) of the Information Statement.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.



## (b) Compensation of Directors

### (1) Standard Arrangements

AboitizPower directors receive a monthly allowance of ₱150,000.00, while the Chairman of the Board receives a monthly allowance of ₱200,000.00. In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱225,000.00

Type of Meeting	Directors	Chairman of the Board
Board Committee Meeting (except Audit Committee)	₱100,000.00	₱150,000.00
Audit Committee Meeting	₱100,000.00	₱200,000.00

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2022 is as follows:

Name of Director <sup>6</sup>	Total Compensation Received as a Director <sup>7</sup>
<b>SABIN M. ABOITIZ*</b> <i>Chairman of the Board of Directors</i>	₱6,275,000.00
<b>ERIC RAMON O. RECTO</b> <i>Lead Independent Director/Vice Chairman of the Board of Directors</i>	₱6,350,000.00
<b>LUIS MIGUEL O. ABOITIZ</b> <i>Director</i>	₱4,800,000.00
<b>EMMANUEL V. RUBIO*</b> <i>Director/President and Chief Executive Officer</i>	₱3,900,000.00
<b>EDWIN R. BAUTISTA</b> <i>Director</i>	₱4,000,000.00
<b>DANEL C. ABOITIZ*</b> <i>Director/Chief Commercial and Stakeholder Engagement Officer</i>	₱3,850,000.00
<b>TOSHIRO KUDAMA</b> <i>Director</i>	₱3,750,000.00
<b>SATOSHI YAJIMA</b> <i>Director</i>	₱2,250,000.00
<b>CESAR G. ROMERO**</b> <i>Independent Director</i>	₱1,600,000.00

\* A portion of the director's compensation was paid to their nominating company, AEV.

\*\* Appointed as Independent Director, effective October 1, 2022.

### (2) Other Arrangements

Other than payment of the directors' per diem and monthly allowance as previously stated, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

### (c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AboitizPower and any executive officer in case of resignation or any other termination of employment or from a change in the management or control of AboitizPower.

### (d) Warrants and Options Outstanding

To date, AboitizPower has not granted any stock options to its directors or officers.

<sup>6</sup> Former Lead Independent Director Mr. Raphael P.M. Lotilla received ₱2,250,000.00 as total compensation as director. He served as Independent Director until July 11, 2022. Former Independent Director Mr Carlos C. Ejercito received ₱2,050,000.00 as total compensation as director. He served as Independent Director until April 25, 2022.

<sup>7</sup> Consisting of the monthly allowance and per diem. Per diem is based on the directors' attendance in the Board and Board Committee meetings, and their Committee memberships for the period January 1 to December 31, 2022.

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## Item 7. Independent Public Accountant

As a matter of policy, the Board Audit Committee (the "Audit Committee") selects, monitors, and reviews the independence, performance and effectiveness, scope of work, fees, and remuneration of external auditors, in consultation with the Chief Executive Officer, the Chief Financial Officer, and the Group Internal Audit Head. Where appropriate, the Committee may recommend to the Board of Directors the re-appointment or replacement of the current external auditor.

During the March 3, 2023 Board Meeting, the Chairman of the Audit Committee, Mr. Eric Ramon O. Recto, reported to the Board that the Audit Committee evaluated and assessed the previous year's performance of the Company's external auditor, SyCip Gorres Velayo & Co. (SGV). Based on the results of its evaluation, the Audit Committee advised the Board of Directors that it is satisfied with SGV's performance for the previous year and recommended SGV's re-appointment as the Company's external auditor for 2023.

The Board of Directors discussed the Audit Committee's recommendation, and after discussion, approved the re-appointment of SGV. The Board of Directors will endorse to the shareholders the re-appointment of SGV as the Company's external auditor for 2023.

The accounting firm of SGV has been AboitizPower's Independent Public Accountant for the last 24 years. Ms. Jhoanna Feliza C. Go is AboitizPower's audit partner from SGV since 2022. AboitizPower complies with the requirements of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There has been no event in the past 24 years wherein AboitizPower and SGV or its handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

Representatives of SGV will be present during the 2023 ASM and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

The Chairman of the Audit Committee is Mr. Eric Ramon O Recto, an Independent Director. The other members are Mr. Cesar G. Romero, an Independent Director, and Messrs. Danel C. Aboitiz, Edwin R. Bautista, and Luis Miguel O. Aboitiz, who are directors of AboitizPower.

## Item 8. Compensation Plans

No action is to be taken during the 2023 ASM with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

## C. ISSUANCE AND EXCHANGE OF SECURITIES

### Item 9. Authorization or Issuance of Securities Other Than for Exchange

No action is to be taken during the 2023 ASM with respect to authorization or issuance of any securities other than for exchange for outstanding securities.

The following is a discussion of the Company's outstanding registered securities.

#### Recent Issuance of Registered Debt Securities

##### (a) Shelf Registration of Thirty Billion Peso Fixed-Rate Bonds issued in 2017 and 2018

On June 19, 2017, SEC issued an Order of Registration and a Certificate of Permit to Offer Securities for AboitizPower's fixed-rate corporate retail bonds in the aggregate amount of up to ₱30 bn ("2017 Bonds"). The 2017 Bonds were registered under the shelf registration program of the SEC and are to be issued in tranches.

### Series "A" Three Billion Peso Fixed Rate Bonds issued in July 2017

Series "A" bonds were issued on July 3, 2017 with an aggregate amount of ₱3 bn, a tenor of ten years, and fixed interest rate of 5.3367% per annum. Interest is payable quarterly in arrears on January 3, April 3, July 3, and October 3 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day. AboitizPower engaged BPI Capital Corporation (BPI Capital) as Issue Manager and Underwriter, BPI Asset Management and Trust Group (BPI-AMTG) as Trustee, and the Philippine Depository & Trust Corporation (PDTC) as the Registrar and Paying Agent. The Series "A" bonds received a credit rating of "PRS Aaa" with Stable Outlook from the Philippine Rating Services Corporation (PhilRatings), and is listed with the Philippine Dealing & Exchange Corporation (PDEX).

AboitizPower received the aggregate amount of ₱2.97 bn as proceeds from the offer and sale of the Series "A" bonds. AboitizPower has been paying interest to its bond holders since October 2017.

#### *Use of Proceeds*

As of December 31, 2017, the proceeds of the Series "A" bonds were fully utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus) (in '000)	Actual Usage (in '000)
Equity infusions into GNPD in 2017	₱2,206,373	₱1,255,745
Equity infusions into GNPD in 2018	764,395	1,711,317
Bond issuance costs	29,232	32,938
<b>TOTAL</b>	<b>₱3,000,000</b>	<b>₱3,000,000</b>

### Series "B" and Series "C" Ten Billion Fixed Rate Bonds issued in October 2018

Series "B" and Series "C" bonds, with an aggregate amount of ₱10 bn and an oversubscription option of ₱5 bn, were issued on October 12, 2018. The Series "B" bonds have an interest rate of 7.5095% per annum, and will mature in 2024, while the Series "C" bonds have an interest rate of 8.5091% per annum, and will mature in 2028. Interest is payable quarterly in arrears on January 25, April 25, July 25, and October 25 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital & Investment Corporation (BDO Capital) as Issue Manager, BDO Capital, BPI Capital, and United Coconut Planters Bank as Joint Lead Underwriters, BDO Unibank, Inc. Trust & Investments Group (BDO Trust) as Trustee, and PDTC as the Registry and Paying Agent for the transaction. The Series "B" and Series "C" bonds received the highest possible rating of PRS "Aaa" from PhilRatings and are listed with PDEX.

AboitizPower received the aggregate amount of ₱7.5 bn as proceeds from the offer and sale of the Series "B" bonds and ₱2.5 bn for the Series "C" bonds. AboitizPower has been paying interest to its bond holders since January 2019 for the Series "B" and Series "C" bonds.

### Use of Proceeds

As of September 30, 2019, the proceeds of the Series “B” and Series “C” bonds were fully utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus) (in '000)	Actual Usage (in '000)
Refinancing of the Medium-Term Loan of Therma Power, Inc.	₱8,700,000	₱8,700,000
Bond issuance costs	118,868	121,924
General corporate purposes	1,381,132	1,378,076
<b>TOTAL</b>	<b>₱10,200,000</b>	<b>₱10,200,000</b>

On October 26, 2022, AboitizPower fully prepaid the outstanding ₱7.7bn 5.25-year Series “B” 2018 bonds maturing in January 2024 with a redemption price of 100.25% of its face value.

### Series “D” 7.5 Billion Peso Fixed Rate Retail Bonds issued in October 2019

Series “D” bonds, with an aggregate amount of ₱7 bn and an oversubscription of ₱5 bn, were issued on October 14, 2019. The Series “D” bonds have an interest rate of 5.2757% per annum, and will mature in 2026. Interest is payable quarterly in arrears on January 14, April 14, July 14, and October 14 of each year, or the subsequent banking day without adjustment if such interest payment day is not a banking day.

AboitizPower appointed BDO Capital and First Metro Investment Corporation (FMIC) as Joint Issue Managers, Joint Bookrunners and Joint Lead Underwriters, and BDO Trust as Trustee, and PDTC as the Registry and Paying Agent of the transaction. The Series “D” bonds received the highest possible rating of PRS “Aaa” from PhilRatings and is listed with PDEX.

The Company received the aggregate amount of ₱7.25 bn as proceeds from the offer and sale of the Series “D” bonds. AboitizPower has been paying interest to its bond holders since January 2020 for the Series “D” bonds.

### Use of Proceeds

As of December 31, 2019, the proceeds of the Series “D” bonds were fully utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus) (in '000)	Actual Usage (in '000)
Repayment of short-term loan	₱7,161,972	₱7,250,000
Bond issuance costs	88,028	-
<b>TOTAL</b>	<b>₱7,250,000</b>	<b>₱7,250,000</b>

### Series “E” and “F” 9.55 Billion Peso Fixed Rate Retail Bonds issued in July 2020

Series “E” and Series “F” bonds, with an aggregate amount of ₱6 bn and an oversubscription option of ₱3.55 bn, were issued on July 6, 2020. The Series “E” bonds have an interest rate of 3.125% per annum, and will mature in 2022, while the Series “F” bonds have an interest rate of 3.935% per annum, and will mature in 2025. Interest is payable quarterly in arrears on January 6, April 6, July 6, and October 6 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital, China Bank Capital Corporation (China Bank Capital), and FMIC as the Joint Issue Managers and Joint Lead Underwriters, BDO Trust as Trustee, and PDTC as the Registry and Paying Agent for the transaction. The Series “E” and Series “F” bonds have been rated PRS “Aaa” with a stable outlook from PhilRatings on April 8, 2020, and are listed with PDEX.

AboitizPower received the aggregate amount of ₱9.55 bn as proceeds from the offer and sale of the Series “E” and Series “F” bonds. AboitizPower has been paying interest to its bond holders since October 2020 for the Series “E” and Series “F” bonds.

#### *Use of Proceeds*

As of December 31, 2021, the proceeds of the Series “E” and Series “F” bonds were utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus) (in '000)	Actual Usage (in '000)
Reimburse Previous Equity Contributions to GNPD through AA Thermal and TPI	₱6,736,749	₱6,736,749
Fund Succeeding Equity Infusions in AA Thermal and TPI	2,082,873	2,522,627
General corporate purposes	614,889	177,077
Bond issuance costs	115,489	113,547
<b>TOTAL</b>	<b>₱9,550,000</b>	<b>₱9,550,000</b>

	Per Final Prospectus (in '000)	Actual Usage (in '000)
Gross Proceeds	₱9,550,000	₱9,550,000
Net Proceeds	9,434,511	9,436,453

#### **(b) Shelf Registration of Thirty Billion Peso Fixed-Rate Bonds issued in 2021**

On March 1, 2021, SEC issued an Order of Registration and a Certificate of Permit to Offer Securities for AboitizPower’s fixed-rate corporate retail bonds in the aggregate principal amount of ₱30 bn (the “2021 Bonds”). The 2021 Bonds were registered under the shelf registration program of the SEC and were issued in tranches.

##### **Series “A” Eight Billion Peso Fixed Rate Bonds issued in March 2021**

The first tranche of the 2021 Bonds, with a base issue size of up to ₱4 bn and an oversubscription of up to ₱4 bn (the “Series “A” Bonds”) was issued on March 16, 2021. The Series “A” Bonds have an interest rate of 3.8224% per annum, and will mature in 2026. Interest is payable in arrears on March 16, June 16, September 16, and December 16 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital, BPI Capital, China Bank Capital, and FMIC as Joint Lead Underwriters. BDO Trust was appointed as Trustee. The Series “A” Bonds received the credit rating of “PRS Aaa” with Stable Outlook. AboitizPower listed the First Tranche Bonds with PDEX on March 15, 2021.

AboitizPower received the aggregate amount of P8 bn as proceeds from the offer and sale of the First Tranche Bonds.



### Use of Proceeds

As of December 31, 2022, the proceeds of the Series “A” Bonds were fully utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus) (in '000)	Actual Usage (in '000)
Redemption of the 2014 Series A Bonds Maturing in 2021	₱6,600,000	₱6,600,000
Partial Funding for the Early Redemption of the 2014 Series B Bonds Originally Maturing in 2026	1,295,303	1,303,093
Bond issuance costs	104,697	96,907
<b>TOTAL</b>	<b>₱8,000,000</b>	<b>₱8,000,000</b>

	Per Final Prospectus (in '000)	Actual Usage (in '000)
Gross Proceeds	₱8,000,000	₱8,000,000
Net Proceeds	7,895,303	7,903,093

### Series “B” and “C” Twelve Billion Peso Fixed Rate Bonds issued in November 2021

Series “B” and Series “C” bonds (collectively, the “Second Tranche Bonds”), with an aggregate amount of ₱6 bn and an oversubscription option of ₱6 bn, were issued on November 15, 2021. The Series “B” bonds have an interest rate of 3.9992% per annum, and will mature in 2025, while the Series “C” bonds have an interest rate of 5.0283% per annum, and will mature in 2028. Interest is payable quarterly in arrears on March 2, June 2, September 2, and December 2 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital and ChinaBank Capital as Joint Issue Managers; and BDO Capital and ChinaBank Capital as Joint Lead Underwriters and Joint Bookrunners. BDO Trust was appointed as Trustee. The Second Tranche Bonds received the credit rating of “PR3 Aaa” with Stable Outlook. AboitizPower listed the Second Tranche Bonds with PDEX on December 2, 2021.

AboitizPower received the aggregate amount of ₱12 bn as proceeds from the offer and sale of the Second Tranche Bonds.

### Use of Proceeds

As of December 31, 2022, the proceeds of the Second Tranche Bonds were utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus) (in '000)	Actual Usage (in '000)
Partially fund the equity contributions for the construction of the 74 MW Solar power plant in Pangasinan province	₱1,000,000	₱1,000,000
Refinancing of the 2020 Series E Bonds Maturing in 2022	9,000,000	9,000,000
Fund future renewable projects	1,839,849	600,783
Bond issuance costs	160,151	150,195
<b>TOTAL</b>	<b>₱12,000,000</b>	<b>₱10,750,978</b>



	Per Final Prospectus (in '000)	Actual Usage (in '000)
Gross Proceeds	₱12,000,000	₱12,000,000
Net Proceeds	11,839,849	11,849,805

Balance of the proceeds as of December 31, 2022: ₱1,249,022,000.00

#### Series “D” and “E” Ten Billion Peso Fixed Rate Bonds issued in March 2022

Series “D” and Series “E” bonds (collectively, the “Third Tranche Bonds”), with an aggregate amount of up to ₱7 bn and an oversubscription option of up to ₱3 bn was issued on March 17, 2022. Series “D” of the Third Tranche Bonds have a fixed interest rate of 5.3066% per annum maturing in 2027, and the Series “E” bonds have a fixed interest rate of 5.7388% per annum maturing in 2029. Interest is payable in arrears on March 17, June 17, September 17, and December 17 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital, China Bank Capital, and FMIC as Joint Issue Managers; and BDO Capital, China Bank Capital, FMIC, and SB Capital Investment Corporation as Joint Lead Underwriters and Joint Bookrunners. The Third Tranche Bonds received a credit rating of “PRS Aaa” with Stable Outlook from PhilRatings. AboitizPower listed the Third Tranche Bonds with PDEX on March 17, 2021.

AboitizPower received the aggregate amount of ₱10 bn as proceeds from the offer and sale of the Third Tranche Bonds.

#### Use of Proceeds

As of December 31, 2022, the proceeds of the Third Tranche Bonds were utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus) (in '000)	Actual Usage (in '000)
Early Redemption of the 2018 Series B Bonds	₱7,700,000	₱7,700,000
Partially fund future renewable energy projects	2,165,427	-
Bond issuance costs	134,573	129,875
<b>TOTAL</b>	<b>₱910,000,000</b>	<b>₱7,829,875</b>

	Per Final Prospectus (in '000)	Actual Usage (in '000)
Gross Proceeds	₱10,000,000	₱10,000,000
Net Proceeds	9,865,427	9,870,125

Balance of the proceeds as of December 31, 2022: ₱2,170,125,000.00

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

No action is to be taken during the 2023 ASM with respect to modification or exchange of securities of AboitizPower, or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

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#### Item 11. Financial and Other Information

No other action to be taken during the 2023 ASM with respect to any matter specified in Items 9 or 10.

#### Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the 2023 ASM with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with AboitizPower; (ii) acquisition by AboitizPower or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of AboitizPower; or (v) liquidation or dissolution of AboitizPower.

#### Item 13. Acquisition or Disposition of Property

No action is to be taken during the 2023 ASM with respect to acquisition or disposition of any property of AboitizPower.

#### Item 14. Restatement of Accounts

No action is to be taken during the 2023 ASM with respect to restatement of any asset, capital or surplus account of AboitizPower.

#### D. OTHER MATTERS

#### Item 15. Action with Respect to Reports

The following actions require approval from the stockholders during the 2023 ASM:

- (a) Approval of the Minutes of the 2022 Annual Meeting of Stockholders ("2022 ASM") dated April 25, 2022 (A summary and copy of the draft 2022 ASM Minutes are attached as **Annex "C"**). The approval of the minutes is only with respect to the correctness of the minutes and not as of any of the matters referred there. The minutes may also be viewed at the Company's website at: <https://aboitizpower.com/uploads/media/AP-17C-Disclosure-04-25-22-Results-of-Annual-Stockholders'-Meeting.pdf> and covers the following matters:
  - 1) Approval of the minutes of the previous Annual Stockholders' Meeting on April 26, 2021;
  - 2) Approval of the 2021 Annual Report and Audited Financial Statements;
  - 3) Appointment of SyCip Gorres Velayo & Co. as the Company's External Auditor for 2022;
  - 4) Election of the Members of the Board of Directors; and
  - 5) Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management in 2021 until April 25, 2022.
- (b) Approval of the 2022 Annual Report of Management and Financial Statements;
- (c) Appointment of the Company's External Auditor for 2023; and
- (d) General ratification of the acts of the Board of Directors, corporate officers, and management from March 26, 2022 up to April 24, 2023. These acts are covered by resolutions of the Board duly adopted during the normal course of trade or business of the Company.

Except for the election of directors which is discussed in other parts of the report, there are no other matters that require the approval of stockholders.

The Company's President and Chief Executive Officer, Mr. Emmanuel V. Rubio will present the President's Report during the 2023 ASM. The President's Report will be an assessment of the Company's 2022 performance and will include information on any material change in the Company's business, strategy, and other affairs, if any. The President's Report for the 2023 ASM is not yet available at the time that the Company's Definitive Information Statement is due to be submitted to the SEC on March 28, 2023. It will be uploaded and may be viewed at the Company's website at <https://aboitizpower.com/2023asm> as soon as available.

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## Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

Ratification of the acts of the Board, corporate officers, and management from March 26, 2022 up to April 24, 2023 refers only to acts done in the ordinary course of business and operations of AboitizPower, which have been duly disclosed to SEC, PSE, and PDEx, as may be required and in accordance with the applicable laws. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure, undertaken at every annual meeting of AboitizPower's stockholders.

Below is a summary of board resolutions approved during the period of March 26, 2022 to February 28, 2023:

### Special Board Meeting, March 26, 2022

- (a) Extend Advances to Subsidiaries

### Regular Board Meeting, April 21, 2022

- (a) Update the Company's Bank Signatories
- (b) Issue of a Parent Guarantee to Subsidiary
- (c) Note the Authority of a Subsidiary to Enter into a Joint Venture
- (d) Appoint Representatives to Attend Stockholders' Meetings of its Investee Companies, and to Apply for Memberships and Attend Meetings of Special Interest Groups, Business Organizations, and Associations
- (e) Appoint Representatives to Enter into Preliminary Agreements Involving Potential Acquisitions
- (f) Appoint Representatives to Enter into Preliminary Agreements Involving Human Resources (HR) and Information Technology (IT)-related Transactions
- (g) Appoint Representatives to Purchase, Sell, or Deal in Any Manner with the Motor Vehicles of the Company
- (h) Appoint Authorized Representatives for Various Credit Line Accommodations with Suppliers
- (i) Update Representatives to Transact with PDTC
- (j) Appoint Representatives to Transact and File Reports with the PSE, PDEx, and SEC
- (k) Renew the Data Privacy Officer's Authority to Transact with the National Privacy Commission
- (l) Approve Amendments to the Board Risk and Reputation Management Committee Charter

### Regular Board Meeting, May 25, 2022

- (a) Issue Guarantees for its Projects
- (b) Transact with the Land Registration Authority (LRA)
- (c) Invest in the Construction of Solar Power Plants
- (d) Participate, Invest Funds, and Secure Financing and/or Guarantees for its Projects

### Special Board Meeting, June 14, 2022

- (a) Authorize its Subsidiary to Participate and Bid in the Green Energy Auction Program (GEAP)
- (b) Authorize its Subsidiary to Issue a Bid Price and Bid Security
- (c) Authorize its Subsidiary to Enter into a Joint Venture

### Regular Board Meeting, July 28, 2022

- (a) Transact with the Bureau of Internal Revenue (BIR) for Tax Treaty Relief Application in relation to its 2022 Cash Dividend Declaration
- (b) Authorize its Subsidiary to Invest in a Solar Power Plant
- (c) Issue Parent Guarantees or Secure Standby Letters of Credit (SBLCs) to its Subsidiaries for Ancillary Services (AS) Competitive Selection Process (CSP) Bid
- (d) Transact with the Home Development Mutual Fund (HDMF)

### Regular Board Meeting, August 24, 2022

- (a) Issue Parent Guarantee/Surety for a Subsidiary's Loan
- (b) Prepay or Redeem its Fixed-Rate Bonds
- (c) Acquire Additional Equity Stake in an Investee Company

### Regular Board Meeting, September 27, 2022

- (a) Update its Authorized Representatives for its Membership with Associations
- (b) Issue Parent Guarantee or Secure SBLCs in favor of its Subsidiary
- (c) Approve Revisions to the Internal Audit Team Charter
- (d) Appoint Independent Director and Board Committee Members

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**Regular Board Meeting, November 3, 2022**

- (a) Appoint Internal Audit Head
- (b) Update Representatives to Enter into Preliminary Agreements Involving Potential Acquisitions or Transactions
- (c) Update Signatories to Transact with Telecommunication Providers

**Regular Board Meeting, December 12, 2022**

- (a) Extend Advances to a Subsidiary
- (b) Transact and File an Application with the PCC
- (c) Issue of Parent Company Guarantee to its Subsidiaries

**Regular Board Meeting, January 26, 2023**

- (a) Approve a Subsidiary's Parent Guarantee in favor of other Companies with the Group in order to Avail of Credit Facilities with Various Banks
- (b) Apply Creditable Withholding Tax Refund with the BIR
- (c) Transact with the BIR and Local Government Units (LGUs)
- (d) Enter into Preliminary Contracts for the Development of Potential Renewable Energy Projects
- (e) File Claims Release with an Insurance Company
- (f) Approve and Accept Settlement Offer

**Special Board Meeting, February 14, 2023**

- (a) Authorize the Submission of a Bid for a Potential Acquisition

**Regular Board Meeting, February 23, 2023**

- (a) Resignation and Appointment of the Assistant Corporate Secretary
- (b) Appoint Authorized Representatives to File Reports with the PSE, PDEX, and SEC
- (c) Update Contact Information with the SEC

**Special Board Meeting, March 3, 2023**

- (a) Approve the 2022 Audited Financial Statements
- (b) Approve the Conduct of the 2023 ASM via Livestream
- (c) Set the Agenda, Venue, and Record Date for Stockholders Entitled to Vote in the 2023 ASM
- (d) Appoint the Board of Election Inspectors for the 2023 ASM
- (e) Appoint the Proxy Validation Committee Members
- (f) Approve and Endorse the Appointment of External Auditor for 2023
- (g) Declare Cash Dividends

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers and management from March 26, 2022 up to the date of the 2023 ASM shall be presented to the stockholders for approval.

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

No action is to be taken during the 2023 ASM with respect to the amendment of the Company's Charter, By-Laws or other documents.

**Item 18. Other Proposed Actions**

- (a) *Approval of the 2022 Annual Report and Financial Statements.* The proposal is intended to present to the stockholders the results of the Company's operations in 2022, in accordance with Section 74 of the Revised Corporation Code.

The Company's audited financial statements as of December 31, 2022 will be integrated and made part of the Company's Definitive Information Statement. The Definitive Information Statement is distributed to the stockholders at least 15 business days prior to the ASM, and is posted at the Company's website at [www.aboitizpower.com](http://www.aboitizpower.com) and in the PSE EDGE portal at [edge.pse.com.ph](http://edge.pse.com.ph).

A resolution approving the 2022 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.



- (b) *Appointment of the Company's External Auditor for 2023.* The proposal is intended to appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse SGV as the external auditor for 2023 for the stockholders to appoint.

The profile of the external auditor is disclosed in this Information Statement.

A resolution for the appointment of the Company's external auditor for 2023 shall be presented to the stockholders for approval.

- (c) *Ratification of Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management in 2022 up to April 24, 2023.* The proposal is intended to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers, and management in the ordinary course of business. The board resolutions are enumerated in this Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing at, and can be downloaded from, the Company's website at [www.aboitzpower.com](http://www.aboitzpower.com).

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers, and management in 2022 up to the date of the 2023 ASM shall be presented to the stockholders for approval.

## Item 19. Voting Procedures

### (a) Votes Required for Matters Submitted for Approval of the Shareholders

Section 4, Article I of the Amended By-Laws of AboitzPower states that a quorum for any meeting of stockholders shall consist of the majority of the Company's outstanding capital stock. Majority of such quorum shall decide on any question in the meeting, except those matters in which the Revised Corporation Code requires a greater proportion of affirmative votes.

Regarding the election of members of the Board, nominees who receive the highest number of votes shall be declared elected, pursuant to Section 23 of the Revised Corporation Code.

For other matters submitted to the stockholders for approval, the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the 2023 ASM is required to approve the proposed actions. There are no proposed actions in the 2023 ASM that requires approval by a higher percentage of votes from the stockholders.

### (b) The Method by which Votes will be Counted

The Company intends to conduct the 2023 ASM through remote communication, in accordance with the Revised Corporation Code and the applicable SEC Circulars. Stockholders who are unable to attend the meeting may execute a proxy in favor of a representative, or vote electronically *in absentia* using a hyperlink at <https://aboitzpower.com/2023asm> that is available beginning on March 23, 2023. Stockholders voting electronically in absentia shall be deemed present for purposes of quorum. See **Annex "E"** for complete information on the process for voting via remote communication or in absentia and the requirements for doing so.

In the election of directors, the nine nominees with the greatest number of votes shall be declared elected. If the number of nominees does not exceed the recorded number of directors to be elected, all the shares present or represented at the meeting will be voted in favor of the nominees.

In the election of directors, the stockholder may choose to do any of the following:

- (i) Vote such number of shares for as many person(s) as there are directors to be elected;
- (ii) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or
- (iii) Distribute his shares on the same principle as option (ii) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him, multiplied by the whole number of directors to be elected.

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The method of counting the votes shall be in accordance with the general provisions of the Revised Corporation Code. The counting of votes shall be done by representatives of the Office of the Corporate Secretary, who shall serve as members of the Election Committee. The voting shall be witnessed and the results shall be verified by the duly appointed Independent Board of Election Inspectors, Luis Cañete & Company, an independent accounting firm.

Other than the nominees' election as directors, no director, executive officer, nominee, or associate of any nominee has any substantial interest, direct or indirect, by security holdings or otherwise, in any way in the matters to be taken up during the ASM. AboitizPower has not received any information that an officer, director, or stockholder intends to oppose any action to be taken at the 2023 ASM.



This Information Statement in SEC Form 20-IS is given free of charge to the stockholders prior to the Annual Stockholders' Meeting of the Company. AboitizPower stockholders may likewise request for a copy of the Annual Report in SEC Form 17-A which will be given free of charge upon written request. Please write to:

**Office of the Corporate Secretary**  
**Aboitiz Power Corporation**  
NAC Tower, 32<sup>nd</sup> Street,  
Bonifacio Global City  
Taguig City, Metro Manila  
1634 Philippines  
email: [AP\\_BoardSecretariat@aboitiz.com](mailto:AP_BoardSecretariat@aboitiz.com)

**Attention: Ms. Ma. Clarisse S. Osteria**

This Information Statement and the Annual Report in SEC Form 17-A will also be posted at AboitizPower's website: [www.aboitizpower.com](http://www.aboitizpower.com) and in the PSE EDGE portal at [edge.pse.com.ph](http://edge.pse.com.ph).

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on March 27, 2023.

**ABOITIZ POWER CORPORATION**

By:

(SGD.)

**Manuel Alberto R. Colayco**  
Corporate Secretary

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## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (1) Overview

Aboitiz Power Corporation (AboitizPower) is a publicly-listed company incorporated on, and has been in business since, February 13, 1998. AboitizPower was incorporated as a holding company for the Aboitiz Group's investments in electricity generation and distribution. Ownership in AboitizPower was opened to the public through an initial public offering of its common shares in the PSE on July 16, 2007. Through its Subsidiaries and Affiliates, AboitizPower is a well-positioned leader in the Philippine power industry being one of the leading companies in power generation, distribution, and retail electricity supply. As of March 21, 2023, AboitizPower had a market capitalization of ₱273.00 bn, with a common share price of ₱37.05 per share.

Driven by the pursuit of creating a better future for its customers, its host communities, and the nation, AboitizPower's business operations have developed into four strategic business units: (a) Power Generation, (b) Power Distribution, (c) Retail Electricity Services (RES), and (d) Distributed Energy. The Company will continue to pursue its international aspirations with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments.

Based on Energy Regulatory Commission (ERC) Resolution No. 01-2022, dated March 31, 2022, the power generation business of AboitizPower is among the leaders in the Philippines in terms of installed capacity. Moreover, AboitizPower has the second largest distribution utility, in terms of captive customer connections and energy sales<sup>8</sup>. The Company's RES business combined is the second largest both in number of customers and total retail market share.<sup>9</sup> AboitizPower is a pioneer in building and the operation of run-of-river hydropower plants in the country. Today, through its renewable energy Subsidiaries, AboitizPower has the largest installed capacity of renewable energy under its market control.<sup>10</sup>

#### (2) Business Development

AboitizPower through its Subsidiaries, Joint Ventures, and Associates, is one of the leading players in the Philippine power industry with interests in privately-owned power generation companies, RES services, and distribution utilities throughout the Philippines, from Benguet in the north to Davao in the south.

AboitizPower's portfolio of power generating plants consist of a mix of renewable and non-renewable sources and of baseload and peaking power plants. This allows the Company to address the 24-hour demand of the country with its coal and geothermal plants handling baseload demand, while the hydropower, solar, and oil-based plants handle intermediate to peaking demand. Most of these plants are also capable of providing ancillary services, which are also critical in ensuring a reliable grid operation. Its Generation Companies have an installed capacity which is equivalent to a 16.58% market share of the national grid's installed generating capacity.<sup>11</sup> As of February 28, 2023, AboitizPower had a total of 6,012 MW net sellable capacity, of which 4,452 MW is the portion attributable to the Company. The Company targets to double its capacity to 9,200 MW by 2030. This is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities. AboitizPower's renewable investments are held primarily through its wholly-owned Subsidiary, Aboitiz Renewables, Inc. (ARI), along with ARI's Subsidiaries and Joint Ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country.

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<sup>8</sup> Based on DOE's Distribution Development Plan 2021-2030

<sup>9</sup> ERC Competitive Retail Electricity Market Monthly Statistical Data as of December 2022

<sup>10</sup> Based on ERC Resolution No. 01, Series of 2022 dated 31 March 2022

<sup>11</sup> Based on Energy Regulatory Commission (ERC) Grid Limit Resolution

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AboitizPower also owns interests in nine Distribution Utilities in Luzon, Visayas, and Mindanao, including Visayan Electric Company, Inc. (Visayan Electric) and Davao Light & Power Co., Inc. (Davao Light), the second and third largest distribution utilities in the Philippines, respectively in terms of customer size and annual sales. AboitizPower's Subsidiaries engaged in the distribution of electricity sold a total of 7,650,434 MWh in 2022.

AboitizPower's power generation business supplies power to various customers under power supply contracts, ancillary service procurement agreements (ASPA), and for trading in the Wholesale Electricity Spot Market (WESM). The power distribution business is engaged in the distribution and sale of electricity to end-users, and the RES and Others segment includes retail electricity sales to various off-takers that are considered eligible contestable customers ("Contestable Customers") and provision of electricity-related services, such as installation of electrical equipment. AboitizPower's Subsidiaries engaged in the supply of retail electricity sold a total of 4.58 Terawatt hours (TWh) in 2022.

On December 16, 2021, JERA Asia acquired a 27% stake in AboitizPower, which consisted of a 25.01% stake from AEV and a 1.99% stake from ACO.

As of March 21, 2023, AEV owned 51.87% of the outstanding capital stock of AboitizPower, 27.00% was owned by JERA Asia, 0.92% was owned by directors, officers, and other related parties, while the remainder was owned by the public.

Neither AboitizPower nor any of its Subsidiaries has ever been the subject of any bankruptcy, receivership or similar proceedings.

#### *History and Milestones*

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired a 20% ownership interest in Visayan Electric in the early 1900s. The Aboitiz Group's direct and active involvement in the power distribution industry can be traced to the 1930s, when ACO acquired Ormoc Electric Light Company and its accompanying ice plant, Jolo Power Company, and Cotabato Light and Power Company (Cotabato Light). In July 1946, the Aboitiz Group further strengthened its position in power distribution in the Southern Philippines when it acquired Davao Light, which is now the third largest privately-owned distribution utility in the Philippines in terms of customers and annual gigawatt hour (GWh) sales.

In December 1978, ACO divested its ownership interests in Ormoc Electric Light Company and Jolo Power Company and focused on the more lucrative franchises held by Cotabato Light, Davao Light, and Visayan Electric.

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group ventured into power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated Hydro Electric Development Corporation (HEDC). HEDC carried out feasibility studies (including hydrological and geological studies), hydroelectric power installation and maintenance, and also developed hydroelectric projects in and around Davao City. On June 26, 1990, the Aboitiz Group also incorporated Northern Mini-Hydro Corporation (now Cleanergy, Inc.), which focused on the development of mini-hydroelectric projects in Benguet province in northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating 14 plants with a combined installed capacity of 36 MW. In 1996, the Aboitiz Group led the consortium that entered into a Build-Operate-Transfer (BOT) agreement with the National Power Corporation (NPC) to develop and operate the 70-MW Bakun AC hydroelectric plant (the "Bakun AC Hydro Plant") in Ilocos Sur.

The table below sets out milestones in AboitizPower's development since 1998:

Year	Milestones
1998	<i>Incorporated as a holding company for the Aboitiz Group's investments in power generation and distribution.</i>
2005	<i>Consolidated its investments in mini-hydroelectric plants in a single company by transferring all of HEDC's and Cleanergy's mini hydroelectric assets to Hedcor, Inc. (Hedcor).</i>
2007	<i>Entered into a share swap agreement with AEV in exchange for AEV's ownership interests in the following distribution utilities:</i> <i>(i) An effective 55% equity interest in Visayan Electric;</i> <i>(ii) A 100% equity interest in each of Davao Light and Cotabato Light;</i> <i>(iii) An effective 64% ownership interest in Subic Enerzone Corporation (Subic Enerzone); and</i> <i>(iv) An effective 44% ownership interest in San Fernando Electric Light &amp; Power Co., Inc. (SFELAPCO).</i>
	<i>As part of the reorganization of the power-related assets of the Aboitiz Group, the Company:</i> <i>(i) Acquired 100% interest in Mactan Enerzone Corporation (Mactan Enerzone) and 60% interest in Balamban Enerzone Corporation (Balamban Enerzone) from Aboitiz Land, Inc. (AboitizLand); and</i> <i>(ii) Consolidated its ownership interests in Subic Enerzone by acquiring the combined 25% interest in Subic Enerzone held by AEV, SFELAPCO, Okeelanta Corporation, and Pampanga Sugar Development Corporation.</i> <i>These acquisitions were made through a Share Swap Agreement, which involved the issuance of the Company's 170,940,307 common shares issued at the IPO price of ₱5.80 per share in exchange for the foregoing equity interests in Mactan Enerzone, Balamban Enerzone, and Subic Enerzone.</i>
	<i>Together with its partner, Statkraft Norfund Power Invest AS of Norway, through SN Aboitiz Power-Magat, Inc. (SN AboitizPower-Magat) acquired possession and control of the Magat Plant following its successful bid in an auction by the Power Sector Assets and Liabilities Management Corporation (PSALM).</i>
	<i>Formed Abovant Holdings, Inc. (Abovant) with the Vivant Group as the investment vehicle for the construction and operation of a coal-fired power plant in Toledo City, Cebu (the "Cebu Coal Project"). Abovant entered into a Memorandum of Agreement (MOA) with Global Business Power Corporation (Global Power) of the Metrobank group for the acquisition of a 44% equity interest in Cebu Energy Development Corporation (Cebu Energy).</i>
	<i>Therma Power, Inc. (TPI) entered into a MOA with Taiwan Cogeneration International Corporation (TCIC) for the Subic Coal Project, an independent coal-fired power plant in the Subic Bay Freeport Zone. Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company.</i>
	<i>Acquired 50% of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. and 60% of Cebu Private Power Corporation (CPPC).</i>
	<i>Purchased 34% equity ownership in STEAG State Power, Inc. (SPI) from Evonik Steag GmbH in August 2007.</i>
	<i>Purchased Team Philippines Industrial Power II Corporation's 20% equity in Subic Enerzone.</i>
2008	<i>SN Aboitiz Power-Benguet submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex.</i>
	<i>Acquired Tsuneishi Holdings (Cebu), Inc. (THC)'s 40% equity ownership in Balamban Enerzone, bringing AboitizPower's total equity in Balamban Enerzone to 100%.</i>
2009	<i>AP Renewables Inc. (APRI) acquired the 234-MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan Geothermal Facilities").</i>
	<i>Therma Luzon, Inc. (TLI) became the Independent Power Producer Administrator (IPPA) for the 700-MW contracted capacity of the Pagbilao Coal-Fired Power Plant (the "Pagbilao Plant"), becoming the first IPPA of the country.</i>



Year	Milestones
2010	<i>Therma Marine, Inc. (TMI), acquired ownership over Mobile 1 (“Power Barge 118”) and Mobile 2 (“Power Barge 117”) from PSALM.</i>
2011	<i>Meralco PowerGen Corporation (MPGC), TCIC, and TPI entered into a Shareholders’ Agreement to formalize their participation in RP Energy. MPGC took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.</i>
	<i>Therma Mobile, Inc. (TMO) acquired four barge-mounted floating power plants and their operating facilities from Duracom Mobile Power Corporation and EAUC. In the same year, the barges underwent rehabilitation and started commercial operations in 2013.</i>
2013	<i>Aboitiz Energy Solutions, Inc. (AESI) won 40 strips of energy corresponding to 40 MW capacity of Unified Leyte Geothermal Power Plant (ULGPP). The contract between AESI with PSALM with respect to the ULGPP capacity was terminated on October 26, 2019.</i>
2014	<i>TPI entered into a Joint Venture Agreement (JVA) with TPEC Holdings Corporation to form Pagbilao Energy Corporation (PEC) to develop, construct, and operate the 400 MW coal-fired Pagbilao Unit 3.</i>
	<i>Therma Power-Visayas, Inc. (TPVI) was declared the highest bidder for the privatization of the Naga Power Plant Complex (NPPC). SPC Power Corporation (SPC), the other bidder, exercised its right-to-top under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement, and PSALM declared SPC as the winning bidder. After protracted legal proceedings, TPVI accepted the turn-over for the NPPC plant on July 16, 2018.</i>
	<i>Acquired 100% of Lima Enerzone Corporation (Lima Enerzone) from Lima Land, Inc. (Lima Land), then a wholly-owned Subsidiary of Aboitiz Land, Inc. (AboitizLand).</i>
	<i>TPI entered into a Shareholders’ Agreement with the Vivant Group for the latter’s acquisition of 20% issued and outstanding shares in Therma Visayas, Inc. (TVI).</i>
2015	<i>ARI formed San Carlos Sun Power, Inc. (SacaSun) as a Joint Venture with SunEdison Philippines to explore solar energy projects. In 2017, AboitizPower International completed the acquisition of SacaSun from SunEdison Philippines, and ownership of SacaSun was consolidated in AboitizPower.</i>
	<i>TSI commenced full commercial operations of its Unit 1.</i>
2016	<i>TSI commenced full commercial operations of its Unit 2.</i>
	<i>TPI acquired an 82.8% beneficial ownership interest in GNPowr Mariveles Coal Plant Ltd. Co. (now: GNPowr Mariveles Energy Center Ltd. Co. or GMEC) and a 50% beneficial ownership interest in GNPowr Dinginin Ltd. Co. (GNPD).</i>
	<i>Through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines.</i>
2017	<i>AboitizPower International completed its acquisition of SunEdison Philippines, and consolidated ownership of SacaSun.</i>
2018	<i>Aseagas permanently ceased operations of its 8.8-MW biomass plant in Lian, Batangas.</i>
	<i>TPVI accepted the turnover of the Naga Power Plant Complex from PSALM.</i>
	<i>Pag 3 began commercial operations.</i>
	<i>TVI commenced commercial operations of its Unit 1.</i>
2019	<i>TMO signed a Power Supply Agreement (PSA) with Meralco, after the facility went into preservation mode on February 5, 2019. TMO re-registered with Independent Electricity Market Operator of the Philippines (IEMOP) on April 26, 2019.</i>
	<i>Acquired 49% voting stake and a 60% economic stake in AA Thermal.</i>
	<i>TVI commenced commercial operations of its Unit 2.</i>

Year	Milestones
2020	<i>TPVI started commercial operations.</i>
	<i>Announced two battery projects – the TMI Hybrid Battery Energy Storage System (“TMI BESS”) and SN AboitizPower-Magat Battery Energy Storage System (“Magat BESS”). TMI BESS is located in Maco, Compostela Valley, has a storage capacity of 49 MWh, and is intended to be used for ancillary services. The facility commenced partial commercial operation last November 2022. The Magat BESS Project is for the construction of a 24 MW battery energy storage unit located in Ramon, Isabela.</i>
2021	<i>PV Sinag Power, Inc. (PV Sinag), a wholly-owned of ARI, awarded the Engineering, Procurement, and Construction (EPC) contract for the construction of its 94-megawatt peak (MWp) solar power project in Cayanga, Bugallon, Pangasinan to JGC Philippines, Inc. This is the Company’s second solar facility.</i>
2022	<i>The SN Aboitiz Power Group signed construction and financing agreements for the Magat BESS project.</i>
	<i>PV Sinag awarded the EPC contract for the construction of its 159-MWp Laoag and Laoag 2 solar power project in Barangay Laoag, Aguilar, Pangasinan to SUMEC Complete Equipment and Engineering Co., Ltd. and Hansei Corporation. This is the Company’s second solar venture in the province of Pangasinan.</i>
	<i>Acquires an additional 35.4% equity stake in STEAG.</i>
	<i>ARI entered into a JVA with Mainstream Renewable Power (Mainstream) for a 90-MW onshore wind project in Libmanan, Camarines Sur.</i>

AboitizPower is currently involved in the distributed generation business through APX1 and APX2, and is expanding its renewable energy portfolio under its Cleanergy brand. AboitizPower’s Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities.

As of February 28, 2023, AboitizPower had 928 MW of attributable net sellable capacity, through its partners, under its Cleanergy brand. The Company is pushing for a balanced mix strategy – maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

Neither AboitizPower nor any of its Subsidiaries has been the subject of any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

### (3) Business of Registrant

#### (a) Description of Registrant

With investments in power generation, retail electricity supply, and power distribution throughout the Philippines, AboitizPower is considered one of the leading Filipino-owned companies in the power industry. Based on SEC’s parameters of what constitutes a significant Subsidiary under Item XX of Annex B (SRC Rule 12), the following are AboitizPower’s significant Subsidiaries at present: ARI and its Subsidiaries, and Therma Power and its Subsidiaries. (Please see **Annex “D”** hereof for AboitizPower’s corporate structure.)



(i) Principal Products or Services

GENERATION OF ELECTRICITY

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. As of December 31, 2022, the power generation business accounted for 104% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results as of December 31, 2022, compared to the same period in 2021 and 2020:

Generation Companies	Energy Sold			Revenue		
	2022	2021	2020	2022	2021	2020
	(in GWh)			(in mn Pesos)		
APRI	3,316	2,787	3,055	18,797	11,405	11,253
SacaSun	63	61	44	477	311	250
Hedcor	137	149	161	834	758	697
LHC	315	238	266	1,002	687	761
Hedcor Sibulan	262	251	201	1,408	1,858	1,399
Hedcor Tudaya	39	40	33	232	234	261
Hedcor Sabangan	49	55	49	289	325	295
Hedcor Bukidnon	386	271	261	2,265	1,827	1,418
SN Aboitiz Power-Magat	3,472	2,195	1,891	15,194	7,352	5,352
SN AboitizPower-Benguet	1,937	2,120	1,936	10,762	7,412	5,668
TLI	6,322	7,979	6,686	41,293	33,447	20,505
TSI	1,739	1,891	1,531	14,604	11,173	8,276
TVI	2,192	2,434	2,232	15,049	10,686	8,490
Cebu Energy	1,957	2,028	2,025	14,259	8,984	7,719
SPI	1,574	1,845	1,845	8,932	3,918	4,022
GMEC	3,778	2,703	5,003	36,128	19,676	17,821
GNPD*	6,537	N/A	N/A	54,403	N/A	N/A
WMPC	784	802	819	1,793	1,596	1,390
SPPC	0	0	0	0	0	0
CPPC	93	381	540	1,060	1,275	998
EAUC	408	363	226	1,214	963	571
TMI	920	1,253	743	1,435	1,276	990
TMO	1,139	1,367	381	2,158	1,293	668
TPVI*	34	29	3	418	367	30
Davao Light** (decommissioned)	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

\*GNPD Unit 1 began running and serving its PSAs from its own generation on January 25, 2022, subject to completion of certain tests and works by the EPC contractor. Meanwhile, GNPD Unit 2 synchronized on April 2, 2022.

\*\*Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by Davao Light and Cotabato Light, as the case may be, as approved by ERC. The Davao Light plant has been decommissioned since November 2018.

## Renewables

### Aboitiz Renewables, Inc. (ARI)

As of February 28, 2022, AboitizPower's renewable energy portfolio in operation consisted of net sellable capacity of approximately 1,249.17MW, divided into 46.80MW of solar, 912.37MW of hydro, and 290MW of geothermal. As of February 28, 2023, AboitizPower's renewable energy portfolio in operation consisted of net sellable capacity of approximately 1,249.17MW, divided into 46.80MW of solar, 912.37MW of hydro, and 290MW of geothermal.

AboitizPower's investments and interests in various renewable energy projects, including geothermal, large hydro, run-of-river hydro, and solar projects, are held primarily through its wholly-owned Subsidiary, ARI and its Subsidiary Generation Companies. ARI was incorporated on January 19, 1995.

In 2021, AboitizPower disclosed its ten-year energy transition strategy of achieving, by 2030, a balanced 50:50 portfolio between thermal and renewable energy. ARI currently has over 1,000 MW of ongoing and disclosed renewable energy projects as of end-2022. The growth of ARI's portfolio plays an important role in achieving AboitizPower's energy transition strategy which aims to assist in the decarbonization of the Philippine energy market while supporting the country's economic growth.

#### Milestones and Outlook

- Established a pipeline of over 3 gigawatts (GW) of renewable energy projects in development;
- Entered into a JVA with Mainstream to build a 90-MW onshore wind project in Libmanan, Camarines Sur, which marked AboitizPower's first foray into wind energy;
- Ongoing construction of the 94-MWp Cayanga Solar project in Bugallon, Pangasinan which is expected to be completed by end of 2023;
- Ongoing construction of the 159-MWp Laoag Solar project in Aguilar, Pangasinan, with projected commercial operations date of Phase 1 and Phase 2 by end of 2023;
- SN AboitizPower-Magat commenced the construction of the 24-MW / 320MWh Magat BESS project in April 2022, with a projected commercial operations date in the first half of 2024;
- On-going make-up well drilling campaign for APRI Makban and Tiwi geothermal facilities, with nine out of the 12 make-up wells completed, delivering a total incremental steam contribution of 63 MW;
- Started construction of the 17-MW Tiwi binary power plant, with expected commercial operations date by the end of 2023; and
- Ongoing development of the 490-MW of onshore solar projects (150-MWp Calatrava, 44-MWp Tarlac, 84-MW San Manuel, and 212-MW Olongapo projects), 67-MW SN AboitizPower-Magat floating solar project, the 67-MW SN AboitizPower-Magat floating solar project, and the 60-MW of run-of-river projects (20-MW Hedcor Sablan and 40-MW Hedcor Kibungan)

AboitizPower, through and/or with ARI, owns equity interests in the following renewable Generation Companies, among others:

Generation Company	Percentage of Ownership	Plant Name (Location)	Type of Plant	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi-Makban (Luzon)	Geothermal	290	290	WESM/ Bilaterals
Hedcor	100%	Benguet 1-11 (Luzon) La Trinidad, Bineng 3, Ampohaw, FLS, Labay, Lon-oy, Irisan 1 and 3, and Sal-angan	Run-of-river hydro	52.7	52.7	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	4.5	4.5	Distribution utility
Hedcor Bukidnon	100%	Manolo Fortich (Mindanao)	Run-of-river hydro	68.8	68.8	FIT

Generation Company	Percentage of Ownership	Plant Name (Location)	Type of Plant	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
Hedcor Sabangan	100%	Sabangan (Luzon)	Run-of-river hydro	14	14	FIT
Hedcor Sibulan	100%	Sibulan (A, B and Tudaya A) (Mindanao)	Run-of-river hydro	49.1	49.1	Distribution utility
Hedcor Tudaya	100%	Tudaya (B) (Mindanao)	Run-of-river hydro	7	7	FIT
LHC	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	74.8	74.8	NPC (2026)
SacaSun	100%	SacaSun (Visayas)	Solar	46.8	46.8	Bilaterals
SN Aboitiz Power-Benguet	60%**	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	52.50	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ASPA
SN Aboitiz Power-Magat	60%**	Magat (Luzon)	Large Hydroelectric	388	194	WESM/ ASPA/ Electric Cooperatives
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	8.5	4.3	FIT
<b>TOTAL</b>				<b>1,249.2*</b>	<b>928.5*</b>	

Notes:

\*Sum figures will differ due to rounding effect.

\*\*The 60% equity is owned by MORE.

### Run-of-River Hydros

In 2022, Hedcor Group had a total generated gross of 74,468 GWh of Cleanergy across the Philippines. This is higher than the generated gross of renewable energy in 2021 of 994 GWh, or an increase of 13% during 2022 compared to 8.27% in 2021. The Hedcor Group achieved this level of generation as a result of minimized outages.

On August 17, 2022, Hedcor inaugurated its National Operations Control Center – two years earlier than its original target. This center controls and monitors all Hedcor plants and the SacaSun plant from a centralized location, a first of its kind for the AboitizPower Group and in the Philippines.

On August 5, 2022, Hedcor received the National Commission on Indigenous Peoples (NCIP)'s approval of the Free Prior Informed Consent (FPIC) Certificate of Pre-Condition (CP) for the continued operation of its Benguet hydropower plants – FLS, Lon-oy, and Lower Labay. The CP for the Ampohaw hydropower plant was received on November 31, 2022.

### Luzon Hydro Corporation (LHC)

LHC, a wholly-owned Subsidiary of ARI, owns, operates, and manages the run-of-river Bakun AC hydropower plant with a total installed capacity of 74.80 MW located in Amilongan, Alilem, Ilocos Sur (the "Bakun AC Hydro Plant"). LHC was incorporated on September 14, 1994.

LHC was previously ARI's Joint Venture with Pacific Hydro of Australia, a privately-owned Australian company that specialized in developing and operating power projects utilizing renewable energy sources. On March 31, 2011, ARI, LHC, and Pacific Hydro signed a MOA granting ARI full ownership over LHC. ARI assumed 100% ownership and control of LHC on May 10, 2011.

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The Bakun AC Hydro Plant was constructed and operated under the government's BOT scheme. Energy produced by the Bakun AC Hydro Plant, approximately 254 GWh annually, is delivered and taken up by NPC pursuant to a Power Purchase Agreement ("PPA") and dispatched to the Luzon grid through the 230-kV Bauang-Bakun transmission line of NGCP. Under the terms of its PPA, all of the electricity generated by the Bakun AC Hydro Plant will be purchased by NPC for a period of 25 years from February 2001. The PPA also requires LHC to transfer the Bakun AC Hydro Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

In 2018, the Bakun AC Hydro Plant gained its ISO 22301:2012 Business Continuity Management System Certification, aligning with international standards in improving its business resilience. In 2020, it was recommended by the BSi Group for Quality, Environmental, Asset Management, and Information Security management systems ISO recertification while successfully transitioning to ISO 45001:2018 Occupational Safety and Health management system.

#### **Hedcor, Inc. (Hedcor)**

Hedcor was incorporated on October 10, 1986 by ACO as Baguio-Benguet Power Development Corporation. ARI acquired ACO's 100% ownership interest in Hedcor in 1998.

In 2005, ARI consolidated all its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy, into Hedcor. Cleanergy is Hedcor's brand for clean and renewable energy. Hedcor owns, operates, and manages run-of-river hydroelectric power plants in Northern Luzon and Davao City, with an increased combined net sellable capacity of 57.25 MW, attributed to the addition of the La Trinidad Hydro which started operations in July 2019.

The electricity generated from Hedcor's hydropower plants are taken up by Adventenergy, Inc. (Adventenergy), AESI, and Davao Light pursuant to PPAs with the said off-takers. Irisan 1 Hydro and La Trinidad Hydro sell energy under the Feed-in-Tariff ("FIT") mechanism through a renewable energy payment agreement ("REPA") with the National Transmission Corporation ("Transco").

In 2022, Hedcor Group generated a total of 139,201 GWh of Cleanergy across the Philippines. This is higher than the generated gross renewable energy in 2021 of 147,045 GWh. This 0.9% decrease is caused by repair works due to *force majeure*.

#### **Hedcor Sibulan, Inc. (Hedcor Sibulan)**

Hedcor Sibulan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the hydropower plants composed of three cascading plants with a total installed capacity of 49.24 MW, located in Santa Cruz, Davao del Sur. Hedcor Sibulan consists of Sibulan A Hydro, Tudaya 1 Hydro, and Sibulan B Hydro. The energy produced by the Sibulan grid is sold to Davao Light through a PSA signed in 2007. The company was incorporated on December 2, 2005.

In 2018, Hedcor Sibulan gained its ISO 22301:2014 Business Continuity Management Certification. Likewise, it has passed all recertification and surveillance audits in 2020, maintaining its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, Information Security, and Business Continuity. Also, the organization was successful in its transition to ISO 45001:2018 Occupational Safety and Health management system in September 2020.

The Hedcor Sibulan plant is part of the Hedcor Group's Regional Control Center.

#### **Hedcor Tudaya, Inc. (Hedcor Tudaya)**

Hedcor Tudaya, a wholly-owned Subsidiary of ARI, owns, operates, and manages the Tudaya 2 Hydro run-of-river hydropower plant with an installed capacity of 8.1 MW, located in Santa Cruz, Davao del Sur. The company was incorporated on January 17, 2011.

The Tudaya 2 Hydro plant has been commercially operating since March 2014. At present, Tudaya 2 Hydro sells energy under the FIT mechanism through a Renewable Energy Supply Agreement (RESA) with Davao del Sur Electric Cooperative, and through a REPA with Transco.



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Together with Hedcor Sibulan, Hedcor Tudaya also gained its ISO 22301:2014 Business Continuity Management Certification in 2018. Likewise, the company passed all recertification and surveillance audits in 2020, maintaining its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, Information Security, and Business Continuity. Hedcor Tudaya also successfully transitioned to ISO 45001:2018 Occupational Safety and Health management system.

The Tudaya 2 Hydro plant is part of the Hedcor Group's Regional Control Center.

#### **Hedcor Sabangan, Inc. (Hedcor Sabangan)**

Hedcor Sabangan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the Sabangan run-of-river hydroelectric power plant (HEPP) with an installed capacity of 14.96 MW. The company was incorporated on January 17, 2011.

The Sabangan plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River.

#### **Hedcor Bukidnon, Inc. (Hedcor Bukidnon)**

Hedcor Bukidnon, a wholly-owned Subsidiary of ARI, owns, operates, and manages the mini hydropower plants with a combined installed capacity of 73.33 MW located in Manolo Fortich, Bukidnon (the "Manolo Fortich Plant"). The company was incorporated on January 17, 2011.

The Manolo Fortich Plant is composed of the 45.94 MW Manolo Fortich 1 Hydro and the 27.39 MW Manolo Fortich 2 Hydro. Both plants harness the power of the Tanaon, Amusig, and Guihean rivers.

Persistent rains in the locality that occurred during the second half of 2020 caused soil saturation, erosion, and mudslides resulting in pipe dislocations, pipe bursts, and damage to the high head penstock line of Manolo Fortich 1. Hedcor Bukidnon Manolo Fortich 1 Hydro is now fully operational after the 45% supply generation reduction. Its two pelton units were restored when it re-synchronized to the Mindanao grid in August 2021.

The Manolo Fortich Plant is selling under the FIT mechanism through RESAs with various Mindanao cooperatives and private distribution utilities and through a REPA with TRANSCO.

### **Large Hydros**

#### **SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat)**

Incorporated on November 29, 2005, SN Aboitiz Power-Magat owns and operates the HEPP with a nameplate capacity of 360 MW located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao Province (the "Magat Plant"), and the 8.5-MW run-of-river Maris Main Canal 1 HEPP located in Brgy. Ambatali in Ramon, Isabela (the "Maris Plant"). The Maris Plant, which is composed of two generator units with a nameplate capacity of 4.25 MW each, was completed in November 2017. The plant was granted entitlement to the FIT system in its operations pursuant to the COC issued by ERC in November 2017.

SN Aboitiz Power-Magat is ARI's Joint Venture with SN Power Philippines Inc. (SN Power Philippines), a leading Norwegian hydropower company with projects and operations in Asia, Africa, and Latin America. In October 2020, Norway-based Scatec ASA (Scatec) signed a binding agreement to acquire 100% of the shares in SN Power from Norfund for a total equity value of US\$ 1,166 mn. As of February 28, 2023, SN Aboitiz Power-Magat was 60% owned by MORE, while Scatec, through SN Power Philippines, owned the remaining 40% equity interest.

The Magat Plant was completed in 1983 and was turned over to SN Aboitiz Power-Magat in April 2007 after it won the bidding process conducted by PSALM. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is suited to act as a peaking plant with the capability to capture the significant upside potential that can arise during periods of high demand. This flexibility allows for the generation and sale of electricity at the peak demand hours of the day. This hydroelectric asset has minimal marginal costs, which Aboitiz Power believes gives it a competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs.

On April 25, 2019, ERC certified the Magat Plant's new Maximum Stable Load (Pmax) at 388 MW. The Magat Plant's Units 1-4 were uprated by 2 MW each, or from 95 MW to 97 MW per unit. This means that the Magat Plant is capable of producing, under normal to best conditions, up to 388 MW as compared to its nameplate capacity of 360 MW. The new Pmax of the four units was based on the capability test conducted by the NGCP sometime in 2018.

SN Aboitiz Power-Magat is an accredited provider of ancillary services to the Luzon grid. It sells a significant portion of its available capacity to NGCP, the system operator of the Luzon grid. SN Aboitiz Power-Magat's remaining capacity is sold as electric energy to the spot market through WESM and to load customers through bilateral contracts.

Driven by improved inflows in 2022, the Magat Plant's total sold quantities from spot energy generation and ancillary services (AS) during 2022 was at 2.2 TWh, an improvement from 2021's sold capacity of 1.9 TWh. This is equivalent to a sold capacity factor of 69%, compared to 60% in 2021. Spot and AS revenue for the year 2022 was ₱10.03 bn, 52% higher than 2021's ₱6.59 bn. SN Aboitiz Power-Magat's Bilateral Contract Quantity (BCQ) margin for 2022 was a ₱4.4 mn loss, significantly lower than 2021's ₱679 mn. This was mainly driven by the higher spot market prices during 2022 compared to 2021.

In June 2019, SN Aboitiz Power-Magat switched on its first 200kW floating photovoltaic project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of the SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. On October 21, 2020, the company obtained approval for the project to proceed to engineering design for a total of 67 MW. The Magat Floating Solar project is in the detailed feasibility stage and is in the process of securing pertinent permits and agreements. Following the DOE's issuance of the project's Solar Energy Operating Contract (SEOC), the project has also received an endorsement to the NGCP for the conduct of a System Impact Study. Securing other endorsements and agreements are in progress.

The Magat BESS project is located in Ramon, Isabela. It is an energy storage system with a 24-MW capacity to be used primarily for ancillary services. The EPC contract was awarded to Hitachi Energy in March 2022, with a groundbreaking ceremony held on April 25, 2022. Construction, which started in August 2022, is expected to be completed by the first half of 2023 and commercial operation is expected to commence in the first half of 2024. The addition of BESS complements the rise of variable renewable energy in the country, increasing frequency variability to the grid which requires a more balanced power supply in the system.

On October 22, 2020, the DOE issued a Green Energy Option Program (GEOP) Operating Permit to SN Aboitiz Power-Magat, which authorizes the company to enter into electricity supply contracts with qualified end-users according to the GEOP or RA No. 9513 or the Renewable Energy Act of 2008 (the "RE Law"). This permit is valid for five years. SN Aboitiz Power-Magat also has a RES license valid until December 17, 2025.

SN Aboitiz Power-Magat retained its Integrated Management System certifications for ISO 14001 for Environmental Management System, ISO 9001 for Quality Management System, ISO 45001 for Occupational Health and Safety Management Systems, and ISO 55001 Asset Management System, as verified and audited by DQS Philippines in 2021. The company recorded 2.5 mn manhours without lost time incident in 2022.

#### **SN Aboitiz Power-Benguet, Inc. (SN Aboitiz Power-Benguet)**

SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga Hydroelectric Power Complex, which consists of the 105-MW Ambuklao HEPP ("Ambuklao Plant") and the 140-MW Binga HEPP ("Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province. The company was incorporated on March 12, 2007. As of February 28, 2023, MORE owned 60% equity interest, while SN Power owned the remaining 40%.

The Ambuklao-Binga hydroelectric power complex was turned over to SN Aboitiz Power-Benguet in July 2008 and was rehabilitated to increase its capacity from 75 MW to 105 MW when the plant re-commenced operations in 2011. The Binga Plant also underwent refurbishment from 2010 to 2013, which increased capacity to 125 MW. In March 2017, SN Aboitiz Power-Benguet received its amended COC from ERC for all four units of the Binga Plant. The COC reflects Binga's latest uprating, raising its capacity to 140 MW. The Ambuklao and Binga Plants sell capacity from spot energy generation and ancillary services to the national transmission system and related facilities that convey power.



The Ambuklao Plant's total sold capacity from spot energy generation and ancillary services in 2022 was 326 GWh, which was 46% of the 703 GWh capacity sold in 2021. This was equivalent to a sold capacity factor of 36% during 2022, as compared to the 76% during 2021. The Binga Plant's total sold capacity from spot energy generation and AS in 2022 was 1.00 TWh, or 89% of the 1.12 TWh sold capacity in 2021. This is equivalent to a sold capacity factor of 82% for 2022, compared to 92% in 2021.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2022 was ₱7.98 bn, compared to ₱6.18 bn in 2021. SN Aboitiz Power-Benguet's BCQ margin for 2022 was ₱1.50 mn loss, which was significantly lower than 2021's BCQ margin of ₱236 mn. This was mainly driven by the higher spot market prices during 2022 compared to 2021.

Both the Ambuklao and Binga Plants have retained their Integrated Management System certifications (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and ISO 55001 for Asset Management). The company also successfully migrated and was certified as ISO 45001 Occupational Health & Safety Management System from OHSAS 18001. The Ambuklao and Binga Plants jointly have just over 5.7 mn man hours of no lost time incident in 2022.

## **Geothermal**

### **AP Renewables, Inc. (APRI)**

APRI, a wholly-owned Subsidiary of ARI, is one of the leading renewable power companies in the country. It owns the 234 MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (the "Tiwi-MakBan Geothermal Facilities") located in Albay, Laguna, and Batangas. These geothermal facilities were acquired by APRI from PSALM in July 2008 and were formally turned over to APRI on May 25, 2009.

The Tiwi-MakBan Geothermal Facilities produce clean energy that is reasonable in cost, efficient in operation, and environment-friendly. As a demonstration of APRI's commitment to providing world-class services, adhering to environmental management principles to reduce pollution, complying with regulations, and ensuring a safe and healthy workplace, the company has been issued Integrated Management System (IMS) certifications by TÜV Rheinland Philippines that include the International Organization for Standardization (ISO) 9001:2015 (Quality), ISO 14001:2015 (Environment), and OSHAS (Occupational Health and Safety Series) 18001:2007 (Health and Safety).

On August 24, 2018, APRI and Philippine Geothermal Production Company, Inc. (PGPC) signed a Geothermal Resources Supply and Services Agreement (GRSSA) for the supply of steam and drilling of new production wells for the Tiwi-MakBan Geothermal Facilities until the expiration of APRI's initial DOE operating contract term on October 22, 2034. This ensures the long-term operations of the facilities. Under the GRSSA, PGPC has committed to drill at least 12 new production wells, with a minimum of 50 MW aggregated individual well capacity, by 2023 in order to increase steam availability. The GRSSA also provides for more equitable and competitive fuel pricing for APRI.

The first Steam Production Enhancement Campaign (SPEC) make-up well for MakBan, Bulalo 114, was completed and started flowing into the system on April 10, 2021. This provided additional steam equivalent to 5.41 MW to Makban Plant B. For Tiwi, Kapihan 36, the first well drilled under the SPEC program, was completed in December 2019 and was tested at 12.11 MW capacity in January 2020. Two additional wells in MakBan were completed, with Bulalo 115 contributing 4.86 MW and Bulalo 116 adding 3.31 MW based on the tests conducted on June 2 and July 29, 2021 respectively. In total, two additional new make-up wells will be contributing to the generation of APRI's 234 MW geothermal power facility in Tiwi, Albay and the six remaining new make-up wells will be contributing to the 394.8 MW Makiling-Banahaw geothermal power facility in Laguna (the "Tiwi-MakBan Geothermal Facilities") for a total of 12 new make-up wells under the SPEC program within 2021 -2023.

APRI was granted a RES license by the ERC on February 18, 2020, which is valid until February 17, 2025.

On May 20, 2022, the DOE issued the Certificate of Confirmation of Commerciality and Certificate of Additional Investment confirming the commercial viability of APRI's 17-MW Tiwi Binary Geothermal Power Plant Project, and authorizing the company to undertake construction and operation. The groundbreaking ceremony was held on January 17, 2023. Construction on the binary plant is targeted for completion by the end of 2023.

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## **Solar**

### **Maaraw San Carlos Holdings, Inc. (Maaraw San Carlos) and San Carlos Sun Power Inc. (SacaSun)**

SacaSun owns and operates the 59-megawatt peak (MWp) solar photovoltaic (PV) power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental (the “SacaSun Plant”). The project was inaugurated on April 19, 2016.

SacaSun was incorporated on July 25, 2014, initially as a Joint Venture between ARI and SunEdison Philippines. On December 4, 2017, AboitizPower acquired 100% effective equity ownership in SacaSun.

In 2022, the energy generated from the SacaSun Plant benefited more than 5,151 homes within the Visayas grid and displaced the energy equivalent to 2,978,676 gallons of gasoline or approximately 29,288,309 pounds of coal burned.

Maaraw San Carlos is the holding company of SacaSun. It was incorporated on April 24, 2015, and is effectively owned by AboitizPower, through its wholly-owned Subsidiaries, ARI and AboitizPower International.

### **PV Sinag Power, Inc. (PV Sinag)**

PV Sinag is the project company for the construction of the 94 MWp Cayanga-Bungallon solar project located in Cayanga, Bugallon, Pangasinan. PV Sinag issued a notice to proceed (“NTP”) on September 15, 2021 for the construction of an access road. A NTP to the EPC contractor for the power plant and transmission was issued on December 16, 2021 and pre-works are ongoing. Issuance of NTP signifies that the EPC contractor can start with its scope of work, which usually begins with the EPC contractor’s issuance of a standby letter of credit, PV Sinag’s payment of the advance payment, and other activities needed to start construction, such as the mobilization of personnel and equipment to site. The project is expected to commence commercial operations by the third quarter of 2023, in line with PV Sinag’s PSA with a retail customer.

PV Sinag was incorporated on October 1, 2013, and is wholly-owned by ARI.

### **Aboitiz Power Distributed Energy, Inc. (APX1) and Aboitiz Power Distributed Renewables Inc. (APX2)**

APX1 and APX2 (collectively, “APX”) are the project companies engaged in the business of operating rooftop PV solar systems in the distributed energy space. APX1 and APX2 are wholly-owned Subsidiaries of AboitizPower through ARI. APX1 and APX2 were incorporated in November 2016 and May 2002, respectively.

APX1 is a registered Philippine Economic Zone Authority (PEZA) company intended to serve customers operating within PEZA zones.

As of February 28, 2023, APX had approximately 4.183MWp of rooftop solar projects, operating under a Power Purchase Agreement, a turnkey solution for customers, or about to start construction/installation.

### **CELL Power Energy Corporation (CPEC)**

CPEC is the project company engaged in the development of several energy storage systems (ESS) projects to provide ancillary services to grids across the country.

CPEC was incorporated on February 9, 2010 as Olongapo Energy Corporation, and is a wholly-owned Subsidiary of AboitizPower.

## **Renewables Pipeline**

### **SN Aboitiz Power-Generation, Inc. (SN Aboitiz Power-Gen)**

SN Aboitiz Power-Gen implements the SN Aboitiz Power Group’s Business Development Program, which aims to grow SN Aboitiz Power Group’s renewable energy portfolio by looking at potential power projects in the Philippines, primarily within its current host communities in Northern Luzon.

In 2022, SN Aboitiz Power-Gen continued to explore and develop various renewable energy projects in order to contribute to SN Aboitiz Power Group’s growing renewable energy portfolio.

On the hydropower front, SN Aboitiz Power-Gen continued to develop and execute pertinent activities for the proposed 390-MW Alimit hydropower complex in Ifugao, which consists of the 120-MW Alimit HEPP, the 250-MW Alimit Pumped Storage Facility, and the 20-MW Olilicon HEPP. As the Philippine ancillary services market evolves, SN Aboitiz Power-Gen will continue to evaluate its development strategy for these projects.

SN Aboitiz Power-Gen is likewise venturing into the commercial floating solar front through the Magat Floating Solar Project, proposed to be located in Ramon, Isabela. This 67-MW project is currently in the Feasibility Phase. The project has received the SEOC from the DOE and endorsement from the NGCP for the conduct of a System Impact Study. Securing other endorsements and agreements are in progress.

SN Aboitiz Power-Gen continues to explore and assess other greenfield and brownfield opportunities, not only in the field of hydropower and floating solar, but also in the fields of energy storage, ground-mounted solar, and wind power.

SN Aboitiz Power-Gen was incorporated on March 10, 2011. As of February 28, 2023, 60% equity interest in the company was owned by MORE, with the remaining 40% owned by SN Power Philippines.

### Non-Renewable Energy

#### Therma Power, Inc. (TPI)

AboitizPower's investments and interests in various non-renewable energy projects are held primarily through its wholly-owned Subsidiary, TPI and its Subsidiary power generation companies. TPI was incorporated on October 26, 2007. As of February 28, 2023, AboitizPower, by itself, through and/or with TPI, owned equity interests in the following thermal plants:

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
<b>Coal Group</b>						
TLI	100%	Pagbilao (Luzon)	Coal-fired	700	700	Bilaterals/WESM
PEC	50%	Pagbilao 3 (Luzon)	Coal-fired	388.4	194.2	Bilaterals
TSI	100%	TSI Plant (Mindanao)	Coal-fired	272.6	272.6	Bilaterals
TVI	80%	TVI Plant (Visayas)	CFB	300	240	Bilaterals/WESM
Cebu Energy	26.4%	Cebu Energy (Visayas)	CFB	216	57	Bilaterals/WESM
GMEC	78.32%	Mariveles Project (Luzon)	Coal-fired	632	495	Bilaterals/WESM
GNPD	70.00%	GN Power Dinginin Ltd. Co.	Coal-fired	1,336	935	Bilaterals/WESM
SPI**	34%	STEAG Power Plant (Mindanao)	Coal-fired	210	71.40	NPC (2031)
<b>Oil Group</b>						
CPPC**	60%	CPPC Plant (Visayas)	Bunker-C fired	64	38.4	WESM
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired	45.5	43.5	Bilaterals
SPPC**	20%	SPPC Plant (Mindanao)	Bunker-C fired	55	11	N/A

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted	96	96	Bilaterals/ ASPA
		Power Barge Mobile 2 (Mindanao)	Barge-mounted	96	96	Bilaterals/ ASPA
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted	210	210	WESM/ASPA
TPVI	100%	TPVI Plant (Visayas)	Bunker-C fired	39.3	39.3	WESM
WMPC**	20%	WMPC Plant (Mindanao)	Bunker-C fired	100	20	Bilaterals
Cotabato Light**	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired	4.45	4.45	N/A
<b>TOTAL</b>				<b>4,763.2</b>	<b>3,524*</b>	

\* Sum figures will differ due to rounding effect

\*\* Directly owned by AboitizPower

## Oil Group

### Therma Marine, Inc. (TMI)

TMI, a wholly-owned Subsidiary of TPI, owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB 117), which have a total installed capacity of 200-MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Davao De Oro, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte. The company was incorporated on November 12, 2008.

Of TMI's 192-MW dependable capacity, 50MW is contracted with DLPC through an EPSA, while the rest is contracted with the NGCP in an ASPA. TMI is registered as a WESM Trading Participant beginning January 8, 2020, in anticipation of WESM in Mindanao.

TMI Hybrid BESS is one of two battery energy storage system projects of AboitizPower. Located in Maco, Davao de Oro, TMI Hybrid BESS has a storage capacity of 49-MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with TMI's Power Barge Mobile 1. The TMI Hybrid BESS project commenced partial commercial operation in November 2022.

### Therma Mobile, Inc. (TMO)

TMO, a wholly-owned Subsidiary of TPI, operates four barge-mounted power plants located at the Navotas Fish Port, Manila, which it acquired on May 27, 2011. The barge-mounted power plants have an installed capacity of 241-MW. TMO operates with a net available capacity of 165-MW. The company was incorporated on October 20, 2008.

On January 7, 2019, TMO notified Meralco that it will physically disconnect from Meralco's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC, and IEMOP, following applicable legal notice requirements. Afterwards, TMO signed a one-year PSA with Meralco that expired on April 25, 2020.

Thereafter on July 14, 2020, TMO and NGCP entered into ASPAs for Reactive Power Support and Dispatchable Reserve. Both ASPAs have been approved by the ERC.



### **East Asia Utilities Corporation (EAUC)**

EAUC, a wholly-owned Subsidiary of TPI, is the owner and operator of a Bunker C-fired power plant with a rated capacity of 49.600-MW that is located within MEPZ I, Lapu-Lapu City, Cebu. The company supplies the power requirements of the MEPZ I locators, and began supplying power through the WESM on December 26, 2010. EAUC was incorporated on February 18, 1993.

EAUC has received awards by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) for its commendable role in the Metro Cebu Airshed Governing Board, and by IEMOP for its exemplary compliance in the spot market.

### **Therma Power Visayas, Inc. (TPVI)**

TPVI, a wholly-owned Subsidiary of TPI, is the company that was awarded the winning bid for the privatization of the 25.3-hectare Naga Power Plant Complex (NPPC) located at Naga City, Cebu. The company was incorporated on October 8, 2007.

Following protracted legal proceedings, on May 23, 2018, PSALM issued a Certificate of Effectivity of the Notice of Award originally issued on April 30, 2014 in favor of TPVI. Thereafter, PSALM and TPVI executed the Asset Purchase Agreement and Land Lease Agreement of the NPPC.

On July 16, 2018, the NPPC was physically turned over and accepted by TPVI from PSALM. TPVI embarked on the rehabilitation of the 44.580-MW (rated capacity) diesel plant immediately after, which DOE has endorsed as a committed power project. On August 7, 2020, TPVI commenced commercial operations and was first dispatched based on an offer into the WESM on August 26, 2020.

### **Cebu Private Power Corporation (CPPC)**

CPPC owns and operates a 70.590-MW (rated capacity) Bunker C-fired power plant located in Cebu City, one of the largest diesel-powered plants on the island of Cebu. The company was incorporated on July 13, 1994. Commissioned in 1998, the CPPC plant was constructed to supply 62 MW of power to Visayan Electric. CPPC is currently trading in the WESM.

CPPC is a Joint Venture between AboitizPower and the Vivant Group. As of February 28, 2023, AboitizPower beneficially owned 60% of CPPC.

### **Southern Philippines Power Corporation (SPPC)**

SPPC owns a Bunker C-fired power plant with installed capacity of 61.72-MW and net capacity of 55-MW located in Alabel, Sarangani, a municipality outside General Santos City in Southern Mindanao. SPPC's 18-year "Build-Operate-Own" (BOO) arrangement with NPC expired on April 28, 2016. The company was incorporated on March 15, 1996.

After the expiration of its PSAs with Davao Light and Cotabato Light on April 18, 2018, SPPC operated briefly until July 2018 as a replacement power for a generation facility undergoing preventive maintenance (PMS). The company has since been on asset preservation status.

As of February 28, 2023, AboitizPower had a 20% equity interest in SPPC, a Joint Venture among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

### **Western Mindanao Power Corporation (WMPC)**

WMPC owns and operates a Bunker C-fired power plant with installed capacity of 112-MW and net capacity of 100MW located in Zamboanga City, Zamboanga Peninsula in Western Mindanao. It was operated as a merchant plant after WMPC's 18-year BOO arrangement with the NPC expired in December 2015. The company was incorporated on March 15, 1996.

WMPC has an ASPA with NGCP which took effect on April 26, 2019 for 50-MW non-firm Dispatchable Reserve and Reactive Power Support and Blackstart Support Services. It has been issued an Ancillary Services (AS) Certificate by NGCP effective September 20, 2021 to September 19, 2023. WMPC is also supplying electricity to Zamboanga City Electric Cooperative Inc., and has been registered with the WESM effective April 23, 2020. Currently, the plant is considered as a Must-Run Unit in WESM in Mindanao during certain trading intervals.

As of February 28, 2023, AboitizPower had a 20% equity interest in WMPC, a Joint Venture among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

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## Coal Group

### Therma Luzon, Inc. (TLI)

TLI, a wholly-owned Subsidiary of TPI, was the first IPPA in the country, and assumed the role of the registered trader of the contracted capacity of the 700-MW net (2x350-MW net contracted capacity) coal-fired power plant located in Pagbilao, Quezon (the "Pagbilao Plant"). TLI was incorporated on October 20, 2008.

As the IPPA, TLI is responsible for procuring the fuel requirements of, and selling the electricity generated by, the Pagbilao Plant. The Pagbilao Plant is currently owned and operated by TeaM Energy Corporation (TeaM Energy). Under the IPPA agreement, TLI has the right to receive the transfer of Pagbilao Unit 1 and Unit 2 at the end of the Energy Conversion Agreement. Over the years, TLI's capacity was contracted to various cooperatives, private distribution utilities, directly connected customers, and to affiliate RES. TLI was granted a RES license on August 12, 2020, which is valid until August 11, 2025.

### Pagbilao Energy Corporation (PEC)

PEC owns and operates the 400-MW (net) Unit 3 coal-fired power plant (Pagbilao Unit 3) within the Pagbilao Power Station, located in Pagbilao, Quezon. PEC is a Joint Venture between AboitizPower and TeaM Energy, through their respective Subsidiaries, TPI and TPEC Holdings Corporation. Pagbilao Unit 3 is not covered by either TLI's IPPAA with PSALM or TeaM Energy's BOT contract with NPC, and commenced operations in March 2018.

Through TPI, AboitizPower had 50% equity interest in PEC, while TPEC Holdings Corporation owned the remaining 50% as of February 28, 2023.

The output of Pagbilao Unit 3 is sold to TLI and TPEC.

### Therma South, Inc. (TSI)

TSI, a wholly-owned Subsidiary of TPI, owns and operates the 300-MW installed capacity (2x150-MW) circulating fluidized bed (CFB) coal-fired power plant located in Davao City and Sta. Cruz, Davao del Sur. TSI was incorporated on November 18, 2008. Commercial operations for Unit 1 and Unit 2 began in September 2015 and February 2016, respectively.

TSI contributes to the continuing growing power requirements of Mindanao by providing stable and cost-effective base load power. TSI supplies power to various private distribution utilities and energy cooperatives. TSI seeks to sustain the positive impact it has brought to its host communities through various educational, livelihood, and enterprise development programs, benefitting children, students, small and medium enterprise owners, and its employees.

### Therma Visayas, Inc. (TVI)

TVI owns and operates the 300-MW net (2x150-MW net) CFB coal-fired power plant located in Toledo City, Cebu. Commercial operations for Unit 1 and Unit 2 began in April and August 2019, respectively.

AboitizPower, through TPI, effectively owned an 80% equity interest in TVI, with the remaining 20% held by the Vivant Group, as of February 28, 2023.

TVI supplies power to Visayan Electric and its RES Affiliates – AESI, AdventEnergy, and Prism Energy, Inc. (Prism Energy).

### Abovant Holdings, Inc. (Abovant) and Cebu Energy Development Corporation (Cebu Energy)

Abovant is a Joint Venture between AboitizPower and the Vivant Group as the holding company for shares in Cebu Energy. The company was incorporated on November 28, 2007.

Cebu Energy was incorporated on December 5, 2008 by Abovant and Global Formosa Power Holdings, Inc. (Global Formosa), a Joint Venture between Global Business Power Corporation and Flat World Limited. The company owns the 3x82-MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. The first unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarters of 2010, respectively. Cebu Energy declared commercial operations on February 26, 2011, and is the first commercial clean-coal facility in the country.



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Cebu Energy consistently ensures delivery of the highest level of service, and actively undertakes accreditations on Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015), and Occupational Health and Safety Management System (OHSAS 18001:2007). The company provides power to the province of Cebu and its neighboring province, Bohol. Likewise, Cebu Energy has an existing ASPA with NGCP to help maintain a reliable electric grid system.

As of February 28, 2023, Abovant had a 44% equity interest in Cebu Energy, while Global Formosa owned the remaining 56%. Consequently, AboitizPower, through TPI, held a 26.4% effective ownership interest in Cebu Energy.

#### **Redondo Peninsula Energy, Inc. (RP Energy)**

RP Energy was incorporated on May 30, 2007 to construct, own, and operate the 2x300-MW (net) coal-fired power plant located in the Redondo Peninsula of Subic Bay within the Subic Bay Freeport Zone (SBFZ), Subic, Zambales.

RP Energy was originally a Joint Venture between AboitizPower and TCIC. MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on July 22, 2011. As of February 28, 2023, AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

#### **STEAG State Power Inc. (SPI)**

Incorporated in December 19, 1995, SPI is the owner and operator of a 210 MW (net) coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The SPI Power Plant consisting of two units was built under a BOT arrangement and started commercial operations on November 15, 2006. It has a 25-year PPA with NPC backed by a Performance Undertaking issued by the Philippine government. PSALM acceded to the PPA under the Accession Undertaking.

AboitizPower has 34% equity interest in SPI, which it acquired on November 15, 2007 from Evonik Steag GmbH (now STEAG). STEAG and La Filipina Uy Gongco Corporation (LFUGC) held the remaining 51% and 15% equity, respectively, in SPI. On September 15, 2022, AboitizPower executed an agreement to acquire an additional 35.4% equity stake in SPI from STEAG. AboitizPower will own a 69.4% equity interest in SPI upon completion of this transaction.

On November 12, 2021, the ERC issued SPI's COC with revised Annex B which is valid until August 29, 2026. Two other regular COCs for self-generation facilities of SPI remain valid to date: (i) for the 400kW diesel generator valid until September 4, 2024; and (ii) for the 1.25MW diesel generator valid until December 22, 2027.

From December 2020 to May 13, 2021, one of its two power plant units was required to be in economic shutdown by NPC/PSALM in accordance with the PPA. This is after consideration of grid demand, and high water level of the plants aggravated by the effects of quarantine and the pandemic. Both power plant units have since resumed normal operations, save only during the long plant maintenance schedule which ran from June 30 to August 9, 2021. The same request for economic shutdown of one unit was raised by PSALM for the period October 31, 2021 to January 31, 2022. In a letter dated January 21, 2022, PSALM shortened the unit's economic shutdown to January 24, 2022. The two power plant units have resumed normal operations since January 24, 2022.

SPI entered into two coal supply agreements in December 2019 that secured the plant's fuel requirements for the next three years on a fixed based and option tonnage. The following amendments were made on one of its existing coal supply agreements: (i) December 15, 2021 – inclusion of clauses allowing shortfalls in shipments to be added at the end of the contract and extension of the contract for such purpose; (ii) August 12, 2022 – inclusion of two shipments as additional contract quantity for contract year 2022; and (iii) December 6, 2022 – one shipment as additional contract quantity for contract year 2023, and to include coal specifications and pricing. The Company entered into a Charter Party Agreement, as amended, for the transportation of coal in bulk from January 1, 2020 to December 31, 2025.

### **AA Thermal, Inc.**

On May 2, 2019, AboitizPower completed its acquisition of 49% voting stake and 60% economic stake in AA Thermal, AC Energy Inc.'s (AC Energy) thermal platform in the Philippines.

The AA Thermal platform initially consists of AC Energy's limited partnership interests in GMEC and GNPD, where AboitizPower, through TPI, already holds direct partnership interests.

### **GNPower Mariveles Energy Center Ltd. Co. (GMEC)**

GMEC, formerly known as GNPower Mariveles Coal Plant Ltd. Co., is a private limited partnership organized and registered with the SEC on May 13, 2007 engaged in the operation, and ownership of approximately 2x345 MW (gross) coal-fired power plant (the "GMEC Facility") in Mariveles, Bataan.

The GMEC Facility is situated in Bataan Province, at the north entrance to Manila Bay It is one of the newest, lowest-cost power generation facilities in the Philippines that fully complies with the most stringent local (DENR) and international (World Bank and Equator Principles) environmental and emission standards.

The equity owners of GMEC are:

- (i) TPI;
- (ii) AC Energy and Infrastructure Corporation (formerly: AC Energy, Inc.) ("ACEIC"); and
- (iii) Power Partners Ltd. Co. ("Power Partners").

As of February 28, 2023, AboitizPower had a 78.3% effective partnership interest in GMEC.

### **GNPower Dinginin Ltd. Co. (GNPD)**

GNPD is a private limited partnership organized and registered with the SEC on May 21, 2014 engaged in the operation and ownership of a 2x668 MW (net) supercritical coal-fired power plant and a private port facility located in Mariveles, Bataan.

The equity investor consortium which owns GNPD consists of a partnership among (i) ACEIC and Power Partners, (ii) TPI; and (iii) a further direct stake held by Power Partners.

At present, GNPD is the largest coal-fired power plant in the country utilizing supercritical technology, which fully complies with the most stringent local (DENR) and international (World Bank and Equator Principles) environmental and emission standards.

As of February 28, 2023, AboitizPower owned a 70% effective partnership interest in GNPD.

### **Other Generation Assets**

As of February 28, 2023, Cotabato Light maintained a stand-by maximum capacity of 9.641-MW Bunker C-fired power plant capable of supplying approximately 12.79% of its requirements.

### **Future Projects**

AboitizPower assesses the feasibility of any new power generation project. Factors taken into consideration include the proposed project's land use requirements, access to a power grid, energy yield analysis, fuel supply arrangements, availability of water, local requirements for permits and licenses, acceptability of the project to the communities and people it will affect, ability of the project to generate electricity at a competitive cost, and the existence of potential purchasers of the electricity generated. For the development of a new power project, the Company, its partners, and its suppliers are required to obtain all national and local permits and approvals before the commencement of construction and commercial operations, including those related to the project site, construction, environment, land use planning/zoning, operations licenses, and similar approvals.

## DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 85 years of experience in the Philippine power distribution sector.

With ownership interests in nine Distribution Utilities, the Company believes that it is currently one of the largest electricity distributors in the Philippines. AboitizPower's Distribution Utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities and five economic zones across Luzon, Visayas, and Mindanao.

In 2020, the wholly-owned Distribution Utilities and Visayan Electric completed a rebranding initiative to modernize the look and feel of the brands and visually show their relation to AboitizPower.

The Distribution Utilities' earnings contribution to AboitizPower's business segments in 2022 was equivalent to 15.28%. The Distribution Utilities had a total customer base of 1,137,402 as of year-end 2022. This was 1,106,783 as of year-end 2021, and 1,068,820 as of end-2020.

The table below summarizes the key operating statistics of the Distribution Utilities for each of the past three years:

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Davao Light	2,699,306	2,597,592	2,476,991	472	459	452	470,868	458,498	440,304
Cotabato Light	189,763	178,535	170,363	35	34	31	49,055	47,098	45,044
Visayan Electric	3,175,656	3,144,768	3,119,850	588	554	583	486,414	477,732	462,699
SFELAPCO	786,935	716,888	686,694	151	147	134	126,313	118,806	116,293
Subic Enerzone	282,997	267,047	262,393	55	50	56	3,615	3,581	3,477
Mactan Enerzone	100,881	107,541	99,927	21	21	21	86	87	87
Balamban Enerzone	87,813	85,813	92,771	25	25	28	27	28	29
Lima Enerzone	317,602	296,780	242,455	56	56	49	999	940	882
Malvar Enerzone	9,481	1,458	158	5	1.28	0.12	25	13	5
<b>Total</b>	<b>7,650,434</b>	<b>7,396,423</b>	<b>7,151,601</b>	<b>1,407</b>	<b>1,347</b>	<b>1,355</b>	<b>1,137,402</b>	<b>1,106,783</b>	<b>1,068,820</b>

### Visayan Electric Company, Inc. (Visayan Electric)

Visayan Electric is the second largest privately-owned distribution utility in the Philippines in terms of customer size and annual MWh sales. The company supplies electricity to a region covering 674 square kilometers (sq. km.) on the island of Cebu with a population of approximately 1.7 mn. Visayan Electric has 19 power substations and one mobile substation that serve the electrical power needs of various cities, municipalities, and barangays in the island and province of Cebu.

Visayan Electric is the Aboitiz Group's first involvement in the power industry, with the acquisition by some family members of 20% ownership interest in the early 1900s. Directly and through its predecessors-in-interest, the company has been in the business of distributing electricity in Cebu since 1905. In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The franchise was renewed in September 2005 for a period of 25 years or until September 2030.

As of year end 2022, Visayan Electric has energized 100% of the barangays, and electrified 99.95% of all the households within its franchise area and has completed the extension of its distribution facilities. This will allow it to serve all the customers within the franchise. The company's goal of 100% total electrification, including household electrification, is targeted for completion within 18 months from March 2023.

Visayan Electric is true to its vision of becoming a world-class electric utility by implementing innovations such as the implementation of a full digital substation using IEC 61850 station and process bus for its Paknaan substation. The newest application for distribution automation, fault location, isolation, and service restoration (FLISR) is an ongoing project to be applied to four feeders within the franchise.



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Visayan Electric's Underground Distribution System (UDS) project, which began in 2013, aims to convert overhead conductors to underground cables along Cebu City's Sinulog Route with a total length of approximately five kilometers (km). As of February 28, 2023, approximately 3.60 kms. had been completed.

Visayan Electric has reinforced and improved the existing capacity and reliability of its 23kV West Cluster with the addition of another 33 MVA Power Transformer in the Calamba Substation. This will enhance electricity service for the increasing demand of both commercial and densely residential customers within its franchise area.

Visayan Electric's total systems loss was 4.50% as of year-end 2022. This included a feeder loss of 3.35%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2023, AboitizPower directly held a 55.26% equity interest in Visayan Electric. 34.81% is owned by the Vivant Group.

### **Davao Light & Power Company, Inc. (Davao Light)**

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Its franchise area covers two cities and three municipalities in the Davao region, with a population of approximately 2.23 mn and a total area of 3,561 sq. kms.

Davao Light was incorporated on October 11, 1929, and was acquired by the Aboitiz Group in 1946. The company's original 50-year franchise, covering Davao City, was granted in November 1930 by the Philippine Legislature. Pursuant to RA No. 11515 which lapsed into law on December 26, 2020, Davao Light's franchise was extended for an additional 25 years from 2025, or until 2050.

The company's renewable energy power supply is sourced from hydropower plants of NPC-PSALM hydro, Hedcor Sibulan, Hedcor's Talomo plant, and Hedcor Bukidnon's Manolo Fortich Plant. This makes up nearly 50% of its renewable energy portfolio which helped cushion the impact on Davao Light's overall electricity rates increases during 2022 of global fuel prices.

Davao Light continues to maximize technology and digitalization of its systems and processes for customer satisfaction. The distribution network infrastructure of Davao Light is continuously upgraded to increase its capacity and adopts digital technology in its substations to enhance the reliability and flexibility in the sub-transmission and distribution network. A new digital substation was energized in Binugao, Toril with a capacity of 33-MVA to cater to the fast-growing demand for power in the southern area of Davao City. The company employs Robotic Process Automation (RPA) and software robots which have improved employee efficiency.

To respond to its customers' digital needs, Davao Light continues to provide services through its diverse digital channels and online facilities. Its mobile application, MobileAP, which allows access to billing and accounts anytime and anywhere, was upgraded to include additional information for enhanced user convenience. eBillTxt was launched as a supplemental service that allows customers to receive electronic bills via SMS or pdf.

Davao Light has renewed its certifications for the International Standards Organization, ISO 9001:2015 or the Quality Management System (QMS), ISO 45001:2018 - Occupational Health and Safety (OH&S) Management System, and ISO 14001:2015 – Environmental Management (EM) System. It has also earned its fourth ISO Certification on 550001:2014 Asset Management System (ASM).

Davao Light extends electricity services to far-flung communities within its franchise area since 2018. This is in line with the national government's Sitio Electrification Program (SEP) to extend the benefits of electricity to remote and un-electrified barangays. The company has energized 99.334% of the households within its franchise area.

As of year end 2022, Davao Light's total systems loss was at 8.82%. This included a feeder loss of 5.05%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

### **Cotabato Light and Power Company (Cotabato Light)**

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Sultan Kudarat, and Datu Odin Sinsuat, Maguindanao, with its franchise covering a land area of 191.20 sq. kms. Incorporated in April 1938, Cotabato Light's original 25-year franchise was granted by the Philippine Legislature through RA No. 3341 in June 1939. The most recent renewal of the franchise was in June 2014 for a period of 25 years, or until 2039.

Cotabato Light also maintains a standby 9.641-MW Bunker-C-Fired diesel power plant capable of supplying approximately 12.79% of its franchise area requirements. This plant can supply electricity in case of supply problems with its power suppliers or NGCP and can be used for voltage stability when necessary, benefit available to Cotabato Light's customers.

Cotabato Light's total systems loss as of year end 2022 was at 6.71%. This included the distribution feeder loss of 5.09%, which is below the government-mandated distribution feeder loss cap in 2022 of 5.50%. Cotabato Light is continuously innovating its strategies and processes to further reduce its distribution feeder loss to 5%.

As of February 28, 2023, AboitizPower directly owned a 99.94% equity interest in Cotabato Light.

### **San Fernando Electric Light & Power Co., Inc. (SFELAPCO)**

SFELAPCO was incorporated on May 17, 1927 and was granted a municipal franchise in 1927. The most recent renewal of its franchise was in March 2010 for a period of 25 years.

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. and the municipality of Floridablanca and Brgys. Talang and Ligaya, Municipality of Guagua, Pampanga with an estimated area of 175.5 sq. kms. For 2022, SFELAPCO has a total of 276.2 MVA of substation capacity with a peak load of 151 MW including its 69kv customers.

SFELAPCO's total systems loss as of year end 2022 was 4.57%. This included a feeder loss of 3.08% which is below the government-mandated feeder loss cap in 2022 of 5.50%.

As of February 28, 2023, AboitizPower had an equity interest of 43.727% in SFELAPCO.

### **Subic Enerzone Corporation (Subic Enerzone)**

On June 3, 2003, Subic Enerzone was incorporated as a Joint Venture owned by a consortium including Davao Light, AEV, and SFELAPCO, among others, to undertake management and operation of the SBFZ power distribution utility.

Subic Enerzone serves a total of 3,403 customers, consisting of 107 industrial locators, 1,298 commercial locators, 1,901 residential customers, 97 streetlights and 24 industrial locators under RES.

Subic Enerzone's total systems loss as of year-end 2022 was 3.5%. This included a feeder loss of 2.48%, which is below the government-mandated feeder loss cap in 2022 of 5.50%.

As of February 28, 2023, AboitizPower owned, directly and indirectly through Davao Light, a 99.98% equity interest in Subic Enerzone.

### **Mactan Enerzone Corporation (Mactan Enerzone)**

Mactan Enerzone was incorporated in February 2007 when AboitizLand spun off the power distribution system of its Mactan Export Processing Zone II (MEPZ II) project. The MEPZ II project, which was launched in 1995, was operated by AboitizLand under a BOT agreement with the Mactan-Cebu International Airport Authority (MCIAA).

Mactan Enerzone sources its power from Green Core Geothermal Incorporated pursuant to its Contract for the Supply of Electric Energy (CSEE).

Mactan Enerzone serves a total of 43 captive industrial locators, 27 captive commercial locators, and 12 industrial locators under RES, and four industrial locators under GEOP.

Mactan Enerzone's total system loss as of year end 2022 was 1.1034%. This included a feeder loss of 0.5164%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2023, AboitizPower owned a 100% equity interest in Mactan Enerzone.

### **Balamban Enerzone Corporation (Balamban Enerzone)**

Balamban Enerzone was incorporated in February 2007 when CIPDI, a Joint Venture between AboitizLand and THC, spun off the power distribution system of the West Cebu Industrial Park – Special Economic Zone (WCIP-SEZ). WCIP-SEZ is a special economic zone for light and heavy industries located in Balamban, Cebu.

Balamban Enerzone serves a total of ten captive industrial customers, 11 captive commercial customers, and six contestable industrial customers.

Balamban Enerzone's total systems loss as of year end 2022 was 0.4133%. This included a feeder loss of 0.1622%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2023, AboitizPower directly owned a 100% equity interest in Balamban Enerzone.

### **Lima Enerzone Corporation (Lima Enerzone)**

Lima Enerzone was incorporated as Lima Utilities Corporation on June 5, 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply.

Lima Enerzone serves a total of 100 captive industrial locators, 18 captive commercial locators, 847 captive residential customers, eight streetlights, and 26 industrial locators under RES.

As of year end 2022, Lima Enerzone's total systems loss was 2.59%. This included a feeder loss of 0.69%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2023, AboitizPower directly owned a 100% equity interest in Lima Enerzone.

### **Malvar Enerzone Corporation (Malvar Enerzone)**

Malvar Enerzone was incorporated on June 9, 2017 to serve and provide locators within the Light Industry & Science Park IV (LISP IV) in Malvar, Batangas. Malvar Enerzone will manage the operation and maintenance of the power distribution of LISP IV for 25 years. LISP IV has two 50-MVA transformers to provide reliable and quality power to locators, which are mostly from manufacturers and exporters. Malvar Enerzone served a total of 14 captive industrial locators, four captive commercial locators and four street lights and one industrial locator under RES.

As of February 28, 2023, AboitizPower directly owned a 100% equity interest in Malvar Enerzone.

## **RETAIL ELECTRICITY AND OTHER RELATED SERVICES**

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. With the start of commercial operations of Open Access, large-scale customers are allowed to source electricity from RES licensed by the ERC. Adventenergy, AESI, and Prism Energy are also registered under the Renewable Energy Market and were granted operating permits by the DOE, valid for five years, allowing them to participate in the GEOP.

### **Aboitiz Energy Solutions, Inc. (AESI)**

AESI is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES that is valid until October 28, 2023. The company was incorporated on August 11, 1998.

AESI served 42 customers at the start of commercial operations of Open Access on June 26, 2013. In 2022, AESI supplied retail electricity to a total of 194 customers, with total energy consumption of 1,855.13 mn kWh. As of February 28, 2023, AboitizPower owned a 100% equity interest in AESI.

### **Adventenergy, Inc. (AdventEnergy)**

Adventenergy is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES that is valid until December 17, 2023. The company was incorporated on August 14, 2008.

Adventenergy differentiates itself from competition by sourcing most of its electricity requirements from renewable sources. As a result, an increasing number of companies are opting to source a part, if not the majority, of their electricity supply from Adventenergy as an environmental initiative. Currently, Adventenergy serves retail customers within and outside economic zones.



In 2022, Adventenergy supplied retail electricity to 190 customers with a total consumption of 2,537.97 mn kWh. With Adventenergy's participation in the GEOP, it has supplied ten qualified end-users with a total consumption of 6.08 mn kWh in 2022.

As of February 28, 2023, AboitizPower owned a 100% equity interest in Adventenergy.

#### **Prism Energy, Inc. (Prism Energy)**

Prism Energy was incorporated in March 2009 as a Joint Venture between AboitizPower and Vivant Corporation. It was granted a license to act as a RES valid until November 21, 2023.

Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy provides its customers with contract options for electricity supply that is based on their operating requirements. In 2022, Prism Energy supplied retail electricity to 53 customers with a total energy consumption of 179.39 mn kWh.

As of February 28, 2023, AboitizPower directly owned a 60% equity interest in Prism Energy.

#### **SN Aboitiz Power - RES, Inc. (SN Aboitiz Power-RES)**

SN Aboitiz Power-RES caters and offers energy supply and solutions tailored to the needs and preferences of customers under the Retail Competition and Open Access (RCOA) market. Starting February 2021, the RCOA market has lowered its threshold to Phase III, allowing electricity end-users with an average peak demand of at least 500 kW to source their electricity requirements from their RES of choice.

SN Aboitiz Power-RES is the retail arm of the SN Aboitiz Power Group. It caters to Contestable Customers and electricity consumers using an average of at least 1 MW in the last twelve months across all industries under Open Access. It offers energy supply packages tailored to its customers' needs and preferences.

As of February 28, 2023, MORE owned a 60% equity interest in SN Aboitiz Power-RES, with the remaining 40% owned by SN Power Philippines.

#### **Mazzaraty Energy Corporation (Mazzaraty)**

Mazzaraty was incorporated on June 19, 2014 as a joint venture among Aboitiz Power, Pasudeco Corporation, L&R Development, Inc., and Alfecon Realty, Inc. It was granted a license to act as a RES that is valid until June 18, 2023. Mazzaraty's RES contracts with its customers expired in 2021. The company was unable to supply electricity to customers in 2022 due to high coal prices.

As of February 28, 2023, AboitizPower owned 44.87% of Mazzaraty.

#### **(ii) Sales**

The operations of AboitizPower and its Subsidiaries and Affiliates are based only in the Philippines.

Comparative amounts of revenue, profitability and identifiable assets are as follows:

	2022	2021	2020
Gross Income	₱193,994	₱134,359	₱110,377
Operating Income	29,803	28,210	26,880
<b>Total Assets</b>	<b>₱477,594</b>	<b>₱427,416</b>	<b>₱397,925</b>

*Note: Values are in Million Pesos. Operating income is operating revenue net of operating expenses.*

Comparative amounts of revenue contribution and corresponding percentages to total revenue by business group are as follows:

	2022		2021		2020	
Power Generation	₱137,480	59%	₱97,337	59%	₱74,647	55%
Power Distribution	58,951	25%	45,628	28%	42,991	32%
Retail Electricity Supply	19,875	9%	19,875	12%	16,477	12%
Services	17,042	7%	1,033	1%	1,308	1%
<b>Total Revenue</b>	<b>233,348</b>	<b>100%</b>	<b>163,874</b>	<b>100%</b>	<b>135,423</b>	<b>100%</b>
Less: Eliminations	-39,355		-29,514		-25,046	
<b>Net Revenue</b>	<b>₱193,994</b>		<b>₱134,359</b>		<b>₱110,377</b>	

Note: Values are in Millions Pesos.

### (iii) Distribution Methods of the Products or Services

#### Power Generation Business

The AboitizPower's Generation Companies sell their capacities and energy through bilateral PSAs with private distribution utilities, electric cooperatives, RES, other large end-users, and through the WESM. The Company has Subsidiaries and Affiliates that sell ancillary services through ASPAs with NGCP. The majority of AboitizPower's Generation Companies have transmission service agreements with NGCP for transmission of electricity to the grid.

#### Distribution Utilities Business

Ancillary Services are necessary to help ensure a reliable and stable grid, which co-exist with the energy market or WESM. NGCP signs ASPAs with AS-certified generators to fulfill specific ancillary service requirements per grid. Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, TMI, TMO, TLI, APRI, Cebu Energy, and WMPC have ASPAs with NGCP. In the Luzon grid, the SN Aboitiz Power Group delivers regulating, contingency, and dispatchable reserves, blackstart service, and reactive power support through its Ambuklao, Binga, and Magat Plants. TMO, on the other hand, is located at the load center in Metro Manila and serves the necessary voltage support and dispatchable reserve. In addition, TLI's Pagbilao and APRI's Makban plants deliver contingency reserves and Reactive Power Support AS, respectively. In the Visayas, AboitizPower delivers Contingency Ancillary Service through Cebu Energy. TMI provides both contingency and dispatchable reserves requirements in Mindanao. As a recent development to the Ancillary Service Contracting Process, it was mandated by the DOE that AS will now undergo Competitive Selection Process (CSP), similar to Energy CSP. DOE Department Circular No. DC 2021-10-0031 entitled "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator", details the provisions of the CSP which became effective on October 29, 2021. This is a welcome development for a more transparent and efficient process and AboitizPower intends to actively participate to fulfill the most-needed AS requirements across the nation.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, Hedcor Sabangan, Hedcor Manolo Fortich 1 and 2, and Hedcor La Trinidad Hydro plants, all in commercial operations, have been approved for inclusion in the FIT system. Hedcor, Hedcor Tudaya, Hedcor Sabangan, and Hedcor Bukidnon, the companies that own and operate the foregoing plants, have entered into Renewable Energy Payment Agreement (REPA) with Transco, in its capacity as FIT-Allowance ("FIT-All") Administrator, for the collection and payment of the FIT.

In the absence of WESM in Mindanao, Tudaya Hydro 2, and Manolo Fortich Hydro 1 and 2 have entered into Renewable Energy Supply Agreements (RESAs) with their host distribution utilities or electric cooperatives.

AboitizPower's Distribution Utilities have exclusive distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, 34.5 kV, and 69 kV, while smaller industrial, commercial, and residential customers receive electricity at 240 V or 480 V.

With the exception of Malvar Enerzone, all of AboitizPower's Distribution Utilities have entered into transmission service contracts with NGCP for the use of NGCP's transmission facilities to receive power from PSALM to their respective independent power producers to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by ERC.

#### **Retail Electricity Supply Business**

AboitizPower's wholly-owned RES companies, Adventenergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. Adventenergy and AESI maintain a portfolio of supply contracts from renewable and non-renewable sources to secure reliable and affordable electricity for their customers. These electricity supply contracts involve a mix of fixed rates and indexed electricity fees that are updated year on year to ensure that supply is maintained at competitive rates. Prism Energy primarily serves contestable customers under the Visayan Electric franchise.

In addition, APRI and TLI were also granted RES licenses in 2020 and became registered members of the Renewable Energy Market last July 6, 2021. They were granted operating permits by the DOE, valid for five years, allowing them to participate in GEOP as well.

#### **(iv) New Products/Services**

Other than the ongoing Greenfield and/or rehabilitation projects undertaken by AboitizPower's Generation Companies, AboitizPower and its Subsidiaries do not have any publicly announced new products or services as of February 28, 2023.

#### **(v) Competition**

##### **Power Generation Business**

AboitizPower continues to face competition in both the development of new power generation facilities and the acquisition of existing power plants. Competition for financing these activities, as well as the demand for use of renewable energy sources, remains to be a challenge to AboitizPower's growth and portfolio of assets. With the latest mandate on renewable energy portfolio standard, many competitors have started exploring and committing to increase their renewable energy sources. The market volatility of coal prices also put coal-fired power assets at a significant disadvantage in terms of prices among competitors, especially in the renewable space where prices are now more competitive and cost is not affected by commodities.

The impact of the pandemic has been normalized and the consumption has surpassed pre-pandemic level.

This, combined with the challenges in power supply across the country, means that AboitizPower is positioned to benefit from higher spot prices in the market by managing and maintaining the availability of its power plants. AboitizPower also believes that the Philippines' energy requirements will continue to grow as the country develops, attracting many competitors, including multinational development groups and equipment suppliers, to explore opportunities in power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth trajectory of the Philippines. With this opportunity, AboitizPower believes it is well-positioned to play a significant role in this growth expansion, and to capitalize on the growing renewable energy space with its strategy to have 50% of its generating assets classified as renewable by the end of this decade, together with the ability to meet long term baseload requirements.

In particular, AboitizPower is expected to face competition from leading multinationals such as Team Energy, Electricity Generating Public Company Limited (EGCO), and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as AC Energy, Alsons Power Group, DMCI Holdings, Inc. FDC Utilities, Inc., First Gen Corporation, Meralco PowerGen Corporation, and SMC Global Power.

##### **Retail Electricity Supply Business**

Based on ERC's Competitive Selection Retail Electricity Market (CREM) Monthly Statistical Data as of December 2022, there are 44 RES companies and 28 Local RES companies participating in the Open Access markets in Luzon and Visayas. The Meralco group has the largest market share at 30.82%, with a contracted capacity of 1,279.11 MW. Its main strength is its affiliation as a subsidiary of the country's largest distribution utility, Meralco, which has the financial and market strength, as well as goodwill, that comes from its size, long history, and dominance. AboitizPower, through its RES companies, has the second-largest market share at 28.04%, with contracted capacity of 1,164.11-MW as of December 2022. The San Miguel Group has the third largest market share at 17.22%, with a contracted capacity of 714.72-MW.



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The increase in the number of power plants, the number of RES companies, and volatile oil and coal prices have also increased the level of competition in the Open Access market. RES companies have resorted to both aggressive pricing and contractual concessions.

AboitizPower believes that its portfolio, consisting of different types of energy sources with a mix of renewables and non-renewables, allows it to be flexible in both pricing and reliability of supply, thus enhancing its competitiveness.

#### **Distribution Utilities Business**

Each of AboitizPower's Distribution Utilities currently have franchises to distribute electricity in the areas covered by its franchises.

### **(vi) Sources of Raw Materials and Supplies**

#### **Power Generation Business**

The Generation Companies produce energy using the following fuel types based on attributable net selling capacity: 13% hydropower, 7% geothermal, 1% solar, 67% coal, and 13% oil. In 2022, renewable fuel sources comprised 21% of attributable net selling capacity, while thermal accounted for 79%.

AboitizPower's run-of-river hydropower facilities harness the energy from the flow of water from neighboring rivers to generate electricity. The hydroelectric companies on their own, or through NPC as in the case of LHC, possess water permits issued by National Water Resources Board (NWRB), which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

APRI's steam requirement for its geothermal power generation continues to be supplied by PGPC. The terms of the steam supply are governed by a Geothermal Resources Supply and Services Agreement. Under the agreement, the price of steam is based on 50% of the Marketing Clearing Prices starting September 26, 2021. Prior to this date, the price of steam was ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on August 24, 2018 under which PGPC will drill 12 new production wells with a minimum of 50 MW aggregated individual well capacity by 2023.

Oil-fired plants use heavy fuel oil and automotive diesel oil to generate electricity. SPPC and WMPC source fuel from Pilipinas Shell Petroleum Corporation and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, TMO, and TPVI secure its fuel oil requirements from Pilipinas Shell, Phoenix Petroleum, and/or PTT Philippines Corporation. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI for Pagbilao Unit 3 and TVI have long-term coal supply contracts until 2025 for the majority of their annual requirements. Likewise, GNPD, GMEC, and Cebu Energy also have long-term coal supply agreements.

TLI for Pagbilao Units 1 and 2, TSI, and SPI are presently undergoing multiple testings of new coal supply sources with lower calorific value to improve fuel cost prices. Long-term contracts will be entered into within the year upon completion of said tests.

#### **Power Distribution Business**

The rates at which the Distribution Utilities purchase electricity from affiliated Generation Companies are established pursuant to bilateral agreements. These agreements are executed after the relevant Generation Company has successfully bid for the right to enter into a PSA with a distribution utility. These agreements are entered into on an arms'-length basis, on commercially reasonable terms, and must be approved by the ERC. ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity requirements from affiliated Generation Companies.

To address long-term power supply requirements, Davao Light and Cotabato Light entered into 25-year Power Supply Contracts (PSCs) with TSI for 100 MW and 5 MW, respectively, and started drawing their contracted capacity in September 2015. In June 2016, Davao Light and TSI filed a Joint Manifestation with ERC stating that they agreed to supplement and modify their supply contract to 108 MW.

To meet the Renewable Portfolio Standards (RPS) requirement, Davao Light entered into a ten-year 55 MW PSA with Hedcor Sibulan from 2022 to 2023. Davao Light also renewed its CSEE with PSALM for a period of three years from 2023 to 2025 for 15 MW. To cover its peak demand requirement for 2023 to 2026, Davao Light entered into a three-year PSA with TMI for a 50 MW supply. Davao Light also entered into a five-year non-firm load following the PSA, on an as available as needed basis, with FDC Misamis Power Corporation to cater to replacement power requirements in times of outages from 2023 to 2028.

To address long-term power supply requirements, Visayan Electric entered into a 25-year Electric Power Purchase Agreement (EPPA) with Cebu Energy in October 2009 for the supply of 105 MW. In December 2010, Visayan Electric signed a five-year PSA with GCGI for the supply of 60 MW at 100% load factor which was extended for another ten years in October 2014. Visayan Electric also has 15-year PSA with TVI for the supply of 150 MW beginning 2018.

In 2021 Subic Enerzone conducted a CSP to reduce its WESM exposure. Masinloc Power Partners Co. Ltd. (MPPCL) won the 10MW PSA starting December 26, 2021. Similarly, Lima Enerzone conducted its own CSP in 2021 as replacement to its expiring contract. TLI won the contract at 7 MW for five years starting in May 2021. Malvar Enerzone sources its power supply from WESM to meet the ecozone's power requirements until its electricity demand is stable.

The provisions of the Distribution Utilities' PPAs are governed by ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract. Distribution Utilities also enter into PSAs with various generation companies.

#### **Transmission Charges**

AboitizPower's Distribution Utilities have existing Transmission Service Agreements (TSAs) with the NGCP for the use of the latter's transmission facilities in the distribution of electric power from the grid to its customers, which are valid until the dates specified below:

<b>Distribution Utility</b>	<b>Valid until</b>
Lima Enerzone	July 25, 2027
Cotabato Light	August 25, 2023
SFELAPCO	December 25, 2023
Davao Light	January 25, 2024
Visayan Electric	January 25, 2024
Mactan Enerzone	January 25, 2025
Balamban Enerzone	January 25, 2025
Malvar Enerzone	December 25, 2025

The Distribution Utilities have negotiated agreements with the NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs. Mactan Enerzone has already applied and submitted the requirements for connection to the grid.

#### **(vii) Major Customers**

##### **Power Generation Business**

As of February 28, 2023, out of the total electricity sold by AboitizPower's Generation Companies, approximately 94% was covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, and industrial and commercial companies. The remaining, approximately 6%, was sold by the Generation Companies through the WESM.



### **Retail Electricity Supply Business**

As of February 28, 2023, AboitizPower's RES business had approximately 447 Contestable Customers under RCOA and eight end-users under GEOP with active contracts. These customers come from a wide number of industries, including property development, meat processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.

### **Power Distribution Utilities**

AboitizPower's Distribution Utilities have wide and diverse customer bases. As such, AboitizPower believes that loss of any one customer is not expected to have a material adverse impact on the Company. The Distribution Utilities' customers are categorized into four principal categories:

- (a) *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations, and shopping malls;
- (b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes;
- (c) *Commercial customers.* Commercial customers include service-oriented businesses, universities, and hospitals; and
- (d) *Other customers.* Customers not falling under any of the above categories.

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government accounts, or special government accounts like military camps. Streetlights have a different rate category and are thus monitored independently.

### **(viii) Transactions with and/or Dependence on Related Parties**

AboitizPower and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into transactions with Associates and other related parties principally consisting of professional and technical services, power sales and purchases, advances, various guarantees, construction contracts, aviation services, and rental fees. These are made on an arm's-length basis as of the time of the transactions.

Details of the significant account balances of the foregoing related party transactions of the Group can be found in the accompanying consolidated financial statements of the Company.

### **(ix) Patents, Copyrights and Franchises**

AboitizPower and its Subsidiaries have secured all material permits required to operate its businesses. These are further discussed below.

### **Power Generation Business**

Power generation is not considered a public utility operation under RA No. 9136 or the Electric Power Industry Act of 2001 (EPIRA). Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a COC from ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions set forth in the said COC.

In its operations, a generation company is required to comply with technical, financial and environmental standards. It shall ensure that facilities connected to the Grid meet the technical design and operation criteria of the Philippine Grid Code, Philippine Distribution Code, and Philippine Electrical Code. It shall also conform with financial standards and comply with applicable environmental laws, rules and regulations.

Cotabato Light has its own generation facilities and is required under the EPIRA to obtain a COC. Davao Light's generation facility was decommissioned last November 26, 2018. For IPPAs such as TLI, the COCs issued to the IPPs of the relevant generation facilities are deemed issued in favor of the IPPAs. As such, the IPPAs are also bound to comply with the provisions of the Philippine Grid Code, Philippine Distribution Code, WESM rules, and applicable rules and regulations of ERC.

AboitizPower's HEPPs are required to obtain a water permit from NWRB for the water flow used to run their respective hydroelectric facilities. The permit specifies the source of the water, the allowable water volume, and the terms and conditions of its use. The water permit has no expiration date.

AboitizPower, its Subsidiaries, and Affiliates are in various stages of development of several projects. Some of these projects have been awarded renewable energy service contracts by DOE.

The Generation Companies and Cotabato Light, a Distribution Utility, possess COCs for their power generation plants, details of which are enumerated in the attached **Annex "G"**.

### Distribution Utilities Business

Under the EPIRA, the business of electricity distribution is a regulated public utility business that requires a franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from ERC is also required to operate as a public utility. However, distribution utilities operating within economic zones are not required to obtain a franchise from Congress, but must be duly registered with PEZA in order to operate within the economic zone.

All distribution utilities are required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code, which provides the rules and regulations for the operation and maintenance of distribution systems, and the performance standards set out in the implementing rules of the EPIRA.

Shown below are the respective expiration periods of the Distribution Utilities' legislative franchises:

Distribution Utility	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. RA No. 9339 was approved on Sept. 1, 2005.	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).	25 years, or from September 24, 2005 to September 24, 2030	
Davao Light	RA No. 8960	25 years from effectivity of RA No. 8960, or from September 7, 2000	September 7, 2025
	ERC CPCN Decision dated February 26, 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to September 7, 2025	
	RA No. 11515	25 years from expiration of the term granted under RA No. 8960, or from September 7, 2025 to September 7, 2050 (Lapsed into law on December 26, 2020)	Valid until September 7, 2050
Cotabato Light	RA No. 10637	25 years from the effectivity of RA No. 10637, as amended. RA No. 10637 was approved on June 16, 2014.	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 years, or from June 17, 2014 or until June 16, 2039	

Distribution Utility	Franchise	Term	Expiry
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	25 years, or from March 24, 2010 to March 23, 2035	
Subic Enerzone	Distribution Management Service Agreement (DMSA) between Subic Enerzone and Joint Venture of AEV-Davao Light	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028

Mactan Enerzone, Balamban Enerzone, Lima Enerzone, and Malvar Enerzone which operate the power distribution utilities in MEPZ II, WCIP, LTC, and LISP IV respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

### Retail Electricity Supply Business

Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA, but is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from ERC. With the implementation of Open Access in 2013, AboitizPower's RES Subsidiaries and Generation Companies with RES licenses, AESI, Adventenergy, APRI, SN Aboitiz Power - Magat, SN Aboitiz Power - RES, Prism Energy, and TLI, have all obtained separate licenses to act as RES.


### Trademarks

AboitizPower and its Subsidiaries own, or have pending applications for the registration of, intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications that the Company and its Subsidiaries have filed with the Philippine Intellectual Property Office (Philippine IPO), and their pending trademark applications abroad.

#### Philippine IPO

Trademarks/Description	Owner	Registration No./Date Issued	Status
"A Better Future" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004383/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"Better Solutions" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"AboitizPower" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"AboitizPower Spiral and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004380/ February 10, 2011 Trademark was renewed on February 10, 2021.	Registered

Trademarks/Description	Owner	Registration No./Date Issued	Status
"Cleanergy" word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ January 13, 2006 Trademark was renewed on January 13, 2016.	Registered
"Cleanergy" word mark for the additional goods and services (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ June 9, 2019.	Registered
"Cleanergy Get It and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"Cleanergy Got It and Device" device mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"AboitizPower and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ February 10, 2011 Trademark was renewed on February 10, 2021.	Registered
Subic EnerZone Corporation and Logo trademark (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/ August 20, 2007 Trademark was renewed on August 20, 2017.	Registered
Subic EnerZone Corporation and Logo Word mark and device (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/ August 20, 2007 Trademark was renewed on August 20, 2017.	Registered
"Subic EnerZone Corporation" word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ June 4, 2007 Trademark was renewed on June 4, 2017.	Registered
"Cotabato Light" Logo (Class No. 39)	Cotabato Light & Power Company	4-2019-502915/ October 20, 2019.	Registered
"Davao Light" Logo (Class No. 39)	Davao Light & Power Co., Inc.	4-2019-502917/ October 20, 2019.	Registered
"Balamban Enerzone" Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ February 10, 2020.	Registered
"Mactan Enerzone" Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ February 20, 2020.	Registered
"Lima Enerzone" Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ February 10, 2020.	Registered
"Malvar Enerzone" Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ February 10, 2020.	Registered
"Subic Enerzone" Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ October 20, 2019.	Registered
"Visayan Electric" Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ December 29, 2019.	Registered
"MORE" Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4-2018-00018077/ February 21, 2019.	Registered

Trademarks/Description	Owner	Registration No./Date Issued	Status
"SN ABOITIZ POWER" Logo GROUP (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc., and SN Aboitiz Power-Benguet, Inc.	4-2018-00018076/ February 5, 2019.	Registered
"SN ABOITIZ POWER-BENGUET, INC." Logo	SN Aboitiz Power-Benguet, Inc.	4-2014-00005209/ December 29, 2016.	Registered
"SNAP ABOITIZ POWER-MAGAT, INC." Logo	SN Aboitiz Power-Magat, Inc.	4-2014-00005208/ March 9, 2017.	Registered
 Logo	SN Aboitiz Power-Magat, Inc.	4/2017/00018969/ June 7, 2018.	Registered

### International Trademarks (Non-Madrid Protocol)

AboitizPower has the following registered international trademarks:

Trademarks	Country of Application
Cleanergy	Indonesia
AboitizPower	Myanmar
Aboitiz Power and Device	Myanmar
Cleanergy	Myanmar
Cleanergy Get It	Myanmar
Cleanergy Got It	Myanmar

The abovementioned trademarks are also in the process of being registered in Malaysia.

### International Trademarks Application (Madrid Protocol)

AboitizPower has the following registered international trademarks from applications under the Madrid Protocol:

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	World Intellectual Property Office (WIPO)
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Indonesia
AboitizPower A Better Future (Class Nos. 39, 40, 42)	WIPO
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Vietnam
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Word Mark (Class Nos. 39, 40, 42)	WIPO
Cleanergy Word Mark (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Got It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Indonesia



AboitizPower also has the following pending international trademarks under the Madrid Protocol:

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Vietnam

**(x) Government Approvals**

The discussion on the need for any government approval for any principal products or services of the Company and its Subsidiaries, including COCs obtained by the Generation Companies and franchises obtained by the Distribution Utilities, is included in item (ix) Patents, Copyrights and Franchises.

**(xi) Effect of Existing or Probable Government Regulations on the Business**

AboitizPower and its Subsidiaries are subject to the laws generally applicable to all Philippine corporations, such as corporation law, securities law, tax laws, and the Local Government Code. All Philippine corporations are also subject to labor laws and social legislation, including RA No. 11199 or the Social Security Act of 2018, RA No. 10606 or the National Health Insurance Act of 2013, RA No. 11223 or the Universal Health Care Act, RA No. 9679 or the Home Development Mutual Fund Law of 2009, The Philippine Labor Code and its implementing rules, and other labor-related laws, regulations, and Department of Labor and Employment (DOLE) mandated work-related programs.

The Aboitiz Group closely monitors its compliance with the laws and government regulations affecting its businesses.

**1. The Tax Reform for Acceleration and Inclusion (TRAIN Law)**

RA No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (“TRAIN Law”) was signed into law by former President Rodrigo R. Duterte on December 19, 2017, and took effect on January 1, 2018. Its declared policies are to: (a) enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth; (b) provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and (c) ensure that the government is able to provide better infrastructure, health, education, jobs, and social protection for the people.

One of the major provisions of the TRAIN Law is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal, the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

Furthermore, the TRAIN Law repeals Section 9 of RA No. 9511 or the National Grid Corporation of the Philippines Act, which removes VAT exemptions on transmission charges and sale of electricity by cooperatives duly registered under the Cooperative Development Authority.

Another major change introduced by the TRAIN Law is the refund mechanism of zero-rated sales and services under the enhanced Value Added Tax (VAT) refund system. Upon the successful establishment and implementation of an enhanced VAT refund system, refunds of creditable input tax shall be granted by the BIR within 90 days from filing of the VAT refund application with BIR, provided that all pending VAT refund claims of the taxpayer as of December 31, 2017 shall be fully paid in cash by December 31, 2019.

Finally, the TRAIN Law doubled the documentary stamp tax (DST) on almost all covered instruments, except debt instruments where the increase is 50%. Only the DST on instruments pertaining to property insurance, fidelity bonds, other insurance, indemnity bonds, and deeds of sale and conveyance remain unchanged.

The TRAIN law is the first package of the Comprehensive Tax Reform Program of the Duterte administration.

## 2. Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act)

RA No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act, was signed into law by former President Duterte on March 26, 2021 and took effect on April 1, 2021. The law seeks to reform the country’s fiscal incentives to make it performance-based, targeted, time-bound, and transparent. This means that incentives will be granted based on the number and quality of jobs that will be created, the investments made on research and development and skills training, the capital invested for countrywide infrastructure development, among other criteria.

The salient features of the CREATE Act are as follows:

- (a) Effective July 1, 2020, lowering the income tax rate to 25% for domestic corporations and foreign corporations, and to 20% for domestic corporations with net taxable income not exceeding P5 mn and with total assets (excluding land) of not more than ₱100 mn;
- (b) Lowering the Minimum Corporate Income Tax rate to 1% effective July 1, 2020 to June 30, 2023;
- (c) Tax exemption on foreign-sourced dividends subject to certain conditions;
- (d) Repeal of the Improperly Accumulated Earnings Tax;
- (e) Repeal of the 5% Gross Income Tax (“GIT”) incentive and providing for a ten-year transitory period for all firms that are currently availing of the 5% GIT;
- (f) Providing fiscal incentives for activities included in the Strategic Investment Priority Plan (“SIPP”), provided that the category of incentives shall be based on the location and industry of the registered project or activity; and
- (g) Granting the President the power to modify the mix, period, or manner of availment of incentives or craft a financial support package for a highly desirable project or a specific industrial activity.

The Fiscal Incentives Review Board (FIRB) is the government body authorized to grant tax incentives to registered business enterprises to the extent of their approved registered project or activity under the SIPP. Pursuant to the CREATE Act, the FIRB has delegated to the relevant Investment Promotion Agencies the grant of tax incentives for registered products or activities with investment capital of ₱1bn and below.

The CREATE Act was the second package of the Comprehensive Tax Reform Program of the Duterte Administration. On June 21, 2021, the Department of Finance (DOF) and the Department of Trade and Industry (DTI) signed the implementing rules and regulations (IRR) of the CREATE Act.

The lower income tax provided by the CREATE Act will generate substantial amounts of tax savings to the Company and its subsidiaries which were under the 30% tax regime prior to the effectiveness of the said law. While some of the subsidiaries have been availing of incentives under special laws which have been repealed by the CREATE Act, the law provides for sunset provisions by (i) allowing the entities granted with income tax holiday to enjoy it until it expires and (ii) granting subsidiaries who enjoyed income tax holiday and are entitled to the 5% gross income earned (“GIE”) incentive after their income tax holiday the benefit to continuously avail of the 5% GIE rate for the next ten years.

## 3. Revised Corporation Code and Related SEC Circulars

The Revised Corporation Code was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the salient features of the Revised Corporation Code are:

- (a) 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 Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies SEC that it elects to retain its specific corporate term under its current articles of incorporation.
- (b) A corporation vested with public interest must submit to its shareholders and to the SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

Banks, quasi-banks, pawnshops, non-stock savings and loan associations, and corporations engaged in money service business, preneed trust and insurance companies, and other financial intermediaries, must have at least 20% independent directors in the Board, in accordance with the Securities Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the SEC. To date, the SEC has not issued a definition of what businesses are considered ‘imbued with public interest’.

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- (c) Material contracts between a 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 (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

SEC Circular No. 10-2019 provides for the rules for material related party transactions (RPT) of publicly-listed corporations. These rules regulate RPTs amounting to 10% or higher of a company's total assets. Compliance with these rules is mandatory for all publicly-listed companies.

- (d) Allowing the creation of a "One Person Corporation" (OPC) except for banks and quasi-banks, pre-need, trust, insurance, public and publicly-listed companies, among others. This restriction also applies with respect to close corporations.
- (e) 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. This manner of voting is deemed available for stockholders of corporations vested with public interest, even if not expressly stated 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.

The SEC has issued several circulars implementing this provision, as follows:

1. *Memorandum Circular No. 3-2020 on Notice of the Regular Meeting of Stockholders* - A written notice of regular meetings of stockholders shall be sent at least 21 days before the meeting and must contain all information and deadlines relevant to a shareholders' participation in the meeting and exercise of the right to vote remotely;
  2. *SEC Memorandum No. 6-2020 on the Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings through Teleconferencing, Video Conferencing, and Other Remote or Electronic Means of Communication* - Stockholders may now participate in their respective meetings and vote, whether by remote communication or *in absentia*. The corporation shall also issue its own internal procedures and mechanics for voting via remote communication or *in absentia*;
  3. *SEC Memorandum Circular No. 14-2020* - Allows stockholders who, alone or together, own at least 5% of outstanding capital stock of a publicly-listed company to include items in the agenda prior to a regular or special stockholders' meeting;
  4. *SEC Memorandum Circular No. 7-2021* - Provides that stockholders holding at least 10% of the outstanding capital stock of a publicly-listed corporation has the right to call for a special stockholders' meeting. The purpose must affect the legitimate interest of stockholders but should not include the removal of any director.
- (f) A favorable recommendation by the appropriate government agency is required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the SEC approves any merger or consolidation; or any voluntary dissolution involving these entities.
- (g) In case of transfer of shares of listed companies, the SEC 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 SEC.

The Revised Corporation Code refers to the Philippine Competition Act 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 Philippine Competition Act thresholds.



#### 4. The Philippine Competition Act

Pursuant to Bayanihan 2 Act, which was signed into law on September 11, 2020, all mergers and acquisitions with transaction values below ₱50 bn were exempt from compulsory notification under the Philippine Competition Act if entered into within a period of two years from the effectivity of Bayanihan 2 Act.

On February 14, 2023, the PCC issued its Resolution No. 04-2023 providing new thresholds for the notification requirements as follows:

Test	New Threshold (effective March 1, 2023)
Size of Party Test	₱7 bn
Size of Transaction Test	₱2.9 bn

This means that if the value of the assets or revenues of the Ultimate Parent Entity (UPE) of at least one of the parties exceeds ₱7 bn and the value of the assets or revenues of the acquired, target, or merged entity exceeds ₱2.9 bn, then the parties must notify the PCC of the transaction, provided that, the other requirements under the Philippine Competition Act are met.

#### 5. Amended Foreign Investment Act of 1991 (Amended FIA)

On March 2, 2022, former President Duterte signed into law RA No 11647, “An Act Promoting Foreign Investments, Thereby Amending Republic Act 7042 Otherwise Known as the Foreign Investments Act of 1991, as Amended and For Other Purposes.” (the “Amended FIA”). The law aims to attract foreign investments in activities which contribute to sustainable economic growth, global competitiveness, employment creation, technical advancement, and countrywide development.

Under this law, foreign nationals are now allowed to engage in a domestic market enterprise with a minimum capital requirement of US\$100,000.00 provided that the enterprise: (a) utilizes advanced technology as determined by the Department of Science and Technology; (b) endorsed as a start-up or start-up enabler under RA No. 11337 or the Innovating Startup Act; or (3) composed of a majority of Filipino employees, which shall not be less than 15. Other salient features of the Amended FIA include: (a) a required understudy or skills development program by registered foreign enterprises to ensure skills and technology transfer to Filipinos; (b) allowing 100% foreign investment in a domestic enterprise unless participation of foreigners is limited to a smaller percentage; and (c) allowing 100% foreign investment in an export enterprise provided that the products or services do not fall under the Foreign Investments Negative List.

Pursuant to the FIA, as amended, the Twelfth Regular Foreign Investment Negative List was promulgated on June 27, 2022 (the “Negative List”). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, exploration, development, and utilization of natural resources, operation of public utilities, and land ownership.

#### 6. Data Privacy Act of 2012

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right of privacy by: (i) protecting the privacy of individuals while ensuring free flow of information; (ii) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure, or destruction of personal data; and (iii) ensuring that the country complies with international standards set for data protection through the National Privacy Commission.

Intended to protect the privacy of individuals, it mandates companies to inform individuals about their basic rights to privacy and how their personal information is collected and processed. It also ensures that all personal information must be: (i) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (ii) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (iii) discarded properly to avoid access by unauthorized third parties.

Its implementing rules and regulations (the "Data Privacy Act IRR") took effect on September 9, 2016, mandating all Philippine companies to comply with the following: (i) appointment of a Data Protection Officer; (ii) conduct of a privacy impact assessment; (iii) adoption of a privacy management program and privacy policy; (iv) implement privacy and data protection measures; and (v) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the National Privacy Commission. The Data Privacy Act IRR furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon: (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

In 2017, AboitizPower launched its data privacy compliance program which is aligned to the implementation of the Information Security Management System (ISMS) for the entire Aboitiz Group. This includes the development and implementation of Data Privacy policies, manuals, supporting guidelines, and procedures. Since then, AboitizPower and its Business Units have been able to establish a fundamental awareness of data privacy principles and the related ISMS philosophies, through various learning channels. The Company maximized the use of e-learning modules, online training platforms, and webinars during the COVID-19 pandemic to minimize the need for physical meetings.

In 2020, AboitizPower rolled out an integrated 1AP Incident Management process, which provides uniform governance across its Business Units on: (a) incident notification, (b) assessment, (c) resolution, (d) verification and stand-down, (e) evidence handling, (f) post-event investigation, (g) business recovery, and (h) incident wrap-up. It includes, among other incident types, information security and data privacy breaches. AboitizPower builds and continues to improve business continuity resilience, especially with regard to Information Security and Data Breach Management. As of date, AboitizPower is 91% compliant with the 32-Point Data Privacy Compliance Checklist of the National Privacy Commission.

AboitizPower's Data Privacy Statement has been updated in 2022 and shared in its official website. In this statement, the Company declares its commitment toward fair and legal processing of personal data.

## 7. Labor Laws

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (RA No. 8282), the National Health Insurance Act of 1995 (RA No. 7875), as amended, and the Home Development Fund Law of 2009 (RA No. 9679). On the other hand, the Occupational Safety and Health Law (RA No. 11058) reinforces the existing Occupational Safety and Health Standards, which sets out, among others, the guidelines applicable to different establishments intended for the protection of every working man against the dangers of injury, sickness or death through safe and healthful working conditions.

The DOLE is the Philippine government agency mandated to implement policies, programs and services, and serves as the policy-coordinating arm of the executive branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws, such as the Labor Code of the Philippines and the Occupational Safety and Health Law and Standards, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

### (a) Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry, or any undertaking is required under the Social Security Act of 2018 (RA No. 11199) to ensure coverage of employees following procedures set out by the law and the Social Security System ("SSS"). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity leave benefits.



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Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable, and progressive social health insurance pursuant to the provisions of RA No. 10606, or the National Health Insurance Act of 2013.

On February 20, 2019, the Universal Health Care Act (RA No. 11223), was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program.

Under the Home Development Mutual Fund Law of 2009 (RA No. 9679), all employees who are covered by SSS must also be registered with and covered by the Home Development Mutual Fund (HDMF, more commonly referred to as the “Pag-IBIG Fund”). It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Except for foreign expatriates, coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee’s monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee’s monthly compensation, and remit the contributions to the HDMF.

(b) The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month’s salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, “one-half month’s salary” shall include all of the following: fifteen days’ salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

(c) Occupational Safety and Health Law

The Occupational Safety and Health Law (RA No. 11058) was signed into law on August 17, 2018. It applies to all private establishments alike, requiring them, among others, to furnish workers with a place of employment free from hazardous conditions causing or are likely to cause death, illness, or physical harm, and to comply with the Occupational Safety and Health standards, including training, medical examination and the necessary protective and safety devices, such as personal protective equipment.

*Other Labor-Related Laws and Regulations*

(d) Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a “trilateral relationship” among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

The DOLE, through its Department Order No. 174, Series of 2017, regulates subcontracting arrangements by requiring, among others, the registration of contractors with the Regional Office of the DOLE where it principally operates.

(e) DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act (RA No. 9165), a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with ten or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 53-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases in accordance with the Safe Spaces Act (RA No. 9165), which was signed into law on April 17, 2019.

Moreover, DOLE Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it is strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control. In line with the Mental Health Act (RA No. 11036), employers are further required to develop policies and programs on mental health in the workplace designed to: raise awareness on mental health issues, correct the stigma and discrimination associated with mental health conditions, identify and provide support for individuals at risk, and facilitate access to treatment and psychosocial support.

All private workplaces are also required to update their respective Telecommuting Guidelines and Consent Form, whenever applicable, in accordance with the revised implementing rules and regulations of Telecommuting Act (DOLE D.O. 237-22).

***Policies and Regulations Relating to the Power Industry***

**1. WESM in Mindanao**

On January 26, 2023, the DOE posted an Advisory confirming the Department Circular No. DC2022-12-039 that declared the Commercial Operation Date of WESM in Mindanao grid. Commercial operations commenced as scheduled.

**2. Independent Market Operator**

On October 22, 2020, the DOE promulgated Department Circular No. DC2020-10-0021, which adopted amendments to the WESM Rules for the implementation of an Independent Market Operator.

**3. Implementation of the Performance-based Rating-setting Regulation (PBR)**

In June 2019, the ERC posted for comments its draft Rules for Setting Distribution Wheeling Rates and Issues Paper for the Regulatory Reset of the First Entry Group (Meralco, Cagayan Electric and Dagupan Electric Corporation). Various public consultations were held in the month of July 2019. The ERC issued its Decision dated September 24, 2020 denying consumer group Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK)'s petition to revert to Return-on-Rate-Base (RORB), without prejudice to its right to submit its comments in the revision of the rules during the next rate reset process of the distribution utilities.

Due to the rules change on PBR, none of the AboitizPower Distribution Utilities have undergone a regulatory reset starting from the third regulatory period. In January 2020, the ERC requested private distribution utilities to submit actual or historical expenditure covering the lapsed period. Due to the lockdown and quarantine restrictions, as well as unresolved clarifications as to what has to be provided to the ERC raised by the distribution utilities to the ERC through clarificatory meetings, private distribution utilities were not able to provide the data within the timeframe given by ERC.

In relation to this, the ERC issued show cause orders, all dated October 29, 2020, against Cotabato Light (docketed as ERC Case No. 2020-097 SC), Visayan Electric (docketed as ERC Case No. 2020-098 SC), Davao Light (docketed as ERC Case No. 2020-104 SC), and Subic Enerzone (docketed as ERC Case No. 2020-107 SC), requesting the foregoing distribution utilities to explain why they should not be penalized for the incomplete submission of the data requested by the ERC for its actual expenditure review. On January 7, 2021, the foregoing distribution utilities submitted their respective explanations, including a manifestation that all required data had been submitted as of December 29, 2020. The ERC has yet to resolve these cases. If found liable, the penalty for violation is ₱50,000.00 per distribution utility, pursuant to ERC Resolution No. 03, series of 2009.

On December 2, 2021, the ERC issued Resolution No. 10, series of 2021, modifying the Rules for Setting the Distribution Wheeling Rates (RDWR) for private distribution utilities, and Resolution No. 11, series of 2021, adopting a Regulatory Asset Base (RAB) Roll Forward Handbook. The RDWR and the RAB Handbook as adopted in these resolutions shall be applied in the next regulatory reset of AboitizPower Distribution Utilities.

The ERC directed the AboitizPower Distribution Utilities, through letters dated April 25, 2022, to file their respective Actual Weighted Average Tariff (AWAT) applications, guided by the 2021 RDWR mentioned above. Second entry group distribution utilities are required to file by August 25, 2022, third entry group distribution utilities by September 25, 2022 and fourth entry group distribution utilities by October 25, 2022. Cotabato Light has submitted its application, while Visayan Electric, Davao Light, and Subic Enerzone requested clarification on certain issues relating to the ERC's requests and are awaiting clarification from the ERC prior to filing.

#### **4. ERC Regulation on Systems Loss Cap Reduction**

On December 16, 2021, the ERC issued Resolution No. 12, Series of 2021 entitled "A Resolution Clarifying the Applicable Distribution Feeder Loss Cap for Private Distribution Utilities by 2022 Onwards". The said Resolution amended the Distribution Feeder Loss Cap stated in ERC Resolution No. 10, series of 2018, maintaining the 2021 Distribution Feeder Loss Cap of 5.50% for the year 2022 onwards until such time that a new feeder loss cap is promulgated by the ERC.

#### **5. Competitive Selection Process**

On June 11, 2015, the DOE promulgated Department Circular No. DC2015-06-0008 ("2015 DOE Circular"), which mandated all distribution utilities to undergo CSPs in securing PSAs upon its effectivity of the said circular. The 2015 DOE Circular also authorized the ERC to adopt a set of guidelines for the implementation of the CSP. The 2015 DOE Circular took immediate effect following its publication on June 30, 2015.

On October 20, 2015, the ERC issued Resolution No. 13, Series of 2015, entitled, "A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market" (the "ERC CSP Rules"). This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, but only after at least two failed CSPs. For PSAs which were already executed but were not yet filed with the ERC and those that were still in the process of negotiation during the time of the effectivity of the ERC CSP Rules, the relevant distribution utility already had to comply with the CSP requirement before its PSA application would be accepted by the ERC. The ERC CSP Rules took immediate effect following its publication on November 7, 2015.

ERC Resolution 13, Series of 2015, was restated in ERC Resolution No. 1, Series of 2016, entitled, "A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015." ERC Resolution No. 1, Series of 2016, extended the date of the effectivity of the CSP requirement from November 7, 2015 to April 30, 2016. It further stated that all PSAs executed on or after the said date would be required, without exception, to comply with the provisions of the ERC CSP Rules.

On February 1, 2018, the DOE promulgated DC No. DC2018-02-0003 (the "2018 DOE Circular") entitled "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." Through this Circular, the DOE issued its own set of guidelines (the "DOE CSP Rules") for the procurement by distribution utilities of PSAs for the Captive Market.

Under the DOE CSP Rules, all PSAs shall be procured through CSP, except for the following instances: (1) generation project owned by the distribution utility funded by grants or donations; (2) negotiated procurement of emergency power supply; (3) provision of power supply by any mandated Government-Owned and Controlled Corporation for off-grid areas prior to, and until the entry of New Power Providers (NPP); and (4) provision of power supply by the PSALM through bilateral contracts. A PSA may also be entered into by direct negotiation if the CSP fails twice. The DOE CSP Rules took effect upon its publication on February 9, 2018.



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The validity of ERC CSP Rules and ERC Resolution No. 1, Series of 2016, was challenged before the SC on the ground that ERC, in issuing the said resolutions, amended the 2015 DOE Circular and effectively postponed the date of effectivity of the CSP requirement. Consequently, on May 3, 2019, the SC in the case of *Alyansa Para sa Bagong Pilipinas, Inc. v. ERC (G.R. No. 227670)*, declared the first paragraph of Section 4 of the ERC CSP Rules and ERC Resolution No. 1, Series of 2016, as void *ab initio*. The SC further ruled that all PSAs submitted to the ERC on or after June 30, 2015 shall comply with the CSP and that upon compliance with the CSP, the power purchase cost resulting from such compliance shall retroact to the date of the effectivity of the complying PSA, but in no case earlier than June 30, 2015, for purposes of passing on the power purchase cost to the consumers.

On September 24, 2021, the DOE promulgated Department Circular No. DC-2021-09-0030, amending the 2018 DOE Circular on the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market. The new circular included a new exemption from the CSP process and introduced a mechanism of subjecting unsolicited proposals to competitive bidding. The Circular was published on October 14, 2021 and was effective on October 29, 2021.

## **6. Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid**

On December 4, 2019, the DOE issued Department Circular No. DC2019-12-0018 entitled “*Adopting a General Framework governing the utilization of Ancillary Services (AS) in the Grid*” (“AS Circular”).

Upon the commercial operation of the Reserve Market, the following rule shall govern the procurement of AS:

- (a) SO shall procure Regulating, Contingency, and Dispatchable Reserves through firm contracts and the Reserve Market provided that the contracted levels per reserve region shall be as follows:
  - (i) Regulating Reserve - Equivalent to 50% of the Regulating Reserve requirement;
  - (ii) Contingency Reserve - Equivalent to 50% of the dependable capacity of the largest generating unit;
  - (iii) Dispatchable Reserve - Equivalent to 50% of the dependable capacity of the second largest generating unit.

On June 21, 2021, the DOE issued an “Advisory on the Implementation of Department of Energy (DOE) Circular No. DC2019-12-0018”. The advisory directed the NGCP to expedite the procurement of the required AS in accordance with Department Circular No. DC2019-12-0018, and to convert NGCP’s non-firm ASPAs into firm ASPAs.

On October 4, 2021 the DOE issued Department Circular No. DC2021-10-0031 entitled: “Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services (AS CSP) by the System Operator (SO)” that pushed a process similar to the CSP, but this time for AS to be procured, for all non-firm ASPA be converted to ASPA, and that the Market Operator (MO) can step in to help SO to avoid delays. In a Decision dated October 24, 2022, the ERC penalized NGCP for its failure to submit to the DOE its Terms of Reference (TOR) and Invitation to Bid (ITB) for the ASP CSP as one violation, and its failure to publish and maintain on its website the ITB without the prior DOE approval as another violation.

## **7. Ancillary Services Pricing and Cost Recovery Mechanism**

Reserves are forms of ancillary services that are essential to the management of power system security. The provision of reserves facilitates orderly trading and ensures the quality of electricity.

On December 2, 2014, the DOE issued Department Circular No. 2014-12-0022, otherwise known as the Central Scheduling and Dispatch of Energy and Contracted Reserves. The circular aims to prepare the market participants in the integration of ancillary reserves into the WESM. The ancillary service providers will be paid based on their respective ASPAs with NGCP, while the scheduling of capacity and energy will be based on market results.

On September 14, 2018, NGCP filed a Petition seeking the Commission’s approval of its proposed amendments to the Ancillary Services – Cost Recovery Mechanism, docketed as ERC Case No. 2018-005 RM. Currently, the existing cost-recovery mechanism for Ancillary Services shall continue to be implemented until a new mechanism is recommended by the AS-TWG and adopted by ERC.

On February 8, 2022, the ERC posted its call for comments on the Draft Ancillary Services Rules (AS Rules) under ERC Case Nos. 2017-005 RM and 2018-005 RM with submission deadline of February 22, 2022. It has forwarded again the transition to its new types and definitions of Ancillary Services, with its own specifications and technical requirements, a percentage of procurement of AS, for testing be done only by the SO, and a cost recovery mechanism.

## 8. Price Determination Methodology for the Co-optimized Energy and Reserve Market

On January 10, 2023, the Philippine Electricity Market Corporation (PEMC) and Independent Electricity Market Operator of the Philippines (IEMOP) filed an application before the ERC for the reissuance of rules on the price determination methodology for the implementation of the co-optimized energy and reserve market in WESM, docketed as ERC No. 2023-002 RC. The application contains the proposed rules for determining the prices and schedules for dispatch, based on the offers of generation companies and demand of customers, taking into consideration power system conditions or constraints. Hearings for the application have been scheduled for the months of March and April 2023.

## 9. Energy Efficiency and Conservation Act

Apart from prescribing efficient use of energy standards and labeling requirements for energy-consuming products, RA No. 11285 or the Energy Efficiency and Conservation Act ("EEC") establishes certain obligations on the part of energy consumers who reach a certain annual energy consumption threshold ("Designated Establishments"). These obligations include, among others, reporting to the DOE of annual energy consumption, and energy consumption record keeping.

Other Department Circulars promulgated by the DOE in relation to the Energy Efficiency and Conservation Act are as follows:

- (a) Department Circular No. DC2020-06-0015 *"Prescribing the Guidelines of the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors and Dealers of Electrical Appliances and other Energy-Consuming Products (ECP)"*, which aims to empower consumers in choosing energy efficient products at the point of sale, help realize energy savings and reduction of energy consumption/bills through the use of energy efficient products; and reduce greenhouse gas emissions.
- (b) Department Circular No. DC2020-06-0016 *"Prescribing the Minimum Energy Performance for Products (MEPP) covered by the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors, Dealers and Retailers of Energy-Consuming Products)"*, which aims to eliminate the entry and sale of inefficient and substandard products in the local market; and reduce greenhouse gas emissions;
- (c) Department Order No. 2020-01-0001 *"Organizing the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC)"*, which created the IAEECC to evaluate and approve government energy efficiency projects and provide strategic direction in the implementation of the Government Energy Management Program (GEMP);
- (d) Department Circular No. DC2020-12-0026 *"Adoption of the Guidelines for Energy Conserving Design of Buildings"*, aims to encourage and promote the energy conserving design of buildings and their services to reduce the use of energy with due regard to the cost effectiveness, building function, and comfort, health, safety, and productivity of the occupants; and
- (e) Department Circular No. DC2021-05-0011 *"Guidelines for the Endorsement of Energy Efficient Projects to the Board of Investments for Fiscal Incentives"*, establishes the rules and procedures in the endorsement of energy efficiency projects to avail fiscal incentives from the BOI.

On January 27, 2023, the DOE posted the drafts of the National Energy Efficiency and Conservation Plan (NEECP) and EEC Roadmap. The NEECP is a national comprehensive framework and plan that institutionalizes energy efficiency and conservation (EE&C) in the country across key sectors. On the other hand, the EEC Roadmap 2023-2050 provides an updated outline of the strategic plans and actions for EE&C in the Philippines across all sectors, including implementing key provisions of the EE&C Act, and its accompanying Implementing Rules and Regulations. The Roadmap aligns with the NEECP as it provides for the key programs for energy efficiency and conservation by sector, for which emissions reduction targets and costings have been developed.

## 10. Energy Virtual One-Stop Shop Act

The DOE already began the implementation of the EVOSS Online Platform, pursuant to RA No. 11234 or "Energy Virtual One-Stop Shop Act" ("EVOSS Act").

On June 5, 2020, DILG-DOE Joint Memorandum Circular 2020-01 or the Guidelines for LGUs to Facilitate the Implementation of Energy Projects was published. The Guidelines direct the streamlining by LGUs of their processes in issuing the necessary permits for energy-related projects, in accordance with the energy regulatory reforms provided in the EVOSS Law.

On July 2, 2021, former President Duterte created the Energy Virtual One-Stop Shop Task Group through Executive Order No. 143, to ensure the increasing operationalization of the EVOSS.



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## 11. Net Metering

The DOE promulgated Department Circular No. DC 2020-10-0022 or the Net Metering Program for Renewable Energy System, which aims to encourage and further promote electricity End-Users' participation in the Net Metering Program by enhancing the current policies and commercial arrangements while ensuring the economic and technical viability of the distribution utility.

Pertinent provisions include:

- (a) Banking of Net-Metering Credits - All Net Metering Credits shall be banked for a maximum of one calendar year. Any excess of balance Net-Metering credits at the end of each calendar year shall be forfeited.
- (b) Application to Off-Grids or Isolated Grid Systems - The Net Metering Program for End-User shall be allowed even in areas not connected to the country's three major national electrical transmission grids.
- (c) Publication of Hosting Capacities for Net-Metering - The distribution utilities shall publish in their websites their respective Net-Metering programs, processes, and procedures, including hosting capacities on a per feeder or sector basis.
- (d) Responsibility of the LGUs - All LGUs are enjoined to strictly comply with the provisions of EVOSS Law, RA No. 11032 (Ease of Doing Business and Efficient Government Service Delivery Act of 2018) in processing permits and licenses related to applications for Net-Metering arrangements.
- (e) Responsibility of the National Electrification Administration (NEA) - The NEA shall provide the necessary assistance in promoting the Net-Metering Program to all electric cooperatives nationwide.
- (f) Development of Net Metering Guidebook - A guidebook on procedures and standards shall be developed by the DOE to be used by all stakeholders. The Renewable Energy Management Bureau shall prepare the Net Metering Guidebook, within six months from the effective date on this circular.

The foregoing Net Metering Program became effective on December 18, 2020. The Net Metering Guidebook was published on April 22, 2022.

## 12. Reliability Performance Indices

On December 16, 2020, the ERC published on its website Resolution No. 10, Series of 2020, entitled "*A Resolution Adopting the Interim Reliability Performance Indices and Equivalent Outage Days Per Year of Generating Units*".

This resolution aims to monitor the reliability performance of all Generating Units at operations and maintenance level; regularly determine and specify the reliability performance of the Grid; aid the power industry in evaluating reliability and availability of Generating Plants; and promote accountability of Generation Companies in order to achieve greater operation and economic efficiency. It applies to all Generation Companies with Conventional and Non-Variable Renewable Energy Generating Plants connected to the Grid, including Embedded Generating Plants, which have an aggregated capacity of 5MW and above. It includes the requirement for the System Operator and Transmission Network Provider to utilize the allowable planned outage days as prescribed in Table 1 of the Resolution as a guide in preparing the Grid Operating and Maintenance Program. If the System Operator and Transmission Network Provider shall utilize unplanned outages beyond what is allowed in Table 1, the same shall provide a report as to the reason for such consideration as well as arrange the replacement.

ERC Resolution No. 10, Series of 2020 became effective on January 3, 2021.

On December 31, 2023, the ERC published in its website ERC Resolution No. 13, Series of 2021, entitled "*A Resolution Adopting the Rules for the Monitoring of Variable Renewable Energy (VRE) Generating Facilities Performance*" wherein the ERC sets reliability factors particular to wind plant and photovoltaic generation systems.

ERC has been actively issuing show cause orders to generation companies in the industry and AboitizPower anticipates the possibility of additional show cause orders for its Generation Companies. Efforts have been made to revise the reliability performance indices through a rule-making petition in the ERC entitled "*In the Matter of the Petition to Initiate Rule-Making for the Amendment of the Rules for the Interim Reliability Performance Indices and Equivalent Outage Days Per Year of Generating Units*" docketed as ERC Case No. 2022-003 RM. The Public Consultation for the rule-making petition was conducted in April 2022, and is currently pending before the ERC.

### **13. Prescribing Revised Guidelines for Qualified Third Party**

In view of the Qualified Third Party (QTP) Guideline Policy, as of February 28, 2023, the ERC is working on its amendments to the 2006 Rules on the Regulation of Qualified Third Parties Performing Missionary Electrification in Areas Declared Unviable by the DOE.

Under RA No. 11646, or the Microgrid Systems Act, which became law on January 21, 2022, all QTPs providing alternative electric service pursuant to Section 59 of Republic Act No. 9136 are now known as microgrid system providers. On May 24, 2022, the DOE issued the Rules and Regulations to Implement Republic Act No. 11646, docketed as Department Circular No. DC2022-05-0017.

### **14. Promulgating the Renewable Energy Market (REM) Rules**

On June 10, 2022, the DOE issued DOE Department Circular No. DC2022-06-0019, *Declaring the interim Commercial Operations of the Renewable Energy Market*. The Circular provides a significant framework and mechanism for the commencement of the Renewable Energy Market (REM) Interim Commercial Operation (I-COP). The REM I-COP shall not yet involve any financial transactions, until such time that the Commercial Operation of the REM has been declared by the DOE. The DOE launched the I-COP REM on July 28, 2022 to begin validations of Renewable Energy Certificates but no trading has commenced yet.

### **15. Feed-in-Tariff System**

The ERC issued Resolution No. 16, Series of 2010, otherwise known as "Resolution Adopting the Feed-In Tariff Rules" (the "FIT Rules") which establishes the FIT system and regulates the method of establishing and approving the FITs and the FIT-All.

In ERC Resolution No. 12, series of 2022, in order to mitigate the rising levels of inflation and cost of living, the ERC adopted a temporary suspension in the collection of FIT-All for a period starting December 2022 until the February 2023 billing months. Subsequently, on February 22, 2023, the ERC issued ERC Resolution No. 2, Series of 2023, extending the suspension of the collection of FIT-All for another six months, from March 2023 to August 2023 billing months, unless lifted earlier by the ERC through a separate resolution.

### **16. Revisions to the Guidelines for the Financial Standards of Generation Companies**

On February 16, 2021, the ERC issued Resolution No. 03, Series of 2021, entitled "*A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies.*"

The Revised Financial Guidelines aim to set out the minimum financial standards of 1.25x Debt Service Capability Ratio ("DSCR") to ensure that generation companies meet these standards to protect the public interest as required under Section 43, b(ii) of the EPIRA and provided by Appendix 1, FS.A 1.3 of the Philippine Grid Code. A generation company failing to comply with the set financial standards shall submit to the ERC a program to comply within 60 days of receipt of an ERC directive.

### **17. Green Energy Auction Policy**

On July 14, 2020, the DOE issued guidelines on the Green Energy Auction Policy (Department Circular No. DC 2020-07-0017) which set the framework for which the DOE shall facilitate the procurement of supply from RE projects by the mandated participants under the RPS on-grid rules through a competitive process for compliance with the RPS program and as applicable for their long-term power supply requirements. The process involves a regular auction process (notice every 15<sup>th</sup> of June) to be implemented by the Green Energy Auction Committee (GEAC). The Contracting Customers and the Winning Bidders will execute a Green Energy Implementation Agreement (GEIA), which involves the Market Operator (MO) as the entity to allocate energy and calculate corresponding payments. The ERC will approve the GEIA template and the Green Energy Auction Reserve (GEAR) Price. Each Winning Bidder will have its own Green Energy Tariff (pay-as-bid), which shall not be higher than the GEAR Price. On the other hand, the Contracting Customers will pay the average price, subject to the allocation/calculation of MO, per trading interval.

On November 3, 2021, the DOE issued DC2021-11-0036 providing the Revised GEAP Guidelines listing out the Green Energy Auction steps for the competitive selection process, adopting the FIT framework as the mechanism for RE compensation and introducing an Opt-In mechanism for the Mandated Participants.

The first round of GEAP was completed in June 2022. On January 11, 2023, the DOE posted a call for comments for the Opt-in Mechanism for GEAP.

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## 18. Green Energy Option Program

On August 16, 2021, the ERC promulgated Resolution No. 08 on the Green Energy Option Program (“GEOP”). The regulatory framework for GEOP sets the technical and interconnection standards and wheeling fees of Renewable Energy (RE) Generating Facilities. The GEOP is a mechanism that will provide end-users the option to choose RE resources as their sources of energy. The GEOP Rules seek to guide the key stakeholders on who may qualify to avail, how to be licensed to provide the connection and set the fundamental agreements on the details for switching services, special power provision, related rates, and settlement of fees.

## 19. Retail Competition and Open Access

Through a Decision dated March 2, 2021, the Supreme Court of the Philippines (the “Supreme Court”) acted on several petitions regarding the implementation of Retail Competition and Open Access. These petitions were brought by Philippine Chamber of Commerce and Industry, Siliman University, and Batangas II Electric Cooperative (docketed as G.R. No. 228588, 229143, and 229453), among other petitioners and intervenors, against the DOE and the ERC. The Supreme Court struck down Department of Energy Circular No. DC2015-06-0010, series of 2015, and ERC Resolutions No. 5, 10, 11, and 28, all series of 2016, primarily for mandating contestability and prohibiting distribution utilities from participating in the contestable market. It likewise directed the ERC to promulgate guidelines on the DOE’s Department Circular Nos. DC2017-12-0013 and DC2017-12-0014 for being more aligned with the objective of the EPIRA to promote robust competition among retail electricity suppliers.

## 20. The Open Access Transmission Service (OATS) Rules

The Open Access Transmission Service (OATS) Rules describe the requirements and services provided by the Transmission Network Provider (TNP) that operates the high voltage backbone transmission system. The OATS Rules outline the responsibilities of the TNP and the functions of the System Operator (SO) as specified in the Philippine Grid Code (PGC) and the Wholesale Electricity Spot Market (WESM) Rules. It also sets out the responsibilities accepted by transmission customers as a condition of receiving the services. The OATS Rules aims to ensure the development of an appropriate, equitable and transparent electricity market, along with the safe, reliable, and efficient operation of the power system.

On June 9, 2022, the ERC published the 2022 Edition of the OATS, which was approved and adopted through ERC Resolution No. 03, series of 2022. AboitizPower continues to monitor for any developments on the OATS Rules.

## 21. Amendments to Public Service Act

Commonwealth Act No. 146, otherwise known as the Public Service Act, is a law governing the regulation of public services, which originally included “electric light, heat and power”. On March 21, 2022, former President Duterte approved the amendments to the Public Service Act. The new law, Republic Act No. 11659, included amendments to the classification of certain public services as public utilities, which included both the distribution and transmission of electricity. The amendments also provided for revisions in the regulatory authorities of administrative agencies, but also provided that nothing in the Public Service Act shall be construed as amending or repealing laws and administrative regulations deregulating or delisting services, industries and/or rates.

## 22. Retail Aggregation

On June 24, 2022, the ERC published on its website ERC Resolution No. 04, Series of 2022, entitled “A Resolution Adopting the Rules for the Electric Retail Aggregation Program”. The Retail Aggregation Rules establish standardized rules and procedures governing the aggregation of electricity requirements of End-users in the Competitive Retail Electricity Market (CREM) and prescribing and clarifying the requirements, conditions, eligibility, qualifications, and disqualifications of participants and the Aggregator in the Retail Aggregation Program.

## 23. Distributed Energy Resource

On November 29, 2022, the ERC published ERC Resolution No. 11, Series of 2022, entitled “A Resolution Adopting the Rules Governing Distributed Energy Resources (DER)”. The DER Rules establish the procedure for securing the appropriate license prior to operations, commercial arrangements that DERs may enter into for the energy it produces, pricing methodologies, reduction of contracted energy volumes, payment of subsidies, interconnection standards, reportorial requirements, and imposition of penalties for failure to comply with the terms and conditions of the DER’s COC.



## 24. Pass Through Charges

On December 19, 2022, the ERC published on its website ERC Resolution No. 14, Series of 2022, entitled “A Resolution Adopting the Revised Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities”, which aims to push for a more transparent collection of pass-through costs or charges by DUs. Among the revisions is the creation of a Restricted Fund by the DUs where over-collections are maintained and earmarked for repayment to customers in subsequent billing months, effectively providing more timely refunds to end-users.

### (xii) Amount Spent on Research and Development Activities

AboitizPower and its Subsidiaries do not allot specific amounts or fixed percentages for research and development. All research and development activities are done by AboitizPower’s Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

### (xiii) Costs and Effects of Compliance with Environmental Laws

AboitizPower’s generation and distribution operations are subject to extensive, evolving, and increasingly stringent safety, health, and environmental laws and regulations. These laws and regulations address concerns relating to: (a) air quality and greenhouse gas (GHG) emissions; (b) wastewater discharges; (c) the generation, handling, storage, transportation, treatment, and disposal of toxic or hazardous chemicals, materials, and wastes; (d) workplace conditions; and (e) employee’s exposure to hazardous substances.

Standard laws and regulations that govern business operations include the Clean Air Act (RA No. 8749), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), Philippine Environmental Impact Statement System (PD No. 1586), and Occupational Safety and Health Standards (RA No. 11058). The RE Law also added new and evolving measures that must be complied with. These laws usher in new opportunities for the Company and set competitive challenges for the businesses covered. Additional regulations such as DOE’s Energy Regulation No. 1-94 require companies to allocate funds for the benefit of host communities for the protection of the natural environment and for the benefit of the people living within the area. Further, funds are set for the management of carbon sinks and watershed areas through a nationwide reforestation program.

The Safety, Health, Environment and Security (SHES) group of AboitizPower oversees the SHES programs and activities within its operational control from the corporate center, business units, to facility teams. This includes the accounting of all environmental impacts. For the Generation Group, the facilities include: (1) APRI’s Tiwi-MakBan plants, (2) SacaSun’s San Carlos plant, (3) the Benguet, Bakun, Sabangan, Sibulan A, B, and Tudaya A, Tudaya B, Manolo Fortich, and Talomo HEPPs of the Hedcor Group, (4) SN AboitizPower Group’s Ambuklao, Binga, Magat, and Maris plants, (5) the Oil Group’s Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, and (6) Coal Group’s Davao and Toledo plants. For the Distribution Utilities, the facilities include Cotabato Light, Davao Light, Visayan Electric, Balamban Enerzone, Mactan Enerzone, Lima Enerzone, Malvar Enerzone, and Subic EnerZone.

AboitizPower and its Subsidiaries have allocated budgets for environmental expenditures covering costs for waste disposal, remediation, pollution control, environmental initiatives and programs that support climate strategies along with its impact. All facilities are in compliance with regulatory requirements, thus noting zero spending for remediation costs.

AboitizPower and its Subsidiaries remain committed to align with international best practices in all power plants and distribution utilities. This is exemplified with the attainment of 93% ISO certification for the management systems of Quality, Environment, Occupational Health and Safety. The AboitizPower Subsidiaries under the Oil and Coal Business Units have been recertified in 2022. Meanwhile, the AboitizPower Distribution Utilities, with the exception of Malvar Enerzone, have maintained their certifications on ISO 9001:2015 Quality Management System, ISO 45001:2018 and ISO 14001:2015 Environmental Management System.

In 2022, continuous improvement in managing environmental impacts is evident, as seen in its increased total environmental management expenses at ₱83.2 mn. This consists of ₱38.1 mn for the Renewables Group, ₱46.3 mn for the Thermal Group, ₱10.4 mn for the Distribution Utilities.



Of the ₱87.6 mn total environmental management expenses, ₱10.1 mn was allocated for capital expenditure (CAPEX) aimed at improving pollution prevention and control. The following projects were implemented: (1) APRI Tiwi's installation of Continuous Ambient Monitoring System and disposal of asbestos-containing material; (2) TVI and TSI's Continuous Emission System Improvements; and (3) TSI's Material Recovery and Composting Facility. Operational expenditure (OPEX) projects amounting to ₱77.5 mn were also implemented to improve and sustain environmental management practices on site, such as: (1) waste disposal of asbestos-containing material, Polychlorinated Biphenyls (PCBs), and oil and oil-contaminated wastes from its various Business Units; (2) implementation of Community Baseline Assessment to support CSR-related programs in the Coal Business Units; (3) installation of Sewage Treatment facilities in TPVI and EAUC; and (4) GHG-reduction initiatives in all the business units such as Race to Reduce Program in the Enerzones, True Con in Hedcor, and E-BOTA Program in Davao Light.

AboitizPower also supports environmental initiatives that go beyond its compliance requirements. The Company takes part in AEV's A-Park program, various coastal and river clean-up activities, and biodiversity initiatives. In the year 2022, the Company has conducted 60 environmental activities, planted a total of 289,004 trees at an expanse of 314 hectares with the help of almost 1,058 volunteers. AboitizPower organized and conducted 54 coastal and river clean-up activities, wherein over 24,122 kilograms of wastes were collected. Furthermore, AboitizPower supports a number of biodiversity initiatives, such as (1) APRI's Adopt Tigas River and Adopt Visitang Naga River, (2) Hedcor's Reforestation Projects in Sibulan and North Luzon sites; (3) SN AboitizPower-Magat HEPP's partnership in Uplifting Upland Natural Resources Livelihood and Assets (PUNLA) for the Upper Magat Watershed Management Program in Ifugao Province; (4) the Coal group's Adopt-an-Estero water body program at Inawayan River, Brgy. Inawayan, Sta. Cruz, Davao del Sur and Coastal Resource Management Program in Toledo City, Cebu; (5) Davao Light's Adopt-an-Estero for San Isidro creek and the Cleanergy park located in Punta Dumalag, Davao City; and (6) Visayan Electric's VECO-Buhisan Watershed Forest Rehabilitation Project.

AboitizPower and its Subsidiaries received a total of 46 awards, certifications and citations in 2022 in relation to SHES. To highlight a few: (1) APRI Makban Plant's Silver Corporate Safety and Health Excellence Award from the Safety & Health Association of the Philippine Energy Sector, Inc. (SHAPES); (2) APRI Tiwi Plant's Platinum Corporate Safety and Health Excellence Award; (3) SN AboitizPower-Benguet's Gawad Kaligtasan at Kalusugan Award (Gold), Platinum and Titanium Awards from SHAPES; (4) Therma South's Gawad Kaligtasan at Kalusugan Award (Silver), various Environmental Awards from DENR-EMB Region XI for its active participation and commitment to environmental protection for water and waste management; and (5) Therma Visayas' adoption and donation of a Continuous Ambient Air Monitoring System for Barangay Cabitoonan, Toledo City, Cebu.

In 2022, AboitizPower and its Subsidiaries did not incur any major sanctions for violation of environmental standards and laws. AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

#### (xiv) Employees

At the parent company level, AboitizPower had a total of 549 employees as of February 28, 2023. These include executives, managers, supervisory, and rank-and-file staff employees. There is no existing Collective Bargaining Agreement (CBA) covering AboitizPower employees.

The following table provides a breakdown of total employee headcount on a per business group basis, according to employees' function, as of February 28, 2023:

Business Group	Number of Employees					Unionized Employees	Expiry of Collective Bargaining Agreement (CBA)
	Total	Executives	Managers	Supervisors	Rank & File		
Aboitiz Power	549	121	119	114	195	0	N/A
General Companies							
Run-of-River Hydros	392	11	20	48	313	94	September 19, 2023 (Hedcor)
Large Hydros	193	20	45	73	55	0	N/A

Business Group	Number of Employees					Unionized Employees	Expiry of Collective Bargaining Agreement (CBA)
	Total	Executives	Managers	Supervisors	Rank & File		
Geothermal	252	12	21	43	176	0	N/A
Solar	6	0	0	2	4	0	N/A
Oil	433	12	40	202	179	0	N/A
Coal*	1,416	24	76	297	1,019	0	N/A
RES	5	0	0	1	4	0	N/A
Distribution Utilities	729	15	67	130	517	331	December 31, 2026 (Visayan Electric) June 30, 2024 (Cotabato Light) June 16, 2026 (Davao Light) May 9, 2024 (SFELAPCO)
<b>Total No. of Employees</b>	<b>3,975</b>	<b>215</b>	<b>388</b>	<b>910</b>	<b>2,462</b>	<b>425</b>	

\*Data for GNPD and GMEC is as of January 31, 2023.

The Company does not anticipate any significant increase in manpower within the next 12 months unless new development projects and acquisitions would materially require an increase.

#### (xv) Major Risk/s Involved in the Business

An integral part of AboitizPower's Enterprise Risk Management (ERM) efforts is to anticipate, understand, and address the risks that the Company may encounter in its businesses.

Risk management is integrated in the Company's strategic and operational planning and decision-making processes. Management and operating teams identify and assess the risk areas that may impact the Company's strategic objectives and day-to-day business operations. In addition, the Company develops key risk treatment plans to address the drivers of the Company's top risks, as well as emerging risks that may also significantly impact its business and stakeholders. The risk management processes, which include ESG focus areas, business continuity management, and risk transfer strategies, are also embedded in the organizational planning and risk management processes. Business continuity management (BCM) and risk finance are the other pillars of the ERM approach that are actively being implemented and continuously developed by AboitizPower.

Risk management planning in Aboitiz Power is an iterative process that is conducted at least semi-annually for strategic risks. Most of the top or strategic risks that are captured at the corporate or AboitizPower level originated from risks reported by the corporate support and business units. The Company's business units review operational risks and implement mitigation measures as part of day-to-day operations.

Following the completion of the 2022 year-end strategic risk consolidation at AboitizPower, the following top or strategic risks have been identified and reported to the senior management executives:

#### 1. Sustainability

Investments are at risk if these are not able to sustain a viable economic return due to a combination of technology, regulatory, and/or market changes. Among these changes, ESG strategies continue to be the trend in the global community where investors are seeking to mitigate exposure to fossil-based fuel and diversifying portfolios to prioritize renewable energy. In the event that future laws or contracts are enacted imposing restrictions on operations and refinancing, particularly in relation to power plants utilizing fossil fuels, certain capital expenditures or operating expenses or financing costs may not be fully recoverable.

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The growing multi-sectoral negative action against coal has led many financial institutions to restrict investments in coal projects. The following are important considerations of the Company's existing portfolio and strategic project pipeline, where coal concentration will significantly be reduced by the year 2030:

- (a) Difficulty in insurance procurement or renewal, where insurers' policy on coal underwriting and investing are also aligned with the same global trends on sustainability and ESG issues. While insurers are still willing to cover coal plants, the resulting impact is significantly higher premium rates for coal insurance year on year. Inability to fill up 100% capacity due to the reluctance or withdrawal of some insurance markets to insure coal plants has prompted the Company to resort to self-insurance. Other noteworthy risk drivers are the hardening of the insurance market aggravated by the global economic impact of the COVID-19 pandemic, and any significant losses on damage to critical assets and related business interruptions;
- (b) Financing and refinancing risks in terms of the Company's inability to borrow money to fund future projects due to current investments in coal. While banks are still willing to lend, the cost of project financing tends to be more expensive;
- (c) Withdrawal of technical support by critical contractors and suppliers from construction and/or maintenance thermal power plants in line with global trends on sustainability; and
- (d) Sourcing of fuel (coal and oil) due to global price volatility because of supply and demand fundamental affected by pressure on the continued operation of mines and transshipment of fuel due to the International Maritime Organization (IMO) 2020 regulations which will have the effect of increasing freight costs for coal and oil.

The Philippines is a party to the 2015 Paris Agreement signed by almost 200 nations. The Paris Agreement aims to keep the increase in global average temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy.

Recently promulgated implementing rules and regulations by the DOE on "Renewable Portfolio Standards" also mandate electric power industry participants (such as generation companies, distribution utilities and electric cooperatives) to source or produce a portion of their electricity requirements from eligible renewable energy resources and undertake CSPs in sourcing renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plants of the Company to stranded-asset risk (i.e., hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

AboitizPower is cognizant of the regulatory and market drivers in the shift towards green and sustainable business transformations. AboitizPower and its Subsidiaries are guided by its sustainability framework that looks into environmental, social and governance risks including climate-related risks of its value chains. Its strategy has long considered environmental sustainability as one of its key pillars and, to date, together with its partners, the Company is the largest private renewable energy operator in the country with 1,365 MW in installed capacity as of year-end 2022.

AboitizPower's growth strategy remains aligned with the energy trilemma – balancing the three pillars of energy security, energy equity, and environmental sustainability. Over the last decade, the growth in energy demand has necessitated a focus on energy security and energy equity - the provision of reliable, and affordable energy for a growing economy. Having addressed energy security and energy equity via the presence of sufficient baseload capacity, AboitizPower has begun to shift focus back to environmental sustainability, and rebalancing its energy portfolio. This transition is included in the Company's sustainability agenda, with the Company targeting a mix of 50% thermal and 50% renewable energy capacity by 2030 from its current mix of 74% thermal (which are conventional or combustion power plants such as coal or fuel fired plants), and 26% renewable (which do not rely on fossil fuels).



Further, to properly assess the potential and extent of the above-mentioned risks, AEV and AboitizPower signed up to become the first Philippine supporters of the international Task Force on Climate-Related Financial Disclosures (“TCFD”) in early 2020. This is a voluntary commitment to adopt a defined governance structure on identifying and addressing physical and transition risks associated with climate change, as well uncovering opportunities, and improving disclosures to provide clear and reliable information to stakeholders. Under SEC Memorandum Circular No. 4, series of 2019 on the Sustainability Reporting Guidelines for Publicly-Listed Companies (“PLCs”), there is a three-year period under which PLCs can comply, which includes the adoption of the TCFD reporting template.

As a validation to AboitizPower’s commitment to risk and crisis management, risk management of AboitizPower retained the maximum 5.0 rating representing a +4 increase in score to 94, in the 2022 FTSE Russell (FTSE4Good) Index. This comes after a very strong showing in the 2022 Corporate Sustainability Assessment of S&P Global rating Risk and Crisis Management of AboitizPower with a score of 92 (+4) placing it at a top spot among the rated companies in the Philippines. Good risk management is supporting AboitizPower in the sustainability component of ESG.

## 2. Regulatory

The electric power industry is characterized by a constantly evolving regulatory environment. Any shortcoming in regulatory compliance poses negative consequences in both the net income and reputation of each Business Unit and the Group. Further, the Company’s results of operations and cash flow could be adversely affected by the inability to predict, influence, or respond appropriately to changes in law or regulations, 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 results of operations and cash flow. The Company’s business could also be adversely affected by any changes in laws or regulations, or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, could adversely affect the Company’s business, including, but not limited to:

- (a) adverse changes in tax laws including misinterpretation of statutory incentives granted to developers;
- (b) changes in the timing of tariff increases or in the calculation of tariff incentives;
- (c) change in existing subsidies and other changes in the regulatory determinations under the relevant concessions or grants;
- (d) other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business affecting both the generation and distribution utility business;
- (e) 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 our existing financial and business planning; or
- (f) other changes in the performance-based regulations affecting the return of capital investments which will impact prospectively.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect AboitizPower’s results of operations.

For renewable 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 Business Units 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, subject to the regulatory frameworks applicable in each jurisdiction. Future tariffs may not permit the project to maintain current operating margins, which could have a material adverse effect on the Business Unit or the Group, financial condition, results of operations and prospects. Withholding of adjustment in feed-in-tariff rates for qualified plants under the portfolio of AboitizPower are risks that are being monitored and addressed through active stakeholder engagement with similarly situated developers and the ERC.

Regulatory issues related to the delivery of transmission assets owned by the NGCP in order to dispatch capacity from newly commissioned plants of AboitizPower are also being managed. AboitizPower continues to work with NGCP to minimize delay in the delivery of transmission assets as new plants begin commercial operations.

To anticipate and proactively respond to changes in regulations, the Regulatory Affairs and External Relations teams of AboitizPower constantly collaborates with the DOE and the ERC to work towards a sound and sustainable regulatory and policy environment. Similarly, the AboitizPower SHES Team keeps abreast with environmental laws and coordinates with DENR on matters pertaining to environmental compliance.



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These teams, among others, actively participate in consultative processes and public consultations to provide feedback and positions on proposed laws and regulations. The Company's participation likewise ensures that its interpretation of such laws and regulations is aligned with the regulators. This is done in cooperation with organized power industry groups such as the Philippine Independent Power Producers Association (PIPPA) and Philippine Electric Plant Owners Association (PEPOA). Regular dialogues are conducted with host communities, media, non-government organizations, and the academe, to educate and update various groups about the power industry.

AboitizPower has likewise transitioned its Legal Team to strategically focus on compliance and to continually align with the Aboitiz Group's overall compliance processes. The Company is institutionalizing a compliance framework across the different business and corporate support units, and is formalizing compliance reporting requirements among the Group's compliance officers.

### 3. Financial

In the course of its operations, AboitizPower and its Subsidiaries are exposed to the following financial risks:

- (a) Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and
- (b) Forex risks in terms of forex fluctuations that may significantly affect its foreign currency-denominated placements, transactions, and borrowings. This risk is currently driven by the global economic recession and geopolitical conflicts, given the impact it has on general currency markets; and the amount of natural hedge flows which may decline.

These risks constrain any expansion and growth projects. Furthermore, defaulting on existing loans and other financial obligations will consequently put the Company's reputation at risk.

To address these risks, the Company carries out regular monitoring of the Company's cash position and at the same time maintaining good relationships with the banks. AboitizPower is implementing the Group's Financial Risk Management Framework, which is a collaboration of the Group Risk and Treasury teams and designed to ensure a consistent approach in identifying, assessing, quantifying, and mitigating financial risks across the Group.

### 4. Reputation

AboitizPower recognizes that its reputation is its single most valuable asset, a competitive advantage that allows the Company to earn, maintain, and strengthen the trust of its stakeholders. The Company knows that its reputation today took generations to build and sustain; hence, the need to protect and enhance it progressively is imperative.

Today's operating environment is characterized by increasing corporate governance standards, heightened public consciousness due to social media, and greater scrutiny from key stakeholders. Reputation risks result from the occurrence of, or failure to, mitigate other risks.

AboitizPower continues to strengthen stakeholder engagement activities with all its stakeholders, including its customers, employees, shareholders, lenders and insurers, regulators, host communities, and LGUs. One of the key engagement channels is ER 1-94 which allows host communities to reap financial benefits for their contribution to power plants situated in their localities. AboitizPower's assumption of the fund's administration functions has hastened fund remittance and utilization for local electrification, development and livelihood, and environment enhancement projects of host communities. Due to the COVID-19 pandemic, DOE Department Circular 2020-04-0008 dated April 6, 2020 rationalized the utilization by host LGUs of ER 1-94 funds for COVID-19 response instead. As year-end 2021, the total available ER 1-94 funds have been released by the DOE and AboitizPower amounted to ₱714 mn, which was made available to the Company's host beneficiaries to build isolation facilities and purchase relief goods, medical supplies or equipment, and COVID-19 testing kits and vaccines.

In 2022, AboitizPower continues to be recognized as a constituent company in the FTSE4Good Index Series for the fifth consecutive year. The Company has maintained its overall rating in the latest assessment with a score of 3.1. The FTSE4Good Index Series, created by global index provider FTSE Russell, measures the performance of companies demonstrating strong ESG practices.

The Company's recent Corporate Sustainability Assessment by the highly regarded S&P Global has also shown marked improvements in its ESG performance. The Company's score further increased from 44 in 2021 to 50 in the 2022 assessment, which also brings the Company to the 76th percentile ranking in its global peer group. Key highlights include improvement in the Governance and Economic dimension by 6 points, driven mainly by its 2022 initiatives in innovation and supply chain management, and in the Social dimension by 7 points brought by its strong programs in human capital development, stakeholder engagement, philanthropy, and labor standards.

AboitizPower's recent Sustainalytics ESG Risk Rating coverage moved to the core framework from comprehensive. In consideration of the company's high ESG risk exposure and strong management, Sustainalytics views the Company to be at medium risk of material financial impacts driven by ESG factors giving AboitizPower a final risk rating of 28.6, a 14% decrease of risk rating from the previous year.

Meanwhile, the Company also improved its CDP Climate Change Report from D in 2021 to C in the 2022 assessment.

AboitizPower's Corporate Affairs continues to communicate and amplify AboitizPower's role in a sustainable energy transition for the country. This is being measured through the "Strategy" pillar of the ReputationID research, through the lens of how AboitizPower and its competitors perform in terms of demonstrating strong leadership, future direction, innovation, and authority in energy.

Moving forward, AboitizPower will continue to focus on addressing gaps in various risk areas of ESG. Furthermore, the Company's growth strategy remains aligned with the energy trilemma of energy security, energy equity, and environmental sustainability, but will be characterized by a strategic shift from ensuring low-cost energy to also providing energy from more sustainable sources in the next decade.

## 5. Operations

The loss of, and/or damage to, facilities caused by natural calamities such as earthquakes, typhoons, and floods may result in significant business interruptions within AboitizPower. Interruptions may also be caused by other factors such as critical equipment breakdown, Information Technology (IT) and OT security breaches, fires and explosions, hazardous waste spills, workplace injuries and fatalities, terrorism, and other serious risks.

Planned maintenance and overall outage management of AboitizPower's generation facilities and its critical equipment and OT infrastructure and systems are governed by asset management standards based on global best practice. All of AboitizPower's generation facilities have achieved asset management certifications based on ISO 55001:2014 standard. Recently commissioned plants will also be lined up for certification.

On the other hand, distribution network availability and reliability targets have consistently been aligned with the performance bond standards set by the ERC as part of the Rules for Distribution Wheeling Rates (RDWR).

All Business Units have also achieved OSHAS 18001 certification, a British standard which is focused on controlling occupational health and safety hazards. AboitizPower companies are also transitioning to the ISO 45001 standard to drive a risk-based culture with more proactive approaches toward mitigating risks before they happen. To further reinforce industrial fire safety, annual in-house training program on Fixed Fire Fighting Systems of the U.S. National Fire Protection Association is conducted for operations, maintenance, and safety personnel.

Group insurance programs that leverage on the Company's portfolio of generation and distribution assets, supported by risk modelling and quantification, are also in place and regularly reviewed. AboitizPower ensures that its Business Units have the right insurance solutions to achieve the optimal balance between retaining or transferring risks versus lowering the Total Cost of Insurable Risk. As such, business interruption insurance is procured to cover any potential loss in gross profits that may result from a major damage to critical assets. AboitizPower is embarking on a major initiative to look for alternative risk transfer strategies to optimize loss indemnity and risk retention.

Business Units periodically review, test, develop, update, and improve their business continuity plan (BCP) to ensure that they remain relevant with current business conditions, and address the uncertainties and issues faced by the Company.

Some of these enhancements include: (a) typhoon preparedness; (b) regular emergency drills and simulation exercises on various scenarios related to other natural and man-made calamities; and (c) post-event evaluations to ensure that employees are able to respond effectively and safely as planned. AboitizPower is looking to expand business continuity strategies on a geographic regional scale for better coordination among several plants.

To further improve its existing BCM framework and practices, AboitizPower has rolled out a three-year roadmap of Business Continuity initiatives, which conforms to ISO 22301:2012 standards and requirements.

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## 6. Cyber and Information Security

AboitizPower recognizes the vulnerabilities of global information security breaches and the increasingly complex challenges of digital transformations. Management acknowledges that information security threats should be addressed to prevent targeted and non-targeted attacks which can adversely disrupt operations and customer services, and result in serious impacts to the Company's bottom line and reputation.

In 2022, AboitizPower further strengthened its protection protocols against security threats with the implementation of the ISMS following the ISO 27001:2015 standard. For 2022, the Company's Generation and Distribution Business Groups have rolled out and are currently completing a uniform, Company-wide Operational Technology (OT) Security Minimum Standard.

AboitizPower aligns with the Aboitiz Group-wide Cyber Security Program, specific governance, standards, training and culture-building, and Operational Technology Security projects. OT Security projects in generation and distribution facilities are also ongoing through phased implementation until 2022. The ISMS discipline will continue to be embedded in all three pillars of Information and Operational Systems Security, namely, People, Process, and Technology.

The cybersecurity program execution which started in 2020 is progressing very well. Its anchor program, the Continuous Threat Detection (CTD) roll-out, has faced challenges from the global logistics delays which run from 45 to more than 120 days. The delivery of this project is expected to catch up as logistics normalizes and issues are resolved. Together with the CTD roll-out, the network segmentation will be implemented. End-point detection solutions for legacy operating systems (OS) will be addressed with a new industrial control systems (ICS) end-point protection system offering the latest malware detection and protection.

In order to achieve the desired Level 4 in Cyber Security Maturity and build an information security risk-aware culture within the Company, BCPs on loss of technology scenarios are in place, annually tested, reviewed, and continually improved. AboitizPower keeps pace with current information security threat landscape, solutions, and best practices to further strengthen prevention, detection, and comprehensive response to information security threats. Information risks, including cyber security risks, will remain on top of the agenda of the Board Risk Committee for the coming years.

## 7. Competition

Increasingly competitive market conditions create downward pressure on contract rates and increasing levels of commercial risk, to wit: (a) generation companies being required to participate in a transparent and competitive bidding of power supply requirements of distribution utilities and electric cooperatives through the CSP; and (b) spot prices are expected to continue to be volatile. As such, fixed pricing may potentially increase exposure to fuel and forex risk, while the inability to contract at favorable rates and commercial terms may result in further exposure to higher levels of spot market volatility. This risk could result in inefficiencies in margins due to aggressive or competitive pricing and forecasting inaccuracy.

As AboitizPower endeavors to market and contract project capacities from investments ahead of time, as well as renew expiring contracts from existing capacities, it also maximizes energy trading opportunities in the spot market. Striking this balance requires a combination of portfolio pricing and contracting strategies, and hedging of coal and forex exposure on fixed contracts. This is to ensure that plant operations are optimized, and that revenue and cash flow streams are managed.

## 8. Talent

AboitizPower gears for further growth by shifting towards renewable energy sources and increasing its presence in the international market, while ensuring the availability and reliability of existing power plants. Both growth and operational excellence thrusts demand for organic subject matter experts of critical assets.

The risk on availability, readiness, and retention of talents for critical posts is inevitably increasing. Thus, talent attraction, optimization, and retention strategies are of utmost importance. In 2021, AboitizPower heightened efforts in ensuring talent supply meets talent demand by utilizing strategic workforce planning process, in particular:

- (a) Optimize talent attraction channels / approaches such as establishing a compelling employer brand, building targeted talent communities and employee referral programs;
- (b) Build talent capability building to ensure a thriving workforce;
- (c) Promote a culture-centric engagement and benchmarked employee experience to retain critical talents;



- (d) Create as robust labor relations and business continuity plans, labor regulatory compliance checks & manager education; and
- (e) Improve HR internal capability building and transformation thru leveraging analytics and digital tools/system, re-skilling and resourcing, structure redesign and process simplification/standardization.

AboitizPower integrated the Strategic and Operational Workforce Planning into the Organizational Planning processes to enable the identification of current and future talent needs. This helped shape the people strategy of AboitizPower to be able to increase workers engagement and remain competitive in the job market reshaped by the COVID-19 pandemic.

## 9. Litigation

The most effective way to avoid litigation and its adverse consequences is to prevent it. Litigation diverts valuable management resources, adversely affects reputation and standing, and exposes the Company including its employees and officers to liability.

In 2022, AboitizPower strengthened the capability of its Legal team to ensure legal and contractual obligations are complied with and in order to be able act quickly and effectively on a potential dispute prior to its escalation. Legal and internal and external subject matter experts identify and proactively address litigation risks to reduce threats associated with regulatory action, legal claims, and disputes. Legal strategies are supported by active stakeholder engagements with the intent to exhaust all available legal remedies outside of litigation.

## 10. Pandemic

For the AboitizPower Group, the primary impact of the COVID-19 pandemic during its early stages was the decrease in demand for electricity as business activities were hampered by the government-enforced community quarantines. These quarantines also resulted in reduced mobility to and from the Power Group's existing facilities, and new facilities being constructed. The curtailed economic activity brought about by the shutdown and/or scaled down operations of energy-intensive industries have resulted in significant drops in electricity demand and consumption, which in turn has affected the revenue targets of AboitizPower's generation, distribution, and retail electricity supply businesses. The Company collaborates with its customers and key stakeholders to minimize the impact of the pandemic to its PSAs for all concerned parties. Distribution Utilities have also maximized the use of social media and digital platforms to deliver customer services.

The AboitizPower Group continued to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities. To address the challenges posed by the pandemic, the AboitizPower Group developed a program that combines the best of work-from-home, two-week work shifts, and remote plant operations. This will ensure that the AboitizPower Group keeps the lights on for the country. It also assessed the current and future modes of operations. This led to the necessity of doing an organizational restructuring, allowing for resiliency and enabling the Power Group to remain efficient, competitive, and sustainable. It is in the planning stages of a return to the workplace program, but will advance with caution.

The Company ensures that the supply chains for its power plants and Distribution Utilities remain stable. It also ensures that supply of coal, critical spare parts, and services from outside the country continues through a number of options, including alternative local suppliers and service providers. Close coordination with LGUs and key government agencies by AboitizPower External Relations and its Business Unit's Legal and Compliance teams facilitate the unimpeded delivery of energy-related goods and services.

To date, all AboitizPower power generation facilities and power distribution utilities have normalized operations. BCPs have been successfully implemented to ensure the adequate and reliable supply and distribution of electricity and to adapt to the nature of the virus with the least disruption in operations but ensuring team members are not put at risk which is the primary objective of the Company's COVID-19 response. These BCPs are continually and promptly updated to adhere to the health and other community quarantine protocols and guidelines issued by the DOE, ERC, DOH, DOLE, Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), and the LGUs. COVID-19 vaccination of employees and contractors is at a high rate due to company-initiated vaccination programs. The Company is also facilitating a program for the administration of boosters to its employees to maximize protection afforded by the vaccines.

The Company will continue to comply with the government's minimum health standards and directives being a provider of essential services during this time of the pandemic.



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## 11. Project Delivery

AboitizPower has identified delay in project execution and delivery as one of its top risks as it continues to grow its power generation portfolio, in particular, with the construction and commissioning of new generation plants as AboitizPower expands its renewable energy portfolio. Global economic recession and supply chain restrictions due to the pandemic and geopolitical tensions have raised concerns on the ability to deliver and execute projects in a timely manner and within budget targets.

As an overall risk mitigation plan, project risk management plans are thoroughly defined and regularly reviewed for each project in order to track issues related to quality, safety, compliance, schedule, and resources. This ensures that identified risk control measures and recovery actions are implemented. Appropriate project insurance coverage, as well as periodic performance reviews of selected partners, reputable contractors, and third-party suppliers, are also in place.

## 12. Emerging Risks

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. These are newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on the organization in the future. These potential risks could be triggered by the fast-changing landscapes in the political, economic, social, technological, environmental, and legal facets surrounding the Company's operations.

For AboitizPower, one such major risk is that of climate change. While the Company has recognized that the availability of insurance and long-term financing for coal plants has become more and more challenging, these are being addressed by an overall sustainability strategy that is manifested by its portfolio mix changing towards sustainable energy sources over the long term. Active engagements with stakeholders to clarify AboitizPower's ESG strategy are undertaken to clarify the Company's positions and plans to achieve its sustainability goals in the context of the Philippine energy and growth plans. The market for fuel, particularly coal, is also being actively monitored as currently there are a lot of risk drivers that are starting to emerge that are coming from sustainability policies and dynamic domestic and international trade policies. The most recent fuel-related risk is the month-long export ban on coal announced by the Indonesian government which put at risk the continued normal and full operation of the Company's coal power plants. While the ban was temporary, the Company has been developing a more robust risk mitigation plan against potential loss or unavailability of coal suppliers.

Disruptive and new technology are likewise emerging risks the Company continues to monitor. Among others, the battery storage and the digitization or internet of things are potential transformers of the power business. Energy storage could play a wider role in the global energy markets moving from limited uses to displacing power generation due to its potential for reliability, quality, and its capability for renewables integration. The internet of things has the potential to significantly transform the power sector by optimizing operations, managing asset performance. Other technologies are expected to impact power generation and transmission segments. The Company sees these technologies both as threats and opportunities.

Such risks are captured and validated in the semi-annual risk assessment process and during the environmental scans of the strategic planning and annual organizational planning process of AboitizPower, and are subjected to further study by subject matter experts. These emerging risks are reported and discussed as part of the Group Risk Management Council and Board Risk and Reputation Management Committee regular agenda.

## Item 2. Properties

The Company's head office is located at 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The office space occupied by the Company is leased from a third party. As a holding company, the Company does not utilize a significant amount of office space.

As of February 28, 2023, there were no definite plans of acquiring properties in the next twelve months. Nonetheless, the Company plans to continually participate in future projects that become available to it and will disclose the same in accordance with the applicable disclosure rules under the SRC.

On a consolidated basis, AboitizPower's Property, Plant and Equipment were valued at around ₱206.86 bn as of end-2022, as compared to ₱203.24 bn as of end-2021. The breakdown of the Company's Property, Plant and Equipment as of December 31, 2022 and December 31, 2021 is as follows:

Property, Plant and Equipment as of December 31	2022	2021
Land	1,920,614	1,807,495
Buildings, Warehouses and Improvements	57,180,191	51,935,601
Powerplant, Equipment, and Streamfield Assets	132,660,266	126,267,975
Transmission, Distribution and Substation Equipment	27,750,107	25,319,519
Transportation Equipment	1,710,577	1,634,855
Office Furniture, Fixtures and Equipment	1,307,704	1,038,896
Leasehold Improvements	3,054,331	3,029,884
Electrical Equipment	10,335,653	10,661,921
Meter and Laboratory Equipment	3,708,366	2,899,385
Tools and Others	1,604,331	4,863,477
Construction in Progress	13,925,385	8,661,336
Right-of-use Assets	38,713,511	38,392,228
Less: Accumulated Depreciation and Amortization	82,695,473	69,684,027
Less: Accumulated Impairment	4,317,975	3,588,720
<b>TOTAL</b>	<b>206,857,588</b>	<b>203,239,825</b>

Note: Values for the above table are in thousand Philippine Pesos.

Locations of Principal Properties and Equipment of the Company's Subsidiaries are as follows:

Subsidiary	Description	Location/Address	Condition
APRI	Geothermal power plants	Tiwi, Albay, Caluan, Laguna; and Sto. Tomas, Batangas	In use for operations, used to secure long-term debt
Aseagas	Raw land and improvements	Lian, Batangas	Ceased operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations, used to secure long-term debt
TPVI	Buildings/plants, equipment, and machinery	Naga City, Cebu	In use for operations
TVI	Coal-fired thermal power plants	Bato, Toledo, Cebu	In use for operations, used to secure long-term debt

Subsidiary	Description	Location/Address	Condition
GMEC	Coal-fired thermal power plants	Mariveles, Bataan	In use for operations
Cotabato Light	Industrial land, buildings/ plants, equipment, and machinery	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/ plants, equipment, and machinery	P. Reyes Street, Davao City and Bajada, Davao City	In use for operations
Visayan Electric	Industrial land, buildings/ plants, equipment, and machinery	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Lima Enerzone	Industrial land, buildings/ plants, equipment, and machinery	Lipa City and Malvar, Batangas	In use for operations
Balamban Enerzone	Industrial land, buildings/ plants, equipment, and machinery	Balamban, Cebu	In use for operations

### Item 3. Legal Proceedings

AboitizPower and its Subsidiaries are involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that none of these legal proceedings will have a material effect on the Company's financial position and results of operations.

Visayan Electric, for example, received several assessments of real property taxes on its electric posts, transformers, wires, machineries, air-conditioning units, and water pumps. Visayan Electric consistently maintains that the electric posts, transformers, wires, machineries, air-conditioning units, water pumps and their appurtenances are not considered real properties under the Civil Code of the Philippines, and therefore are not lawful objects of real property tax. Further, Section 270 of the Local Government Code of 1991 provides that the collection of real property tax is mandatory within five years from the date they become due, and that failure to collect the real property tax within the said period will bar collection thereof.

Visayan Electric has availed of Cebu City's tax amnesty ordinance in settlement of its real property tax assessment case amounting to ₱183 mn covering the period from 1989 to 2019 pending before the Cebu City Assessor's Office. Visayan Electric was issued a tax certificate on January 5, 2021, clearing the company of any and all real property tax liabilities for all its electric poles and their attachments located in Cebu City.

The other material pending legal proceedings involving the Company and its Subsidiaries are as follows:

**Luzon Hydro Corporation vs. The Provincial Government of Benguet, represented by Governor Melchor D. Diclas; Orlando T. Oidi, in his official capacity as the Provincial Assessor of Benguet Province; Imelda I. Macanes, in her official capacity as the Provincial Treasurer of Benguet Province; Bado K. Pasule, in his official capacity as the Municipal Assessor of Bakun, Benguet; and Merlita Tolito, in her official capacity as the OIC-Municipal Treasurer of Bakun, Benguet**  
**Civil Case No. 20I-CV-3558**

In view of the finality of the SC's Decision in the case entitled: "*National Power Corporation vs. Luzon Hydro Corporation (LHC), Banggay T. Alwis, Municipal Assessor, Manuel C. Bagayao, Municipal Treasurer of Bakun, Benguet, Erlinda Estepa, Provincial Assessor and Mauricio B. Ambanloc, Provincial Treasurer of the Province of Benguet*" docketed as GR No. 244450 and GR No. 244659, the Municipal Treasurer of Bakun issued real property tax Bills for the period covering 2002 to 2019 amounting to ₱284,448,073.24 on January 16, 2020.

On February 3, 2020, LHC wrote to the Provincial Governor requesting for the amendment of the real property tax Bills to align with the MOA dated December 20, 2012 by and between LHC and the Province of Benguet. In the same letter, LHC also cited Executive Order (EO) No. 88, Series of 2019, which reduced the liability for real property tax of IPPs such as LHC with BOT Agreements with Government Owned and Controlled Corporations to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2018.



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On September 14, 2020, LHC filed a Petition with the Regional Trial Court (“RTC”) of La Trinidad, Benguet, praying for the issuance of a writ of *mandamus* to compel the Province of Benguet to comply with the provisions of the EO and recompute the real property tax liabilities of LHC. The Province of Benguet filed its Comment with Motion to Dismiss, which was denied by the RTC. The RTC also directed the parties to immediately manifest their conformity to the statement of undisputed facts, admitted documentary exhibits, and the statement of legal issues. LHC filed its Comment on January 21, 2021 while the Province filed its Compliance with Manifestation on February 5, 2021.

On March 23, 2021, a hearing was held through videoconference to discuss the factual issues raised by the Province. The judge advised that an Amended Order will be issued containing the summary of admitted facts, list of admitted facts, list of admitted documents, and statement of legal issues based on the respective Comments or Manifestations filed by the parties. LHC filed its Memorandum on April 28, 2021.

On December 17, 2021, LHC received the RTC’s Decision dated November 18, 2021 denying the Petition. On December 28, 2021, LHC filed with the Supreme Court a motion for extension of time, requesting a 30-day extension from January 1, 2022, or until January 31, 2022, within which to file its Petition for Review on *Certiorari*.

On February 2, 2022<sup>12</sup>, LHC filed its Petition for Review on *Certiorari* with the Supreme Court. As of February 28, 2023, the Petition was pending before the Supreme Court.

**G.R. No. 210245 entitled “*Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.*”, Supreme Court; December 19, 2013**

**G.R. No. 210255 entitled “*National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.*”, Supreme Court; December 20, 2013**

**G.R. No. 210502 entitled “*Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.*”, Supreme Court; January 8, 2014**

On December 19, 2013, Bayan Muna representatives filed a Petition for *Certiorari* against ERC and Meralco with the SC, questioning the alleged substantial increase in Meralco’s power rates for the billing period of November 2013. These cases raised, among others, the: (i) legality of Sections 6, 29 and 45 of the EPIRA, (ii) failure of ERC to protect consumers from high prices of electricity, and (iii) alleged market collusion by the generation companies. These cases were consolidated by the SC, which issued a TRO preventing Meralco from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the SC for another 60 days, or until April 22, 2014. On April 22, 2014, the SC extended the TRO indefinitely.

Meralco filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by Meralco from the WESM during the contested billing period. The SC ordered other power industry participants (DOE, ERC, PEMC, PSALM, and the generation companies) to respond to Meralco’s counter-petition.

The SC set the consolidated cases for oral arguments on January 21, 2014, February 4 and 11, 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. Meralco has been prevented from collecting the differential increase of the price hike. Because of Meralco’s counter-petition against the generation companies, PEMC withheld settlement of the power purchases during the covered period.

On February 7, 2019, petitioners in G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. In its Decision dated August 3, 2021, the SEC declared the ERC’s March 3, 2014 Order null and void. The Petition in G.R. No. 210502 was granted insofar as it prayed for the dismissal of the Petitions in G.R. Nos. 210245 and 210255m as there were dismissed. The December 9, 2013 Order of the ERC, on the other hand, was affirmed.

On July 18, 2022, the National Association of Electricity Consumers for Reforms, Inc. (NASECORE) filed its Motion for Reconsideration. On July 19, 2022, the ERC filed its Motion for Partial Reconsideration. On July 20, 2022, Bayan Muna filed its Motion for Reconsideration.

In a Resolution dated October 11, 2022, the SC resolved to deny with finality the Motions for Reconsiderations filed by NASECORE and Bayan Muna and the Motion for Partial Reconsideration filed by the ERC.

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<sup>12</sup> On January 12, 2022, the Supreme Court issued Memorandum Order No. 10-2022 which, among others, extended until February 1, 2022 the filing periods of any and all pleadings and other court submissions that will fall due in the month of January 2022 in view of the rising cases of COVID-19 due to the Omicron variant. Further, through Proclamation No. 1236 dated October 29, 2021, February 1, 2022 has been declared a Special (Non-Working) Day in view of the celebration of Chinese New Year. Hence, all pleadings that will fall due on said date may be filed on the next business day.



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SC GR No. 224341 entitled *“Philippine Electricity Market Corporation vs. Therma Mobile, Inc.”*, Supreme Court;

[CA G.R. SP No. 140177 entitled *“PEMC v. Therma Mobile Inc.”*, Court of Appeals, Manila, SP Proc. No. 12790 entitled *“Therma Mobile Inc. vs. PEMC”*, Regional Trial Court Branch 157-Pasig City;

PEMC ECO-2014-0009 entitled *“Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated August 4, 2014”*]

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation (PEMC-ECO) conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period October 26, 2013 to December 25, 2013. PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must-Offer Rule because its maximum available capacity was limited to 100 MW due to: (a) the thermal limitations of the old TMO 115-kV transmission line, and (b) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation after having been non-operational for five years. Although TMO’s rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO’s plant was confirmed during a dependable capacity testing conducted on November 21, 2013.

In its letter dated January 30, 2015, the PEMC Board of Directors denied TMO’s request for reconsideration and confirmed its earlier findings. On February 13, 2015, TMO filed a Notice of Dispute with PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed a petition for TRO before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to: (i) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (ii) refrain from charging interest on the financial penalty and having the same accrue; and (iii) refrain from transmitting PEMC-ECO’s investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favor of TMO. PEMC appealed the RTC decision before the Court of Appeals (CA) and sought to reverse and set aside the decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC’s Petition for Review and affirming the April 1, 2015 Decision of RTC in favor of TMO. On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the SC to assail the December 14, 2015 CA Decision. TMO filed its Comment to PEMC’s Petition for Review and PEMC filed a Reply. In its March 29, 2017 Resolution, the SC noted TMO’s Comment and PEMC’s Reply.

As of February 28, 2023, PEMC’s Petition was still pending before the SC.

SC G.R. Nos. 244449 and 244455-56 entitled *“Energy Regulatory Commission vs. Therma Mobile, Inc., Manila Electric Company and AP Renewables, Inc.”*, Supreme Court;

[CA G.R. SP No. 152588 entitled *“Therma Mobile, Inc. vs. Energy Regulatory Commission, Atty. Alfredo P. Vergara, Jr. and Engr. Nelson D. Canlas, in their capacity as Investigating Officers (Ios) of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013, as amended by Office Order No. 82, Series of 2017”*, Court of Appeals, Manila;

ERC Case No. 2015-025 MC entitled *“Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs Meralco and Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Economic Withholding)]”*, ERC Pasig City, June 4, 2015;

ERC Case No. 2015-027 MC entitled *“Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 and 8I of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Physical Withholding)]”*, ERC, Pasig City, June 4, 2015;

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Pursuant to the allegations in the Bayan Muna SC case, the Investigation Unit of the ERC (“ERC-IU”) conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including TMO.

On January 24, 2014, the ERC issued a *Subpoena Ad Testificandum and Duces Tecum* directing TMO’s representative to give clarification on matters pertaining to offers per trading interval involving the November to December 2013 supply months and provisions on the PSA between Meralco and TMO. The representative was likewise directed to bring relevant documents.

On January 29, 2014, TMO filed its Compliance and Submission to the *Subpoena Duces Tecum*. Further, on March 11, 2014, TMO filed its Memorandum, arguing that it did not commit any act constituting anti-competitive behavior and/or misuse of market power. TMO then requested the ERC-IU to terminate and close the investigation.

On May 20, 2015, the ERC-IU issued its report and found that in bidding the way they did for the November and December 2013 supply months, TMO and Meralco allegedly committed Economic Withholding, and TMO committed Physical Withholding, and thus recommended the filing of cases for Anti-Competitive Behavior against TMO and Meralco.

On June 23, 2015, the ERC ordered Meralco and TMO to file their respective Answers to the Complaint. On August 24, 2015, TMO filed its Answers praying for the dismissal of the Complaints.

In its Manifestation dated October 7, 2016, the ERC-IU manifested the resignation of Atty. Isabelo Tomas as Investigating Officer (IO) and the appointment of Director Alfredo Vergara, Jr. and Engr. Nelson Canlas as new IOs. In a separate pleading, the new IOs filed their Reply to various motions filed by TMO.

On July 27, 2016, Meralco filed in ERC Case No. 2015-025MC an Urgent Motion to Dismiss with Motion to Suspend Proceedings on the ground that the ERC has no jurisdiction over anti-competitive behavior cases, and that jurisdiction is with PCC. On July 28, 2016, TMO filed in the same case a Manifestation and Motion adopting Meralco’s Urgent Motion to Dismiss. On August 1, 2016, TMO also filed its Manifestation and Motion, which sought the dismissal of ERC Case No. 2015-027MC for lack of jurisdiction.

In an Order dated February 2, 2017, the ERC denied Meralco’s and TMO’s motions to dismiss for lack of jurisdiction. TMO filed its Motion for Reconsideration, which the ERC subsequently denied in its Order dated June 20, 2017.

On September 18, 2017, TMO filed a Petition for Certiorari with the CA, praying that the CA: (i) issue a TRO commanding the ERC to desist from conducting further proceedings in ERC Case No. 2015-02 5MC and ERC Case No. 2015-027 MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the February 2, 2017 and June 20, 2017 ERC Orders.

In a Resolution dated October 2, 2017, the CA directed the respondents to file their comment on TMO’s Petition for *Certiorari* and denied TMO’s prayer for a TRO. TMO filed a Motion for Partial Reconsideration of the CA’s October 2, 2017 Resolution, which the CA denied. Thereafter, the CA issued its Notice of Judgment and Decision dated May 23, 2018, which denied TMO’s Petition. On June 20, 2018, TMO filed its Motion for Reconsideration of CA’s Decision dated May 23, 2018. In a Resolution dated January 28, 2019, the CA denied the motions for reconsideration filed by TMO, Meralco and APRI and the motion for partial reconsideration filed by the ERC.

Subsequently, the ERC filed a Petition dated February 21, 2019 with the SC via Rule 45 of the Rules of Court. In the Petition, the ERC challenged the CA Decision and Resolution insofar as the CA ruled that the PCA repealed the parts of the EPIRA that granted jurisdiction to the ERC over anti-competition matters in the energy sector, and that PCC has original and exclusive jurisdiction over anti-competition matters, including those affecting the energy sector after the effectivity of the PCA.

In a Resolution dated July 30, 2019, the SC directed the respondents to file their Comments on the ERC’s Petition. On November 25, 2019, TMO filed its Manifestation with the SC.

In a Resolution dated September 29, 2021, the SC partly granted the ERC’s Petition for Review on *Certiorari* and ruled that the ERC has jurisdiction over anti-competitive cases filed prior to the enactment of the Philippine Competition Act pursuant to the principle of adherence of jurisdiction. The Supreme Court did not rule on the delineation of jurisdiction between the Philippine Competition Commission and the ERC after the effectivity of the Philippine Competition Act.

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SC G.R. Nos. 244449 and 244455-56 entitled “*Energy Regulatory Commission vs. Therma Mobile, Inc., Manila Electric Company and AP Renewables, Inc.*”, Supreme Court;

CA G.R. SP. No. 152613 entitled, “*AP Renewables, Inc. vs. Energy Regulatory Commission and Directors Alfredo P. Vergara, Jr. and Engr. Nelson Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulations Commission*”, Court of Appeals, Manila

ERC Case No. 2015-038 MC entitled “*Energy Regulatory Commission vs. AP Renewables, Inc. ([Violation of Section 45 of EPIRA, Rule 11, Sec. 1 and 8 (E) of the Implementing Rules and Regulations (Commission of an Anti-Competitive Behavior, particularly, Physical Withholding)]*”, ERC, Pasig City, June 9, 2015

The ERC-IU conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including APRI. On May 20, 2015, the ERC-IU released its report holding that APRI’s non-compliance with the Must-Offer Rule for four intervals is tantamount to Physical Withholding which, it alleged, is a form of anti-competitive behavior.

On June 9, 2015, complainant Atty. Isabelo Joseph Tomas III, Investigating Officer of the IU, filed the complaint for Anti-Competitive Behavior against APRI. On June 23, 2015, the ERC issued an Order directing APRI to file its answer within 15 days from notice.

On July 1, 2015, APRI received the summons and complaint. Subsequently, on July 7, 2015, APRI filed a Motion praying that: (a) the Complainant serve upon APRI the complete copy of the complaint and its annexes; (b) the Complainant clarify and put on record the answer to the following issues: (i) which of Makban Plants’ generating units is the subject of the complaint; and (ii) the dates and times of the four intervals mentioned in the complaint during which APRI allegedly offered “less than its total registered capacity.” Meanwhile, on July 29, 2015, APRI filed its Answer *ad cautelam*.

In its Manifestation dated October 7, 2016, the ERC-IU manifested the resignation of Atty. Isabelo Tomas as IO and the appointment of new IOs. The new IOs filed their Reply to various motions filed by APRI.

Subsequently, APRI filed a Motion to Dismiss dated July 29, 2016, arguing that jurisdiction over the case is vested in the PCC. APRI also filed its *Ad Cautelam* Pre-Trial Brief and Judicial Affidavits. The ERC denied APRI’s Motion to Dismiss, and APRI’s subsequent Motion for Reconsideration.

On September 19, 2017, APRI filed a Petition for *Certiorari* (with application for TRO and Writ of Preliminary Injunction) with the CA (CA G.R. SP. No. 152613), praying for the CA to: (i) issue a TRO commanding the ERC to desist from conducting further proceedings in ERC Case. No. 2015-038MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the February 2, 2017 and June 20, 2017 ERC Orders, and dismiss the complaint and the ERC proceedings with prejudice.

On November 6, 2017, the IOs filed a Motion for Consolidation seeking to consolidate CA G.R. SP. No. 152613 with TMO’s Petition in CA GR. No. 152588. Thereafter, the CA issued its Notice of Judgment and Decision dated May 23, 2018, which denied APRI’s Petition. On June 18, 2018, APRI filed its Motion for Reconsideration of the CA’s Decision dated May 23, 2018.

In a Resolution dated January 28, 2019, the CA denied the motions for reconsideration filed by APRI, Meralco, and TMO and the motion for partial reconsideration filed by the ERC.

Subsequently, the ERC filed a Petition dated February 21, 2019 with the SC via Rule 45 of the Rules of Court. In the Petition, the ERC challenged the CA Decision and Resolution insofar as the CA ruled that the PCA repealed the parts of the EPIRA that granted to the ERC jurisdiction over anti-competition matters in the energy sector, and that the PCC has original and exclusive jurisdiction over anti-competition matters including those affecting the energy sector after the effectivity of the PCA.

In a Resolution dated July 30, 2019, the SC directed the respondents to file their Comments on ERC’s Petition. On November 4, 2019, APRI filed its Comment with the SC.

In a Resolution dated September 29, 2021, the SC partly granted the ERC’s Petition for Review on *Certiorari* and ruled that the ERC has jurisdiction over anti-competitive cases filed prior to the enactment of the Philippine Competition Act pursuant to the principle of adherence of jurisdiction. The Supreme Court did not rule on the delineation of jurisdiction between the Philippine Competition Commission and the ERC after the effectivity of the Philippine Competition Act.



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Consolidated Regulated Price Case (ERC vs. Various Generation Companies and PEMC) G.R. Nos. 246621-30, and G.R. Nos. 247352-61, Petitions for Review on *Certiorari*, Supreme Court;

[Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on *Certiorari*, Court of Appeals, Manila;

ERC Case No. 2014-021 MC entitled *“In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti- Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants”*, March 28, 2014]

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated March 3, 2014 (the “ERC Order”), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for Meralco whose November 2013 WESM bill was maintained in compliance with the TRO issued by the SC.

Pursuant to the ERC Order, on March 18, 2014, PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

The Company’s Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, Adventenergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC, and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others.

The ERC, in its Order dated October 15, 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the “Petitions”) before the CA on November 19, 24, December 1, and 4, 2014, respectively. The CA ordered the consolidation of the Petitions on October 9, 2015.

On November 7, 2017, the CA granted the Petitions. The ERC’s March 3, 2014 Order, among other orders, were declared null and void, and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, the ERC and Meralco filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI, and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated March 29, 2019, the CA denied the motions for reconsideration by the ERC and Meralco, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

In June 2019, the ERC, Meralco, and several entities filed their Petitions for Review on *Certiorari* with the SC, asking the latter to reverse and set aside the CA Decision dated November 7, 2017 and the CA Omnibus Resolution dated March 29, 2019. They also prayed that the SC reinstate the ERC Orders.

In September to October 2019, the SC issued Resolutions denying the Petitions for Review on *Certiorari* filed by several entities, including Calco Industries Inc., Paperland, *Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan* (AGHAM), Ateneo de Manila University, Citizenwatch, Riverbanks Dev’t. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated November 7, 2017 and Omnibus Resolution dated March 29, 2019.

In a Resolution dated September 11, 2019, the SC required respondents to file their Comments to the ERC’s Petition for Review on *Certiorari*. On January 28, 2020, TMO and TLI filed their Consolidated Comment (to the Petition for Review on *Certiorari* dated June 13, 2019); whereas APRI filed its Comment (on the Petition for Review on *Certiorari* dated June 13, 2019) on February 11, 2020.

In a Resolution dated February 10, 2020, the SC required respondents to file their Comments on Meralco’s Petition for Review on *Certiorari* dated June 13, 2019. On July 9, 2020, APRI filed its Comment, and TLI and TMO filed their Consolidated Comment to Meralco’s Petition for Review on *Certiorari*.



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Subsequently, the SC issued a Resolution dated March 11, 2020 requiring the respondents to comment on San Beda University's Motion for Leave to Intervene and to Admit Petition-In-Intervention. On October 2, 2020, APRI filed its Opposition to San Beda University's Motion; while TLI and TMO filed their Opposition on October 21, 2020.

In a Resolution dated November 4, 2020, the SC resolved to consolidate and transfer the case with G.R. Nos. 247352-61 to the case with G.R. Nos. 246621-30. In a Resolution dated June 23, 2021, the SC required Meralco to file its Consolidated Reply to respondents' Comments, which Meralco filed on October 19, 2021.

As of February 28, 2023, ERC's and Meralco's petitions were pending resolution by the SC.

**ERC Case No. 2013-077 MC entitled "In Re: Petition for Dispute Resolution: Manila Electric Company (Meralco) vs. South Premier Power Corporation (SPPC), Masinloc Power Partners Company, Ltd. (MPPCL), AP Renewables, Inc. (APRI), Therma Luzon, Inc. (TLI), San Miguel Energy Corporation (SMEC) and SEM-Calaca Power Corporation (SPPC)", August 29, 2013**

On August 29, 2013, Meralco filed a petition before the ERC against TLI and APRI, among other Successor Generating Companies (SGCs), docketed as ERC Case No. 2013-077 MC, where Meralco prayed that it be refunded by the respondent-SGCs of the transmission line losses. The petition arose from a claim of refund on account of the alleged over-recoveries of transmission line losses.

The petition was filed by Meralco pursuant to ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008- 083 MC where the SGCs were not parties.

On September 20, 2013, APRI and TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that Meralco's petition should be dismissed for failure to state a cause of action and the ERC's lack of jurisdiction over the subject matter of the case. The motion argued that: (i) Meralco cannot base its cause of action against the SGCs on a decision issued by the ERC in another case where none of the SGCs were made parties to the case; and (ii) Meralco's claim is in a nature of a claim for sum of money which is properly within the jurisdiction of regular courts. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC.

As of February 28, 2023, the ERC had yet to render its decision on the Joint Motion to Dismiss.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

#### (1) Market Information

AboitizPower’s common shares are traded on the PSE.

The high and low stock prices of AboitizPower’s common shares for each quarter of the past three years were as follows:

	2022		2021		2020	
	High	Low	High	Low	High	Low
First Quarter	₱36.70	₱29.30	₱27.35	₱23.05	₱35.00	₱23.45
Second Quarter	37.00	28.50	24.90	20.50	30.00	25.50
Third Quarter	32.85	29.45	34.20	23.00	28.25	24.30
Fourth Quarter	35.60	30.30	34.00	29.30	28.55	25.60

The closing price of AboitizPower common shares as of March 21, 2023 is ₱37.05 per share.

#### (2) Holders

As of March 21, 2023, AboitizPower had 580 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 7,358,604,307 shares.

The top 20 stockholders of AboitizPower as of March 21, 2023 were as follows:

Name	Number of Shares	Percentage
1) Aboitiz Equity Ventures Inc.	3,817,195,833	51.87%
2) JERA Asia Private Limited	1,986,823,063	27.00%
3) PCD Nominee Corporation (Filipino)	1,082,533,162	14.71%
4) PCD Nominee Corporation (Foreign)	169,217,580	2.30%
5) Bauhinia Management, Inc.	20,948,380	0.28%
6) Dominus Capital Inc.	14,009,949	0.19%
6) FMK Capital Partners, Inc.	14,009,949	0.19%
7) Portola Investors, Inc.	13,713,337	0.19%
8) Hawk View Capital, Inc.	13,711,967	0.19%
9) Danel C. Aboitiz	9,000,000	0.12%
10) Ixidor Holdings, Inc.	8,203,632	0.11%
10) San Fernando Electric Light & Power Co., Inc.	7,931,034	0.11%
11) Parraz Development Corporation	7,827,522	0.11%
12) Arrayanes Corporation	6,936,943	0.09%
13) Sabin M. Aboitiz	5,667,406	0.08%
14) Iker M. Aboitiz	5,465,100	0.07%
16) Ramon Aboitiz Foundation, Inc.	3,900,000	0.05%
17) Tris Management Corporation	3,130,359	0.04%
18) Tinkerbelle Management Corporation	3,042,454	0.04%
19) CAL Management Corporation	3,036,798	0.04%
20) Gitana Management & Dev’t. Corporation	2,817,091	0.04%
<b>SUBTOTAL</b>	<b>7,199,121,559</b>	<b>97.83%</b>
<b>Other Stockholders</b>	<b>159,482,748</b>	<b>2.17%</b>
<b>TOTAL SHARES</b>	<b>7,358,604,307</b>	<b>100.00%</b>
<b>NET ISSUED AND OUTSTANDING SHARES</b>	<b>7,358,604,307</b>	<b>100.00%</b>

### (3) Dividends

Since 2013, the Company's dividend policy has been to declare an annual cash dividend payment ratio of 50% of its consolidated net income from the previous fiscal year based on the audited financial statements of the Company, in all cases subject to the approval of the Company's Board of Directors. The policy changed the previous cash dividend payment ratio of 33% of previous year's net profits.

The cash dividends declared by AboitizPower to common stockholders from 2021 to the first quarter of 2023 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Declaration Date	Record Date	Payment Date
2023 (regular)	₱1.87	₱13.76 bn	3/3/2023	3/17/2023	3/30/2023
2022 (regular)	₱1.45	₱10.67 bn	3/4/2022	3/18/2022	3/30/2022
2021 (regular)	₱0.85	₱6.25 bn	3/5/2021	3/19/2021	3/31/2021

There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 17, 2023.

### (4) Recent Sales of Unregistered or Exempt Securities including Recent Issuances of Securities Constituting an Exempt Transaction

AboitizPower does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

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

### MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Aboitiz Power Corporation's ("AboitizPower", "Parent", or the "Company") consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures included as part of this report.

#### Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of the Company and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

- 1. Share in Net Earnings of Associates and Joint Ventures.** This represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to the acquisition of said investment, net of goodwill impairment cost, if any. It also indicates the profitability of the investment and investees' contribution to the Group's net income.

Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition.

Manner of Computation:

Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

- 2. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA).** The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax provision, depreciation, and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.
- 3. Cash Flow Generated.** Using the Consolidated Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **Current Ratio.** Current Ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt-paying ability. The higher the ratio, the more liquid the Group.
5. **Debt-to-Equity Ratio.** Debt-to-Equity Ratio indicates how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total liabilities by stockholders' equity.

#### Year Ended December 31, 2022 versus Year Ended December 31, 2021

The table below shows the comparative figures of the key performance indicators for 2021 and 2020:

Key Performance Indicators	December 31, 2022	December 31, 2021
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	15,134,970	9,479,696
EBITDA	57,596,836	50,661,619
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	34,213,337	36,327,039
Net cash flows used in investing activities	(11,442,216)	1,018,172
Net cash flows used in financing activities	(14,475,876)	(19,103,664)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>8,295,246</b>	<b>18,241,547</b>
Cash & Cash Equivalents, Beginning	57,130,243	38,699,545
Cash & Cash Equivalents, End	64,763,642	57,130,243
<b>CURRENT RATIO</b>	<b>1.78</b>	<b>1.53</b>
<b>DEBT-TO-EQUITY RATIO</b>	<b>1.65</b>	<b>1.75</b>

- Share in net earnings in associates and joint ventures for the year 2022 increased by 60% compared to 2021. The increase was mainly due to the fresh contributions from GNPD.
- EBITDA for 2022 increased by 14%. This was primarily due to fresh contributions from GNPD Units 1 and 2, higher availability across the Company's generation portfolio, gains from commodity hedges, and higher water inflows.
- Cash and cash equivalents as of end-2022 increased by ₱7.63 billion (bn) compared to end-2021. This is mainly due to the availment of new loans for renewable projects.
- Current Ratio as of December 31, 2022 was at 1.78x as compared to 1.53x as of December 31, 2021. The increase was primarily due to lower long-term debt portion that is due to be repaid within the next 12 months and the increase in cash and cash equivalents.
- Debt-to-Equity Ratio as of December 31, 2022 was at 1.65x, lower than the 1.75x recorded as of December 31, 2021

#### Results of Operations

Net income for 2022 was ₱27.54 bn, which was 32% higher than the ₱20.84 bn reported in 2021. This translated to earnings per share of ₱3.73 for 2022. The Company also recognized non-recurring gains of ₱1.0 bn during 2022, as compared to ₱57 million (mn) in non-recurring gains recorded in 2021. This is due to the portion of commodity hedge gains which were not recognized in fuel costs. Without these one-off gains, the Company's core net income for the full year 2022 was ₱26.5 bn, 27% higher than the ₱20.8 bn recorded in 2021. If the Company excluded the impact of Typhoon Odette, liquidated damages, and business interruption claims that the Company collected in 2022 and 2021, this would have resulted in a 47% gain in the Company's core net income and a 52% gain in its net income in 2022 versus 2021. The increase in net income during 2022 was primarily due to fresh contributions from GNPD and higher availability across the Company's generation portfolio, gains from commodity hedges, and higher water inflows.



### **Power Generation and Retail Electricity Supply (RES)**

AboitizPower's generation and retail supply business recorded EBITDA of ₱51.2 bn in 2022, 18% higher than the ₱43.4 bn recorded in 2021. This was primarily due to fresh contributions from GNPD and higher availability across the Company's portfolio, gains from commodity hedges, and higher water inflows. Capacity sold in 2022 increased by 7% to 4,034 megawatts (MW), compared to 3,753 MW in 2021. Energy sold increased by 16% to 30,251 gigawatt-hours (GWh) for the full year 2022, compared to 26,031 GWh in 2021.

### **Power Distribution**

During 2022, AboitizPower's distribution business recorded EBITDA was ₱8.0 bn, which is 6% higher than the ₱7.5 bn recorded in 2021. Energy sales increased by 4% to 5,785 GWh in 2022, compared to 5,583 GWh in 2021. Energy sales from the Residential customer segment were flat year-on-year (YoY). Commercial and Industrial energy sales were higher by 5% due to recovering demand in 2022.

## **Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income**

### **Consolidated Statements of Income**

Net income attributable to equity holders of the Parent increased by ₱6.70 bn, or 32% YoY. The various movements in line items are shown below to account for the increase:

*(Amounts in thousands of ₱s)*

Net Income Attributable to Equity Holders of the Parent (January - December 2021)	<b>₱20,837,182</b>
Increase in operating revenues	59,634,367
Increase in operating expenses	(58,041,189)
Increase in interest income	335,463
Decrease in interest expense	170,017
Increase in share in net earnings of associates and joint ventures	5,655,274
Increase in other income	301,766
Increase in provision for taxes	(1,053,495)
Increase in income attributable to non-controlling interests	(304,251)
Total	6,697,952
Net Income Attributable to Equity Holders of the Parent (January - December 2022)	<b>₱27,535,134</b>

### **Operating Revenues**

*(44% increase from ₱134.36 bn to ₱193.99 bn)*

The increase in operating revenues during 2022 as compared to 2021 was primarily due to higher availability across the Company's generation portfolio.

### **Operating Expenses**

*(55% increase from ₱106.15 bn to ₱164.19 bn)*

The increase in operating expenses during 2022 as compared to 2021 was mainly due to the higher cost of purchased power and of generated power. This is consistent with the higher operating revenues discussed above.

### **Interest Income**

*(98% increase from ₱343.00 mn to ₱679.00 mn)*

The increase in interest income during 2022 as compared to year 2021 was primarily due to higher interest rates on money market placements.

### **Interest Expense and Other Financing Costs**

(1% decrease from ₱13.59 bn to ₱13.42 bn)

Interest expense decreased during 2022 as compared to 2021 due to lower interest accretion on lease liabilities as timely payments were made during 2022 on TLI's obligation to PSALM.

### **Share in Net Earnings of Associates and Joint Ventures**

(60% increase from ₱9.48 bn to ₱15.13 bn)

Share in net earnings in associates and joint ventures for 2022 increased by 60% YoY. The increase was mainly due to fresh contributions from GNPD.

### **Other Income (Expenses) – net**

(141% increase from ₱214.00 mn to ₱515.00 mn)

The increase in net other income (expenses) during 2022 as compared to 2021 was mainly due to higher realized commodity hedging gains.

### **Provision for Taxes**

(50% increase from ₱2.11 bn to ₱3.16 bn)

The increase in provision for taxes during 2022 was due to higher taxable income and the timing of the adjustments relating to the provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act during the first half of 2021.

## **Changes in Registrant's Resources, Liabilities and Shareholders' Equity**

### **Assets**

Total assets as of December 31, 2022 compared to December 31, 2021 increased by ₱50.18 bn, or 12%. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents increased by ₱7.63 bn, or 13% (from ₱57.13 bn to ₱64.76 bn). This is mainly due to ARI's new loans to support its renewable power projects.
- b) Trade and other receivables increased by ₱8.52 bn, or 32% (from ₱26.82 bn to ₱35.34 bn), primarily due to higher revenues.
- c) Inventories increased by ₱6.55 bn or 68% (from ₱9.57 bn to ₱16.12 bn). This was mainly driven by the increase in spare parts, supplies and fuel inventory.
- d) Other current assets increased by ₱4.57 bn, or 48% (from ₱9.51 bn to ₱14.08 bn). This was mainly driven by TLI's VAT input build-up as well as TVI and TSI's build-up of restricted cash in its reserve account in accordance with its loan agreement.
- e) Investments and advances increased by ₱12.98 bn, or 20% (from ₱64.95 bn to ₱77.93 bn). This was mainly driven by the take up of share in earnings from associates during the year 2022 which was higher than the receipt of dividends.
- f) Property, plant and equipment slightly increased by ₱3.62 bn, or 2% (from ₱203.24 bn to ₱206.86 bn). This was primarily due to the construction-in-progress of new solar power plant projects and the catch up on capital expenditures that were previously deferred due to the pandemic., partly offset by the depreciation of existing assets.
- g) Intangible assets increased by ₱3.76 bn, or 8% (from ₱46.02 bn to ₱49.77 bn). This was primarily due to the forex revaluation of GMEC goodwill partly offset by amortization of existing assets.
- h) Deferred income tax assets decreased by ₱98.00 mn, or 7% (from ₱1.44 bn to ₱1.34 bn). This was mainly due to GMEC's increase in deferred tax liabilities from foreign currency translation on the tax base of property, plant and equipment.
- i) Other noncurrent assets increased by ₱1.20 bn, or 17% (from ₱7.18 bn to ₱8.39 bn). This was mainly due to the reclassification of prepaid taxes which are expected to be utilized for more than one year.

## **Liabilities**

Compared to December 31, 2021, total liabilities as of December 31, 2022 increased by ₱25.58 bn, or 9%. The major movements of accounts leading to the increase were as follows:

- a) Short-term loans increased by ₱2.78 bn, or 15% (from ₱18.63 bn to ₱21.40 bn). This was mainly due to loan availments by the Group during the year of 2022 which were used for working capital purposes and PV Sinag's availment of bridge short-term loan for project financing.
- b) Trade and other payables increased by ₱10.20 bn, or 45% (from ₱22.74 bn to ₱32.95 bn). This was primarily due to the increase in trade and fuel purchases.
- c) Income tax payable increased by ₱228.00 mn, or 86% (from ₱265.00 mn to ₱493.00 mn). This was mainly due to higher taxable income.
- d) Customers' deposits increased by ₱944.00 mn, or 13% (from ₱7.20 bn to ₱8.14 bn). This was mainly due to the receipt of bill deposits from new customers of the Retail Energy Supply and Distribution Utilities segments.
- e) Long-term debt (current and non-current portions) increased by ₱17.41 bn (from ₱182.04 bn to ₱199.45 bn). This was mainly due to ARI's new loans to support renewable power projects.
- f) Lease liabilities (current and noncurrent portions) decreased by ₱6.23 bn (from ₱33.77 bn to ₱27.54 bn), as TLI made regular payments during 2022 of its obligation to PSALM.
- g) Long-term obligation on power distribution system (current and noncurrent portions) decreased by ₱20.00 mn, or 12% (from ₱166.00 mn to ₱145.00 mn), due to Subic Enerzone's regular payment.
- h) Net derivative asset and liability changed by ₱1.40 bn (from ₱1.07 bn asset to ₱2.46 bn asset) during the year 2022 due to net hedging gains.
- i) Net pension liabilities increased by ₱297.00 mn, or 98% (from ₱303.00 mn to ₱599.00 mn), mainly due to higher current service cost based on the new actuarial studies across the Group.
- j) Other noncurrent liabilities decreased by ₱55.00 mn, or 100% (from ₱55.00 mn to ₱0.00 mn), mainly due to the reclassification of the PSALM deferred adjustments to current.

## **Equity**

Equity attributable to equity shareholders of the Parent Company increased by 16% (from ₱147.95 bn as of December 31, 2021 to ₱171.10 bn as of December 31, 2022) mainly due to the retained earnings build-up, cumulative translation adjustments and cash flow hedge reserve recognized in 2022. Cumulative translation adjustments increased by ₱1.67 bn, due to the upward net adjustment in the net assets translation effect of GMEC and LHC during the period. Cash flow hedge reserve increased by ₱3.60 bn, due to the upward net adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts.

### **Material Changes in Liquidity and Cash Reserves of Registrant**

As of December 31, 2022, the Group's cash and cash equivalents increased by 13% to ₱64.76 bn, from ₱57.13 bn as of December 31, 2021.

Higher working capital requirements for fuel purchases resulted in lower cash generated from operations during the year 2022 by ₱2.11 bn which was a 6% decrease compared to 2021.

Net cash flows from (used in) investing activities reversed from ₱1.02 bn in 2021 to -₱11.44 bn in 2022, mainly due to lower dividends received from associates and higher capital expenditures.

The net cash flows used in financing activities decreased from ₱19.10 bn in 2021 to ₱14.48 bn in 2022 mainly due to reduced debt repayments and the impact of new loans.

## Financial Ratios

As of December 31, 2022, current assets increased by 27% and current liabilities increased by 9% YoY compared to the end of 2021. The current ratio as of December 31, 2022 was at 1.78x compared to 1.53x as of December 31, 2021.

Consolidated debt-to-equity ratio as of December 31, 2022 was at 1.65x, lower than the 1.75x recorded at the end of 2021. This was due to a 9% increase in total liabilities compared to a higher 16% increase in equity in 2022.

## Outlook for the Upcoming Year/ Known Trends, Events, and Uncertainties which may have Material Impact on the Registrant

AboitizPower remains focused on addressing the needs of its markets, namely: (1) providing reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. The Company believes that there is no single technology that completely addresses the country's energy requirements and that to address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, the Company believes that it has built the foundation to sustain its long-term growth, as seen in its pipeline of new power generation projects.

GNPD Unit 1 started commercial operations last January 25, 2022. GNPD Unit 2 synchronized to the grid last April 23, 2022, subsequently started delivering an additional 668 MW, and received its Certificate of Compliance from the ERC on October 12, 2022. Now that AboitizPower has assumed custody and control of these assets, the Company looks forward to reinforcing its efforts to meet the country's increasing power requirements.

The TMI Maco Hybrid Battery Energy Storage System (BESS) Project located in Maco, Compostela Valley has a storage capacity of 49 MW and is intended for ancillary services. It will serve as a model for future battery investments as well as hybrid renewable energy projects. The project started partial commercial operations last November 2022 serving 30MW contingency reserve. The hybrid ESS currently waits for the final handover from the EPC and updated certification from relevant governing bodies. This is one of the 12 projects with a total capacity of 248 MW for regulating and contingency reserves that AboitizPower is targeting to develop in the next ten years.

As part of its decarbonization journey, AboitizPower remains focused on bringing its renewable portfolio to 4,600 MW of net attributable sellable capacity by 2030, which includes 3,700MW of additional RE capacity. Out of the 3,700 MW of (RE) capacity, 959 MW of which are disclosed renewable projects. Three of its ongoing renewable projects are (arranged based on target commercial operations date): the PV Sinag Power Cayanga Project ("Cayanga Solar Project"); the PV Sinag Power Laoag Project ("Laoag Solar Project") and the SN AboitizPower Magat Battery Energy Storage System Project ("Magat BESS Project").

The Cayanga Solar Project is for the construction of a 94 megawatt peak (MWp) solar power plant located in barangay Cayanga, municipality of Bugallon, Pangasinan. Construction activities for the control building, transmission line, switchyard and PV module installation are ongoing. As of February 2023, overall project status was at 88% completion with zero lost time incident. The project is expected to begin commercial operations by June 2023.

The Laoag Solar Project is for the construction of a 159 MWp solar power plant located in barangay Laoag, municipality of Aguilar, Pangasinan. The construction activities for the PV Farms, Control Buildings, Substations, and Transmission Lines are ongoing. The overall project status is at 53% completion with zero lost time incidents. The first phase which has a capacity of 72 MWp, is expected to be tested and commissioned by the third quarter of 2023, and the second phase with a capacity of 87 MWp, will be in the first quarter of 2024.

The Magat BESS Project is for the construction of a 24 MW battery energy storage unit located in Ramon, Isabela. The EPC contract was awarded to Hitachi Energy in March 2022, with a groundbreaking ceremony held on April 25, 2022. Construction, which started in August 2022, is expected to be completed by the first half of 2023 and commercial operation is expected to commence in the first half of 2024.

AboitizPower also recently signed a joint venture agreement with a global renewable energy company, Mainstream Renewable Power, to build a 90 MW onshore wind project in Libmanan, Camarines Sur. This joint venture marks AboitizPower's first foray into wind energy. The joint venture, which is subject to regulatory approvals, is being delivered through a 60% stake in the Libmanan onshore wind project, which Mainstream has been developing since 2017. The project is expected to commence commercial operations in the fourth quarter of 2025.



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In addition, AboitizPower has the following RE projects under development which are expected to commercially operate within the next three years: the 150 MWp Aboitiz Solar Power Inc.'s Calatrava Solar Project; the 44 MWp AP Renewable Energy Corporation Tarlac Solar Project; the 84 MWp PV Sinag Power San Manuel Solar Project; the 212 MWp PV Sinag Power Olongapo Solar Project; the 20 MW Hedcor Sablan Hydro Project; the 75 MWp SN AboitizPower-Magat Floating Solar Project, and the 40 MW Hedcor Bukidnon Kibungan Hydro Project.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum of 50 MW of aggregated individual well capacity by 2023. As of January 2023, all nine target new wells for the MakBan plant and one well for the Tiwi plant have been drilled and are currently flowing into the system. The ten wells have completed the Incremental Steam Measurement with a running total of 70 MW. In Tiwi, two more new production wells are scheduled to be completed by the first quarter of 2023. Moreover, in Tiwi, there is an initiative to convert waste heat from the geothermal brine to power a 17 MW Binary Power Plant. On April 29, 2022, APRI signed an agreement with the Philippine Geothermal Production Company for the supply of brine fuel. With the groundbreaking ceremony held last January 2023, the 17MW Binary Power Plant is expected to begin commercial operations by the end of 2023.

AboitizPower targets doubling its net attributable selling capacity to 9,200 MW by 2030. It also intends to achieve a 50:50 balance between its renewable ("Cleanergy") and thermal capacities, without new coal builds. This is expected to come from a portfolio of renewables and selective baseload builds.

AboitizPower aims to maximize opportunities from the implementation of the Renewable Portfolio Standards ("RPS") by the DOE. In line with the DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. AboitizPower will continue to pursue international opportunities, with a continued focus on renewable energy projects in wind, hydro, and solar in high growth geographic markets with acceptable regulatory environments.

AboitizPower is also optimizing its existing baseload facilities to meet critical market needs as baseload demand in the Philippines is still expected to increase in the coming years. Luzon will need an average of 600 MW year on year and AboitizPower is studying to fill some of these gaps with Liquefied Natural Gas (LNG)-to-Power projects, unless a cleaner technology proves to be the more economical option. In addition, AboitizPower is currently exploring an LNG-to-Power project as an alternative to a third unit of Therma Visayas, Inc. (TVI).

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. AboitizPower is also closely and proactively monitoring the risks associated with climate-related regulations and initiatives, including recent discussions on the early retirement of coal assets in the Philippines and Indonesia. AboitizPower, through its parent company, AEV, is the first Philippine company to sign up and commit to the Task Force on Climate-Related Financial Disclosure framework. AboitizPower has taken steps to proactively quantify the potential impacts of various climate regulations on its assets. AboitizPower is monitoring this risk as part of its risk management framework and is developing strategies to manage risks that are above certain risk thresholds.

Given the current state of power needs in the Philippines and the expected build progression of new plants over the next ten years, AboitizPower believes its existing coal assets will need to continue to play a significant role for at least another 15 to 20 years. AboitizPower is always looking at improvements to make sure it continues to operate its assets responsibly and in compliance with all regulations.

AboitizPower believes that it is well-positioned to take advantage of opportunities arising from developments in the power industry. It expects its financial condition to give it the agility to create or acquire additional generating capacity over the next few years.

AboitizPower, together with its partners, has allotted ₱32 bn for capital expenditures in 2023, primarily for the development and construction of various solar, geothermal, hydro, and wind projects, the continuous improvement of the reliability of baseload plants and various land acquisitions, and new substations, and meters for its distribution business.

AboitizPower and JERA have agreed to explore immediate collaboration in the following areas: 1) development of power projects, including LNG-to-Power projects; 2) management and sourcing of LNG fuel supply; and 3) potential participation in aspects of plant operation and maintenance (O&M).

It has been more than a year since JERA Asia invested in AboitizPower. Both companies, AboitizPower and JERA, have worked closely together in the abovementioned areas. In a recent development on February 10, 2023, AboitizPower and JERA have signed a Memorandum of Understanding to commence a joint study on ammonia co-firing for the decarbonization of its AboitizPower business, in the presence of his Excellency Ferdinand R. Marcos Jr., President of the Republic of the Philippines. Both companies will assess the feasibility of ammonia co-fired power generation and study potential development in the ammonia and hydrogen value chains in the Philippines for the decarbonization of Aboitiz Power.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see *Effect of Existing or Probable Government Regulations on the Business on page 77 of the Company's 2022 Definitive Information Statement*).

#### Year Ended December 31, 2021 versus Year Ended December 31, 2020

The table below shows the comparative figures of the key performance indicators for 2021 and 2020:

Key Performance Indicators	2021	2020
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	9,479,696	2,675,136
<b>EBITDA</b>	50,661,619	44,687,315
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	36,327,036	31,781,669
Net cash flows used in investing activities	1,018,171	(4,526,973)
Net cash flows used in financing activities	(19,103,660)	(25,914,010)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	18,241,547	1,340,686
Cash & Cash Equivalents, Beginning	38,699,545	37,433,929
Cash & Cash Equivalents, End	57,130,243	38,699,545
<b>CURRENT RATIO</b>	1.53	1.38
<b>DEBT-TO-EQUITY RATIO</b>	1.75	1.96

- Share in net earnings in associates and joint ventures for the year 2021 increased by 254% compared to 2020. The increase was mainly due to higher water inflows of SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet and the claim of liquidated damages for the delay in the construction of the GNPD plant.
- EBITDA for the year 2021 increased by 13% Year-on-Year (YoY). This was primarily due to the commissioning revenue from GNPD Unit 1, higher water inflow, higher availability of the TLI, TSI, and TVI facilities, and higher WESM dispatch in compliance with the must-offer rule.
- For the year ended 2021, cash and cash equivalents increased by ₱18.43 billion (bn) compared to 2020. This was mainly due to the Parent's retail bond issuance, partly offset by loans and lease payments during the year 2021.
- Current Ratio as of December 31, 2021 was at 1.53x as compared to 1.38x as of December 31, 2020. The increase was primarily due to Parent's retail bond issuance in 2021.
- Debt-to-Equity Ratio as of December 31, 2021 was at 1.75x, lower than the 1.96x recorded as of December 31, 2020.

## Results of Operations

Net income for 2021 was ₱20.84 bn, which was 66% higher than the ₱12.58 bn reported in 2020. This translated to earnings per share of ₱2.83 for 2021. The Company recognized non-recurring losses of ₱228 mn during 2021 (as compared to the non-recurring gains of ₱45 mn in 2020), primarily due to the impairment losses of TPVI and RPEnergy, which were partially offset by net foreign exchange gains on the revaluation of dollar-denominated liabilities. Without these one-off gains, the Company's core net income for 2021 was ₱21.1 bn, 68% higher than the ₱12.5 bn recorded in 2020. This was primarily due to commissioning revenue from GNPD Unit 1, higher water inflow for AboitizPower's hydro plants, higher availability of the TLI, TSI, and TVI facilities, and higher WESM dispatch in compliance with the must-offer rule. During 2021, AboitizPower was also able to claim liquidated damages for the delay in the construction of GNPD Units 1 and 2, and also received the final payment for business interruption claims resulting from the GMEC and APRI outages in previous years.

### Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱43.4 bn during 2021, 15% higher than the ₱37.7 bn recorded in 2020. This was due to the commissioning revenue from GNPD Unit 1, higher availability of the Company's TLI, TSI, and TVI facilities, higher water inflows for the hydro plants, and higher WESM dispatch in compliance with the must-offer rule. These gains were partially offset by the lower margins resulting from the GMEC outage. Capacity sold in 2021 increased by 10% to 3,753 megawatts (MW), compared to 3,417 MW in 2020. Energy sold increased by 14% to 26,031 gigawatt-hours (GWh) for 2021, compared to 22,754 GWh during 2020.

### Power Distribution

During 2021, AboitizPower's distribution business recorded EBITDA of ₱7.5 bn, 5% higher than the ₱7.2 bn recorded in 2020. Energy sales increased by 4% to 5,584 GWh for 2021, compared to 5,368 GWh for 2020. This was driven by higher energy consumption resulting from recoveries in demand. Energy sales from the Residential, Commercial and Industrial customer segments increased due to less stringent community quarantine during 2021 and the resumption of operations of commercial and industrial customers.

## Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

### Consolidated Statements of Income

Net income attributable to equity holders of the Parent Company increased by ₱8.26 bn, or 66% YoY. The various movements in line items are shown below to account for the increase:

*(Amounts in thousands of ₱s)*

Net Income Attributable to Equity Holders of the Parent (January - December 2020)	<u>₱12,577,676</u>
Increase in operating revenues	23,982,572
Increase in operating expenses	(22,652,663)
Decrease in interest income	(309,843)
Decrease in interest expense	663,163
Increase in share in net earnings of associates and joint ventures	6,804,560
Decrease in other income	(4,714,998)
Decrease in provision for taxes	3,951,202
Decrease in income attributable to non-controlling interests	535,513
Total	<u>8,259,506</u>
Net Income Attributable to Equity Holders of the Parent (January - December 2021)	<u>₱20,837,182</u>

### Operating Revenues

*(22% increase from ₱110.38 bn to ₱134.36 bn)*

The increase in operating revenues during 2021 as compared to 2020 was primarily due to higher availability of TLI, TSI, and TVI facilities and higher WESM dispatch in compliance with the must-offer rule.

### **Operating Expenses**

*(27% increase from ₱83.50 bn to ₱106.15 bn)*

The increase in operating expenses during 2021 as compared to 2020 was mainly due to the higher cost of purchased power and generated power.

### **Interest Income**

*(47% decrease from ₱653.00 mn to ₱343.00 mn)*

The decrease in interest income during 2021 as compared to 2020 was primarily due to lower interest rates on money market placements.

### **Interest Expense and Other Financing Costs**

*(5% decrease from ₱14.25 bn to ₱13.59 bn)*

Interest expense decreased in 2021 compared to 2020, due to lower interest accretion on lease liabilities as timely payments were made on TLI's obligation to PSALM. The refinancing of Hedcor Bukidnon project loan in September 2020, and the prepayment of Parent's US dollar loan also contributed to lower interest expense in 2021. These were partly offset by additional interest expenses recognized in 2021 on AboitizPower's ₱9.55 bn and ₱8.00 bn retail bonds issued in July 2020 and March 2021, respectively.

### **Share in Net Earnings of Associates and Joint Ventures**

*(254% increase from ₱2.68 bn to ₱9.48 bn)*

Share in net earnings in associates and joint ventures for the year 2021 increased by 254% YoY. The increase was mainly due to higher water inflows of SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet, and the claim of liquidated damages for the delay in the construction of the GNPD plant.

### **Other Income (Expenses) – net**

*(96% decrease from ₱4.93 bn to ₱214.00 mn other income)*

The decrease in other income in 2021 as compared to 2020 was mainly due to the losses on the revaluation of foreign-currency denominated liabilities.

### **Provision for Taxes**

*(65% decrease from ₱6.06 bn to ₱2.11 bn)*

The decrease in provision for taxes was due to the application of the provisions of the CREATE Act reducing the regular corporate income tax (RCIT) rate from 30% to 25%. The AboitizPower Group also recognized a reversal of deferred tax on Net Operating Loss Carry-Over (NOLCO) during the year 2020 that resulted in higher provision for taxes during 2020 as compared to 2021.

## **Changes in Registrant's Resources, Liabilities and Shareholders' Equity**

### **Assets**

Total assets (as of December 31, 2021 compared to December 31, 2020) increased by ₱29.49 bn, or 7%. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents increased by ₱18.43 bn, or 48% (from ₱38.70 bn to ₱57.13 bn). This was due to Parent's retail bond issuance, offset by loans and lease payments during the year 2021.
- b) Trade and other receivables increased by ₱4.80 bn, or 22% (from ₱22.02 bn to ₱26.82 bn), primarily due to higher revenues.
- c) Inventories increased by ₱3.27 bn or 52% (from ₱6.31 bn to ₱9.57 bn). This was mainly driven by the increase in spare parts, supplies and fuel inventory.
- d) Other current assets decreased by ₱969.00 mn, or 9% (from ₱10.48 bn to ₱9.51 bn). This was mainly driven by TVI's utilization of restricted cash in accordance with its loan agreement.



- e) Investments and advances increased by ₱3.12 bn, or 5% (from ₱61.83 bn to ₱64.95 bn). This was mainly driven by GNPD's capital contributions and share in earnings during the year 2021.
- f) Intangible assets increased by ₱1.74 bn, or 4% (from ₱44.28 bn to ₱46.02 bn). This was primarily due to the foreign exchange revaluation of GMEC's goodwill, partly offset by amortization of existing assets.
- g) Net pension assets increased by ₱37.00 mn, or 73% (from ₱50.00 mn to ₱87.00 mn). This was mainly due to actuarial gains.
- h) Deferred income tax assets decreased by ₱97.00 mn, or 6% (from ₱1.54 bn to ₱1.44 bn). This was mainly due to the application of the provisions of the CREATE Act.
- i) Other noncurrent assets decreased by ₱2.09 bn, or 23% (from ₱9.27 bn to ₱7.18 bn). This was mainly due to the regular reduction in PSALM deferred adjustment of the Power Distribution group.

### **Liabilities**

Compared to December 31, 2020, total liabilities as of December 31, 2021 increased by ₱8.49 bn, or 3%. The major movements of accounts leading to the increase were as follows:

- a) Short-term loans increased by ₱5.44 bn, or 41% (from ₱13.18 bn to ₱18.63 bn). This was mainly due to loan availments by the AboitizPower Group during the year 2021 which were used for working capital purposes.
- b) Trade and other payables increased by ₱4.37 bn, or 24% (from ₱18.37 bn to ₱22.74 bn). This was primarily due to the increase in trade and fuel purchases.
- c) Income tax payable decreased by ₱458.00 mn, or 63% (from ₱723.00 mn to ₱265.00 mn). This was mainly due to the application of the provisions of the CREATE Act.
- d) Customers' deposits increased by ₱401.00 mn, or 6% (from ₱6.80 bn to ₱7.20 bn). This was mainly due to the receipt of bill deposits from new customers.
- e) Decommissioning liability increased by ₱678.00 mn, or 14% (from ₱5.01 bn to ₱5.69 bn). This was mainly due to the recognition of additional decommissioning provisions on power plant assets of APRI.
- f) Long-term debt (current and non-current portions) increased by ₱6.16 bn (from ₱175.88 bn to ₱182.04 bn). This was mainly due to Parent's retail bond issuance in 2021.
- g) Lease liabilities (current and noncurrent portions) decreased by ₱5.49 bn (from ₱39.26 bn to ₱33.77 bn), as TLI made timely payments during 2021 of its obligations to PSALM.
- h) Long-term obligation on power distribution system (current and noncurrent portions) decreased by ₱18.00 mn, or 10% (from ₱183.00 mn to ₱166.00 mn), due to regular payments.
- i) Net derivative asset and liability increased by ₱2.85 bn (from ₱1.79 bn liability to ₱1.07 bn asset) during the year 2021 due to hedging gains.
- j) Deferred income tax liabilities decreased by ₱160.00 mn, or 21% (from ₱745.00 mn to ₱585.00 mn), mainly due to the application of the provisions of the CREATE Act.
- k) Other noncurrent liabilities decreased by ₱1.04 bn, or 95% (from ₱1.10 bn to ₱55.00 mn), mainly due to the regular payments of the PSALM deferred adjustments.

### **Equity**

Equity attributable to equity shareholders of the Parent increased by 16% (from ₱127.16 bn as of December 31, 2020 to ₱147.95 bn as of December 31, 2021) after the declaration of dividends in March 2021, net of comprehensive income recognized during the year 2021. Cumulative translation adjustments increased by ₱5.28 bn, due to the upward net adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts designated as cash flow hedges, as well as the net assets translation effect of GMEC and LHC during the period.

## Material Changes in Liquidity and Cash Reserves of Registrant

As of December 31, 2021, the Group's cash and cash equivalents increased by 48% to ₱57.13 bn, from ₱38.70 bn as of December 31, 2020.

Higher water inflows, higher availability of the Company's thermal facilities, and higher spot sales resulted in higher cash generated from operations during the year 2021 by ₱4.55 bn, which was a 14% increase YoY.

Net cash flows from (used in) investing activities reversed from -₱4.53 bn in 2020 to ₱1.02 bn in 2021 mainly due to the increase in dividends received from associates.

The net cash flows used in financing activities decreased from ₱25.91 bn in the year 2020 to ₱19.10 bn in the year 2021 mainly due to lower payments of cash dividends and higher net availment of short-term loans.

## Financial Ratios

As of December 31, 2021, current assets increased by 35% and current liabilities increased by 22% YoY. The current ratio as of December 31, 2021 was at 1.53x compared to 1.38x as of December 31, 2020.

Consolidated debt to equity ratio as of December 31, 2021 was at 1.75x, lower than the 1.96x recorded at the end of 2020. This was due to a 3% increase in total liabilities and 16% increase in equity during the year 2021.

## Year Ended December 31, 2020 versus Year Ended December 31, 2019

The table below shows the comparative figures of the key performance indicators for 2020 and 2019:

Key Performance Indicators	2020	2019
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	2,675,136	3,813,962
<b>EBITDA</b>	44,687,315	45,005,022
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	31,781,669	39,356,962
Net cash flows used in investing activities	(4,526,973)	(34,060,585)
Net cash flows used in financing activities	(25,914,010)	(14,376,055)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>1,340,686</b>	<b>(9,079,677)</b>
Cash & Cash Equivalents, Beginning	37,433,929	46,343,041
Cash & Cash Equivalents, End	38,699,545	37,433,929
<b>CURRENT RATIO</b>	1.38	1.50
<b>DEBT-TO-EQUITY RATIO</b>	1.96	2.07

- Share in net earnings in associates and joint ventures for the year 2020 decreased by 30% compared to 2019. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Magat resulting from a reduction in volume sold caused by reduced water levels and GNPD net losses due to foreign-currency denominated loan revaluations.
- EBITDA for the year of 2020 decreased by 1% YoY. This was due to lower demand resulting from the imposition of COVID-19 related quarantine measures. EBITDA was also affected by plant outages offset by lower purchased power cost during the year, as well as new capacities.
- For the year ended 2020, cash and cash equivalents increased by ₱1.27 bn. This was mainly due to Company's retail bond issuance in July 2020 which was partly offset by principal payments made on existing loans.
- Current Ratio as of December 31, 2020 was at 1.38x as compared to 1.50x as of December 31, 2019. The decline was primarily due to maturing bonds of the Company that were reclassified from noncurrent to current during 2020.
- Debt-to-Equity Ratio as of December 31, 2020 was at 1.96x, lower than the 2.07x recorded at the end of 2019.

## Results of Operations

AboitizPower's net income for 2020 was ₱12.58 bn, 27% lower than the ₱17.32 bn reported in 2019. This translated to earnings per share of ₱1.71 for 2020. The Company recognized non-recurring net gains of ₱45 mn during 2020, compared to non-recurring net gains of ₱702 mn during 2019, due to net foreign exchange gains on the revaluation of dollar denominated liabilities. Without these one-off gains, the Company's core net income for 2020 was ₱12.53 bn, 25% lower than the ₱16.62 bn recorded in 2019. This was primarily due to additional tax expenses following the expiration of the income tax holiday (ITH) incentives of TSI and GMEC. The Company also de-recognized deferred tax assets on Net Operating Loss Carry Over (NOLCO) from 2018 and 2019. There were also additional interest expenses from the Company's bonds and loans that were availed of during late 2019 and the second half of 2020.

### Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱37.70 bn in 2020, 4% higher than the ₱36.20 bn recorded in 2019. The variance was primarily due to better availability of the Group's coal facilities and the recognition of BI claims, which offset the lower demand caused by the COVID-related community quarantines and lower water inflows to the Group's hydro facilities.

Capacity sold during 2020 increased by 7% to 3,417 MW from 3,184 MW in 2019. This resulted from increased contracting levels driven by the new capacity of TVI and additional portfolio contracts. The increase in contracting levels, however, was offset by the lower demand brought about by the pandemic and lower water inflows to the Group's hydro facilities. This resulted in a YoY reduction in energy sold, which declined by 1% to 22,754 GWh for 2020 from 22,942 GWh during 2019.

### Power Distribution

For 2020, AboitizPower's distribution business recorded EBITDA of ₱7.2 bn, 12% lower than the ₱8.2 bn recorded during 2019. Energy sales decreased by 8% to 5,368 GWh in 2020 from 5,851 GWh in 2019. This was due to lower consumption resulting from the enforcement of COVID-related community quarantines.

## Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

### Consolidated Statements of Income

Net income attributable to equity holders of the Parent Company decreased by ₱4.75 bn, or 27%, YoY. The various movements in line items are shown below to account for the decrease:

*(Amounts in thousands of ₱s)*

Net Income Attributable to Equity Holders of the Parent (January - December 2019)	<b>₱17,322,677</b>
Decrease in operating revenues	(15,258,508)
Increase in operating expenses	13,282,521
Increase in interest income	(638,627)
Increase in interest expense	(205,882)
Decrease in share in net earnings of associates and joint ventures	(1,138,826)
Decrease in other income - net	1,445,176
Higher provision for taxes	(2,846,414)
Decrease in income attributable to non-controlling interests	615,559
Total	(4,745,001)
Consolidated Net Income Attributable to Equity Holders of the Parent for 2018	<b>₱12,577,676</b>

### **Operating Revenues**

*(12% decrease from ₱125.64 bn to ₱110.38 bn)*

The decrease in operating revenues during 2020 was primarily due to lower demand brought about by the COVID-19 pandemic and resulting community quarantines, lower spot prices and indices, lower contract rates, and lower water inflow.

These were offset by new capacities which went online in 2020.

### **Operating Expenses**

*(14% decrease from ₱96.78 bn to ₱83.50 bn)*

The decrease in operating expenses was mainly due to the lower cost of purchased power and of generated power brought about by COVID-19.

### **Interest Income**

*(49% decrease from ₱1.29 bn to ₱653.00 mn)*

The decrease in interest income during 2020 compared to 2019 was primarily due to lower interest rates on placements.

### **Interest Expense and Other Financing Costs**

*(1% increase from ₱14.05 bn to ₱14.25 bn)*

Interest expense increased during 2020 compared to 2019 was due to the interest and financing costs on AboitizPower's ₱7.25 bn and ₱9.55 bn retail bonds issued in October 2019 and July 2020, respectively.

### **Share in Net Earnings of Associates and Joint Ventures**

*(30% decrease from ₱3.81 bn to ₱2.68 bn)*

Share in net earnings in associates and joint ventures for 2020 decreased by 30% compared to 2019. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Magat, as reduced water levels during 2020 caused a reduction in volume sold, and to a higher share of GNPD's net losses resulting from foreign-currency denominated loan revaluations.

### **Other Income (Expenses) – net**

*(41% increase from ₱3.48 bn to ₱4.93 bn other income)*

The increase in other income during 2020 compared to 2019 was mainly due to business interruption insurance claims of TSI due to plant outages.

### **Provision for Taxes**

*(89% increase from ₱3.22 bn to ₱6.06 bn)*

The increase in provision for taxes during 2020 was due to the additional taxes resulting from the expiration of the ITH incentives of TSI and GMEC and the derecognition of deferred tax assets on NOLCO from 2018 and 2019.

## **Changes in Registrant's Resources, Liabilities and Shareholders' Equity**

### **Assets**

Total assets (as of December 31, 2020 compared to December 31, 2019) decreased by ₱12.54 bn, or 3%. The major movements of the accounts leading to the decrease were as follows:

- a) Cash and cash equivalents increased by ₱1.27 bn, or 3% (from ₱37.43 bn to ₱38.70 bn). This was primarily due to the availment of the last tranche of retail bond drawn in July 2020.
- b) Inventories decreased by ₱324.00 mn, or 5% (from ₱6.63 bn to ₱6.31 bn). This was mainly driven by a decrease in coal inventory during 2020.



- c) Other current assets decreased by ₱604.00 mn, or 5% (from ₱11.08 bn to ₱10.48 bn). This was mainly driven by the reclassification during 2020 of a portion of TVI's Advances to NGCP to Other noncurrent assets.
- d) Investments and advances increased by ₱950.00 mn, or 2% (from ₱60.88 bn to ₱61.83 bn). This was mainly driven by the new capital contributions to GNPD during 2020.
- e) Property, plant and equipment decreased by ₱6.07 bn, or 3% (from ₱209.52 bn to ₱203.45 bn). This was primarily due to the depreciation of existing assets.
- f) Intangible assets decreased by ₱2.43 bn, or 5% (from ₱46.71 bn to ₱44.28 bn). This was primarily due to the amortization of existing assets.
- g) Net pension assets decreased by ₱18.00 mn, or 26% (from ₱68.00 mn to ₱50.00 mn). This was mainly due to the accrual of retirement costs.
- h) Deferred income tax assets decreased by ₱1.25 bn, or 45% (from ₱2.79 bn to ₱1.54 bn). This was mainly due to the reduction of the deferred tax benefits recognized by TLI on its net operating loss.
- i) Other noncurrent assets decreased by ₱4.25 bn, or 31% (from ₱13.52 bn to ₱9.27 bn). This was mainly due to the decrease in Input VAT, regular reduction in PSALM deferred adjustment, and the reclassification of TVI's restricted cash to Cash and cash equivalents.

### **Liabilities**

Compared to December 31, 2019, total liabilities as of December 31, 2020 decreased by ₱13.49 bn, or 5%. The major movements of accounts leading to the decrease were as follows:

- a) Short-term loans increased by ₱1.41 bn, or 14% (from ₱10.34 bn to ₱11.74 bn). This was mainly due to new loans availed of by the Group during 2020 for working capital purposes.
- b) Trade and other payables decreased by ₱4.00 bn, or 18% (from ₱22.38 bn to ₱18.37 bn). This was primarily due to the reduction of trade payables.
- c) Income tax payable increased by ₱213.00 mn, or 42% (from ₱510.00 mn to ₱723.00 mn). This was mainly due to the expiration of the ITH incentives of TSI and GMEC.
- d) Decommissioning liability increased by ₱1.44 bn, or 40% (from ₱3.57 bn to ₱5.01 bn). This was mainly due to the recognition of additional decommissioning provisions on power plant assets of APRI and GMEC.
- e) Long-term debt (current and non-current portions) decreased by ₱650.00 mn (from ₱177.97 bn to ₱177.32 bn). This was mainly due to principal payments made on existing loans and the revaluation of dollar denominated loans, which were partly offset by the Parent's retail bond issuance during 2020.
- f) Lease liabilities (current and noncurrent portions) decreased by ₱5.53 bn (from ₱44.79 bn to ₱39.26 bn), as TLI made timely payments during 2020 of its obligations to PSALM.
- g) Long-term obligation on power distribution system (current and noncurrent portions) decreased by ₱16.00 mn, or 8% (from ₱199.00 mn to ₱183.00 mn), as payments were made in 2020.
- h) Net derivative liabilities decreased by ₱597 mn (from ₱2.39 bn to ₱1.79 bn) during 2020 due to hedging gains.
- i) Deferred income tax liabilities decreased by ₱103 mn, or 12% (from ₱848.00 mn to ₱745.00 mn), mainly due to the amortization of Franchise Assets and increase in the Allowances for Impairment and Probable Losses.
- j) Net pension liabilities decreased by ₱132 mn, or 31% (from ₱426.00 mn to ₱294.00 mn), mainly due to the contributions to the retirement fund during 2020 which were higher than the effect of retirement costs and net actuarial losses.
- k) Other noncurrent liabilities decreased by ₱5.71 bn, or 84% (from ₱6.81 bn to ₱1.10 bn), mainly due to the regular payments of the PSALM deferred adjustments and the settlement of TVI's Other noncurrent liabilities.

## **Equity**

Equity attributable to equity shareholders of the Parent Company increased by 1% (from ₱125.54 bn as of December 31, 2019 to ₱127.16 bn as of December 31, 2020) after the declaration of dividends in March 2020, net of comprehensive income recognized during the year of 2020. Cumulative translation adjustments decreased by ₱1.45 bn, due to the downward net adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts designated as cash flow hedges, as well as the net assets translation effect of GMEC and LHC during 2020.

## **Material Changes in Liquidity and Cash Reserves of Registrant**

As of December 31, 2020, the Group's cash and cash equivalents increased by 3% to ₱38.70 bn, from ₱37.43 bn as of December 31, 2019.

The reduction in power demand brought about by COVID-19 related community quarantines contributed to lower cash generated from operations during 2020 by ₱7.58 bn, which was a 19% decrease compared to 2019.

Net cash flows used in investing activities decreased to ₱4.53 bn in 2020, from ₱34.06 bn in 2019, which was mainly due to the ₱24.95 bn AA Thermal acquisition taken up during 2019.

The net cash flows used in financing activities as of December 31, 2020 increased by ₱11.54 bn compared to 2019, primarily due to payments by the Group of principal amortizations on various loans.

## **Financial Ratios**

As of December 31, 2020, current assets increased by 1% and current liabilities increased by 9% compared to the end of 2019. The current ratio as of December 31, 2020 was at 1.38x compared to 1.50x as of December 31, 2019.

Consolidated debt to equity ratio as of December 31, 2020 was at 1.96x, higher than the 2.07x recorded at the end of 2019. This was due to a 5% decrease in total liabilities during 2020, coupled with a 1% increase in equity during the same period.

## **Item 7. Financial Statements**

The audited consolidated financial statements of AboitizPower will be incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules will be filed as part of the Definitive Information Statement.

## **Item 8. Information on Independent Accountant and Other Related Matters**

### **(A) External Audit Fees and Services**

The following table sets out the aggregate fees billed to the Company for each of the last two years for professional services rendered by SGV.

Fee Type	Year ended December 31, 2022	Year ended December 31, 2021
<b>Audit Fees</b>		
Audit Fees	₱698,600	₱575,000
Audit Related Fees – Bond issuance	8,750,000	18,000,000
<b>Total</b>	<b>9,448,600</b>	<b>18,575,000</b>
<b>Non-Audit Fees</b>		
Financial and Tax Due Diligence Fees	6,838,988	1,149,500
<b>Total</b>	<b>6,838,988</b>	<b>1,149,500</b>
<b>Total Audit and Non-Audit Fees</b>	<b>₱16,287,588</b>	<b>₱19,724,500</b>

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AboitizPower engaged SGV to audit its 2022 and 2021 annual financial statements. SGV was also engaged to conduct post reviews and other procedures for the purpose of issuing comfort letters in connection with the issuance of the ₱10 bn bonds in 2022 and ₱8 bn and ₱12 bn bonds in 2021. In 2022, the Company also engaged SGV to provide financial and tax due diligence in relation to the Company's preparation of BIR Form 1709 and transfer pricing documentation.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of SGV for 2022 and 2021 were pre-approved by the Board Audit Committee. The Board Audit Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors was preserved. SGV does not have any direct or indirect interest in the Company.

**(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

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## PART III – CORPORATE GOVERNANCE

In 2022, the Aboitiz Group continued its journey through the next chapter in its history, by continuing to drive change for a better world by advancing business and communities for the next 100 years. The Group has taken deliberate steps in transforming the organization into an enterprise that not only endures but thrives in the new and dynamic business landscape. This story of transformation builds on a strong foundation of growth and expansion that was nurtured by more than five generations of leaders with unwavering commitment to the highest standards of corporate governance.

Leading this transformation is AboitizPower's Board of Directors, all of whom firmly believe that a sound framework of corporate governance creates a path towards the realization of the Group's strategic goals and growth aspirations.

Notable accomplishments of the AboitizPower Board for 2022 are as follows:

- Reviewed and affirmed the appropriateness of the Group's purpose and brand promise in support of the country's gradual economic recovery.
- Reviewed and aligned the Group's short-term and long-term business strategies to sustain and expand the business under the new normal.
- Reviewed and ensured the sufficiency of the internal controls system and enterprise risk management framework of AboitizPower.
- Reviewed and approved the amendments to AboitizPower's Manual on Corporate Governance and General Trading Policy.
- Authorized and held AboitizPower's Virtual Annual Stockholders' Meeting for the third consecutive year.
- Approved amendment to the Board and Committee Charters.
- Reviewed and implemented changes to the Board's governance mechanism in alignment with global best practices and the demands of the current business environment.
- In addition to the Annual Corporate Governance Seminar, conducted regular virtual learning sessions to strengthen the continuous learning program for the Company's directors and officers.

### ***Shareholder Rights and Equitable Treatment***

The protection of the rights of its shareholders is of paramount importance to the Company. The goal is to ensure the free exercise of shareholder rights, regardless of the number of shares he or she owns.

Among the rights of the Company's shareholders are: (i) to receive notices of and to attend shareholders' meetings; (ii) call for a special board meeting and propose a meeting agenda; (iii) to participate and vote on the basis of the one-share, one-vote policy; (iv) to vote in person, in absentia, or through proxy; (v) to ratify corporate actions; (vi) nominate, elect, remove, and replace Board members (including via cumulative voting); (vii) to inspect corporate books and records; (viii) to receive dividends; and (ix) to be timely and regularly informed of the state of the Company's businesses.

### ***Right to Actively Participate at Shareholders' Meetings***

The Company strives to maintain a transparent, easily accessible, and fair conduct of its shareholders' meetings. The goal is to ensure that the shareholders are given accurate and timely information to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

The highlights and summary of the financial, non-financial, and operating performance of the Company and its Subsidiaries are contained in the Definitive Information Statement and the Annual Report, which are distributed prior to the ASM and made available in the Company's website. Shareholders are likewise provided with individual profiles of new and returning directors, as well as a summary of the Board and Board Committee's performance assessments, attendance record, compensation, and notable accomplishments for the year.

In the conduct of its shareholder meetings, all shareholders receive notices not less than 28 days from the date of the meeting, and all agenda items to be discussed and decided upon during the said meeting are set out in the notices and no new agenda items are taken up during the conduct of the meeting. The rationale of agenda items which are submitted to the shareholders for their approval are included in the notices to shareholders' meetings.



AboitizPower is committed to provide an accessible and convenient venue for its shareholders to exercise their basic and inviolable right to attend and participate at any shareholder meeting, including the opportunity to elect their representatives to the Boards of Directors and ratify corporate actions. In 2022, AboitizPower conducted a fully digital stockholders' meeting for the third consecutive year. Since 2020, shareholders were given the opportunity to cast their votes through non-traditional means such as remote communication or *in absentia*. Shareholders may access AboitizPower's online voting portal in order to register and vote on the matters submitted for shareholders' approval at any stockholder meetings.

All shareholders are encouraged to actively participate during meetings. They are allowed to raise their concerns, ask questions, and comment on the state of the Company's business during meetings through the ASM online portal or live if time permits. There are no barriers or impediments preventing shareholders from consulting or communicating with one another, with the Directors, and with the Corporate Secretary.

The questions, answers, issues and motions raised, the agreements and resolutions arrived at, the corporate acts approved or disapproved, and the voting results are reported in the minutes and are made publicly available by the next working day through the Company's website under the Investors' page. The Company also discloses to PSE, PDEX and the SEC all the items approved at the shareholders' meeting no later than the next business day.

The Company continues to exert efforts to extend the communication channels between the Company and the institutional and individual stockholders through its Investor Relations Office and Shareholder Relations Office, respectively.

#### **Right to Receive Dividends**

The right to receive dividends is a basic shareholder right. The Company promotes this basic shareholder right by adopting a clear and transparent dividend policy. AboitizPower has a policy of distributing at least 1/3 of its previous year's earnings as cash dividend to its stockholders, subject to the approval of the Company's Board of Directors.

Every year, the Company pays dividends in an equitable and timely manner. All shareholders are treated equally, receiving an amount of dividends per share that is proportionate to their shareholdings. The period for payment of dividends is based on trading requirements or constraints of the SEC and PSE.

In the last three (3) years, the Company has paid the following dividends:

		Declaration Date	Record Date	Payment Date	Dividends per Share	Total Dividends Declared
AboitizPower	2023	March 3, 2023	March 17, 2023	March 30, 2023	₱1.87 (regular)	₱13.76 bn
	2022	March 4, 2022	March 18, 2022	March 30, 2022	₱1.45 (regular)	₱10.67 bn
	2021	March 5, 2021	March 19, 2021	March 31, 2021	₱0.85 (regular)	₱6.25 bn

Lastly, AboitizPower's Board Secretariat has adopted certified Board protocols and procedures under the ISO 9001:2015 Management Board and System to ensure the effectiveness of Board and shareholders' commitments. This includes coordination with stock transfer agents to ensure appropriate responses to and timely resolution of shareholders' queries and requests.

For a more detailed discussion on the rights of the shareholders of the Company, please refer to the 2022 Consolidated Annual and Sustainability Report, the 2022 Integrated Annual Corporate Governance Report (IACGR), and the Governance page of the AboitizPower website, which will be available at [www.aboitzpower.com](http://www.aboitzpower.com) on or before May 30, 2023.

## BOARD MATTERS

### Board of Directors

The Board leads the Group's corporate governance framework. Independent from management, its members are committed to serve and promote long-term success, and to secure the Group's sustained growth, competitiveness and sustainability. The Directors perform the crucial role of articulating and assessing the Group's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business direction of the Group's businesses are soundly established and are in line with the overall Group's goals and strategy. In line with best practices, the members of the Board are responsible for establishing and monitoring the Group's commitment to the principles embodied in ESG. In performing these functions, the members of the AboitizPower Board, individually and collectively, are expected to act consistently with the Aboitiz core values.

The AboitizPower Board is composed of nine members, all of whom come from diverse professional backgrounds. They are composed of legal and finance professionals, engineers, former or current Chief Executive Officers/Chief Operating Officers, auditors, and accountants. Many of them have management experience in the private and Government sectors, as well as in multilateral agencies. In 2022, the AboitizPower Board had two Independent Directors, five Non-Executive Directors, and two Executive Directors. The Chairman of the AboitizPower Board, Mr. Sabin M. Aboitiz, is a highly experienced Non-Executive Director. As a Non-Executive Director, he is not involved in the Company's day-to-day operations, which enables him to focus on ensuring that the AboitizPower Board properly discharges its duties and responsibilities. During the 2022 ASM, the AboitizPower Board appointed Mr. Raphael P.M. Lotilla as Lead Independent Director until his resignation on July 11, 2022. On September 27, 2022, the AboitizPower Board appointed Mr. Cesar G. Romero as Independent Director, and Mr. Eric Ramon O. Recto as the Company's Lead Independent Director and Vice Chairman of the Board. Mr. Romero was also the Chairman of the ESCG Committee (also functions as the Nomination and Selection Committee) to ensure an independent and transparent nomination, selection, election, and performance assessment process of the Board.

As of December 31, 2022, the members of the AboitizPower Board were the following:

ABOITIZ POWER CORPORATION'S BOARD OF DIRECTORS					
Director (Age, Nationality)	Designation/ Directorship	Year First Elected	Tenure	Board and Committee Memberships and % of Attendance for 2022	Directorships in Other Listed Companies Outside the Aboitiz Group
<b>SABIN M. ABOITIZ</b> 58 years old Filipino	Chairman of the Board (NED)	April 26, 2021	1	(C) BOD (100%) (C) Risk (100%) (M) ESCG (100%) (M) ExCom (n.a) (M) Cyber (100%)	None
<b>ERIC RAMON O. RECTO</b> 58 years old Filipino	Vice-Chairman (NED) and Lead Independent Director	May 21, 2018	4 years	(VC) BOD (100%) (M) ESCG (100%) (C) Audit (100%) (M) Risk (100%) (C) RPT (100%) (C) Cyber (100%)	1. Philippine Bank of Communications (C) 2. Atok-Big Wedge Co., Inc. 3. DITO CME Holdings Corp. 4. PH Resorts Group Holdings, Inc. 5. Manila Water Company, Inc.
<b>EMMANUEL V. RUBIO</b> 58 years old Filipino	President and CEO (ED)	January 1, 2020	3 years	(M) BOD (100%) (M) Risk (100%) (C) ExCom (n.a.)	None

<b>LUIS MIGUEL O. ABOITIZ</b> 58 years old Filipino	Non-Executive Director	April 26, 2021	1 year	(M) BOD (93%) (M) ESCG (100%) (M) Audit (100%) (M) Risk (100%) (M) RPT (100%) (M) ExCom (n.a.)	None
<b>TOSHIRO KUDAMA</b> 65 years old Japanese	Non-Executive Director	December 22, 2021	1 year	(M) BOD (93%) (M) Risk (100%) (M) ExCom (n.a.)	None
<b>EDWIN R. BAUTISTA</b> 62 years old Filipino	Non-Executive Director	April 26, 2021	1 year	(M) BOD (100%) (M) ESCG (100%) (M) Audit (100%)	None
<b>DANEL C. ABOITIZ</b> 41 years old Filipino	Chief Commercial and Stakeholder Engagement Officer	Dec 11, 2018	4 years	(M) BOD (89%) (M) Audit (100%) (M) ExCom (100%)	None
<b>SATOSHI YAJIMA</b> 55 years old Filipino	Non-Executive Director	April 25, 2022	8 months	(M) BOD (100%)	None
<b>CESAR G. ROMERO</b> 57 years old Filipino	Independent Director	October 1, 2022	4 months	(ID) BOD (100%) (C) ESCG (100%) (M) Audit (100%) (M) Risk (100%) (M) RPT (100%)	1. Robinsons Retail Holdings, Inc.

Legend: C - Chairman; VC – Vice Chairman; M – Member; ID - Independent Director; NED - Non-Executive Director; ED - Executive Director; BOD - Board of Directors; ESCG - Board Environmental, Social, and Corporate Governance Committee; ExCom - Board Executive Committee; AudCom - Board Audit Committee; Risk - Board Risk and Reputation Management Committee; RPT - Board Related Party Transactions Committee; Cyber - Board Cybersecurity and Information Security Committee.

## Board Performance

In 2022, the members of the AboitizPower Board conducted the following performance review and assessment:

Type of Assessment	Respondents and Scope	Criteria
<b>Director Self-Assessment</b> <i>Completed: October 2022</i>	<b>Respondents:</b> Members of the Board <b>Scope:</b> Individual and the collective performance of the members of the Board and Board committees.	(1) compliance with best governance practices and principles; (2) participation and contribution to the Board and committee meetings; and (3) performance of their duties and responsibilities as provided in the company's Revised Manuals, Charters, Amended Articles, and Amended By-Laws.
<b>Key Officers Evaluation</b> <i>Completed: October 2022</i>	<b>Respondents:</b> Members of the Board <b>Scope:</b> Chairman, Chief Executive Officer, Internal Audit Head, Risk Officer, Corporate Secretary, and Compliance Officer	
<b>Director Evaluation</b> <i>Completed: October 2022</i>	<b>Respondents:</b> Executive Officers <b>Scope:</b> Members of the Board and Board Committees	(1) business acumen, (2) independent judgment, (3) familiarity with the business, (4) active participation and effective challenge, (5) professional expertise and network, (6) value contribution, (7) embodiment of Aboitiz core values, and (8) goodwill and reputation.

<b>Board and Committee Charter Assessment Completed:</b> <i>November 2022</i>	<b>Respondents:</b> Board and Committee Members	(1) Membership and composition, (2) duties and responsibilities, (3) conduct of meetings, (4) support and resources
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In addition, the Corporate Governance Code requires that at least once in every three years, the conduct of the Board performance assessment must be supported by an independent third-party facilitator. AboitizPower complied with this requirement in 2020 with the engagement of the Good Governance Advocates and Practitioners of the Philippines (GGAPP), an independent association of corporate governance practitioners, to support its Board performance assessment exercise. The results of the assessment, as well as the recommendations from GGAPP were presented and discussed during the ESCG Committee meeting on February 15, 2023.

### Board Committees

The different Board committees - Audit, Corporate Governance (now Environmental, Social, and Corporate Governance), Risk and Reputation Management, Related Party Transactions, Executive Committee, and the Cyber and Information Security Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate of each Board committee, including key accomplishments in 2022, are described below:

- a. The **Board Environmental, Social, and Corporate Governance Committee** is responsible for ensuring the establishment of a governance mechanism that promotes sustainability practices through proper environmental stewardship, social development, and sound corporate governance. The ESCG Committee also performs the functions of the Nomination and Remuneration Committee. In carrying out their duties and responsibilities, the ESCG Committee is supported by the company's Compliance Officer, Chief External Relations Officer, as well as the Group Chief Human Resources Officer. These officers regularly attend committee meetings to act as resource persons. The chairman of the ESCG Committee is an Independent Director.

Key Areas of Focus in 2022	
<b>Environmental and Social</b>	<ul style="list-style-type: none"> <li>- Approved the Company's ESG Roadmap and Sustainability Ambition.</li> <li>- Monitored the progress of the ongoing ESG Activities.</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>- Reviewed and monitored AboitizPower and AboitizPower's compliance with new laws and regulations.</li> <li>- Ensured that the nomination, selection, election, remuneration, and assessment of each company's directors and officers are aligned with the Manuals.</li> </ul>
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>- Reviewed and endorsed for Board approval the proposed amendments to the Manual on Corporate Governance and General Trading Policy Implemented the Aboitiz High Impact Governance.</li> <li>- Reviewed and monitored the status of whistleblowing reports.</li> <li>- Endorsed the creation of the Board Information and Cybersecurity Committee and its Charter.</li> </ul>
<b>Nomination and Compensation</b>	<ul style="list-style-type: none"> <li>- Approved the final list of nominees for directors for election after reviewing the all the qualifications and none of the disqualifications as provided in the By-Laws, Revised Manuals, and other relevant SEC rules.</li> <li>- Reviewed and endorsed management's proposal to increase the per diems of the Board and Board Committee Chairmen.</li> <li>- Reviewed the qualifications of all persons nominated to appointed positions by the Board.</li> <li>- Reviewed and approved the 2022 groupwide merit increase guidelines.</li> </ul>



- b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise the majority of the members of the Board Audit Committee, including its Chairman. At the end of every Audit Committee meeting, Committee Members meets without the presence of any executives.

Key Areas of Focus in 2022	
<b>Financial Reports</b>	<ul style="list-style-type: none"> <li>- Reviewed, discussed, and approved for public disclosure the 2022 quarterly unaudited consolidated financial statements.</li> <li>- Endorsed for approval by the full Board the 2022 annual audited financial statements of AboitizPower and AboitizPower, its subsidiaries and affiliates.</li> </ul>
<b>External Auditors</b>	<ul style="list-style-type: none"> <li>- Reviewed the performance of SGV as AboitizPower and AboitizPower's external auditor</li> <li>- Endorsed to the Board the appointment of SGV as AboitizPower and AboitizPower's External Auditor for 2022</li> <li>- Reviewed and approved the overall scope and audit plan of SGV</li> <li>- Reviewed and approved the audit plan, fees and terms of engagement which covers non-audit and audit-related services provided by SGV</li> </ul>
<b>Internal Auditors</b>	<ul style="list-style-type: none"> <li>- Reviewed and approved the annual audit program for 2022 which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.</li> <li>- Confirmed that the internal audit function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner.</li> <li>- Brought to the attention of the board the seriousness of cybersecurity risks to the group.</li> </ul>
<b>Committee Charter</b>	<ul style="list-style-type: none"> <li>- Updated the Board Audit Committee Charters to improve on each of the company's control performance by having an adequate and effective control system.</li> </ul>

- c. The **Board Risk and Reputation Management Committee** exercises oversight functions over the Company's enterprise risk management and reputation management, including corporate brands and communications strategies. In 2022, the committee was chaired by Mr. Sabin M. Aboitiz, a non-Executive Director.
- d. The **Board Related Party Transactions Committee** represents the Board in discharging its responsibility to ensure that related party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval necessary. In 2022, the committee was chaired by Mr. Eric Ramon O. Recto. In 2022, all RPTs were conducted at arms-length basis.

Key Areas of Focus in 2022	
<b>RPT Policy and Committee Charter</b>	<ul style="list-style-type: none"> <li>- Conducted the annual review of AboitizPower's RPT Policies to further strengthen the process of reviewing, reporting, and (if necessary) approving RPTs, particularly those falling below the SEC-defined materiality threshold.</li> </ul>
<b>Completion of RPT Certification</b>	<ul style="list-style-type: none"> <li>- Monitored the compliance of AboitizPower with the reportorial requirements of the BIR.</li> </ul>
<b>Fairness of RPTs</b>	<ul style="list-style-type: none"> <li>- Continued to ensure that RPTs are taken on an arm's-length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval.</li> </ul>

- e. The **Executive Committee** assists the Board in overseeing the Company's day-to-day operations of the Company. The Committee ensures agility in the management of the Company and in strategic decision-making, as well as compliance with the Company's governance policies, during the intervening period between Board meetings. Due to the monthly Board meetings during 2022, no meetings of the Executive Committee were held.

- f. The **Board Information Security and Cybersecurity Committee** was established on March 8, 2021. It assists the Board in providing strategic direction and ensuring the establishment of a system of governance (processes, policies, controls and management) for the Company and its strategic business units on matters relating to information security and cybersecurity.

Key Areas of Focus in 2022	
<b>Organizational</b>	- Organized the governance structure of AboitizPower and AboitizPower on matters involving information and cybersecurity.
<b>Cybersecurity Strategy</b>	- Reviewed the Aboitiz Group IT and OT cybersecurity programs and maturity roadmap, and their respective implementation strategies.
<b>Cybersecurity Risks</b>	- Reviewed the cybersecurity risk map and key risk treatment plans.

For a more detailed discussion on the AboitizPower Board and Board Committees matters, please refer to the 2022 Consolidated Annual and Sustainability Report, the 2022 IACGR, and the Governance page of the AboitizPower website, which will be available at [www.aboitzpower.com](http://www.aboitzpower.com) on or before May 30, 2023.

## GOVERNANCE PRACTICES

### *Compliance with Governance Policies*

AboitizPower has a Revised Manual and a Code of Ethics and Business Conduct (“Code of Ethics”) to guide the attainment of its corporate goals and the implementation of its strategies. The Revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies to further strengthen the Company’s corporate governance practices. The Board regularly reviews the Revised Manual to ensure that the same remains relevant and responsive to the needs of the organization. Any amendments to the Revised Manual are promptly submitted to the SEC for confirmation and approval.

The Revised Manual is supported by various company policies that are regularly reviewed and issued by the Board including the Code of Ethics. AboitizPower ensures that its Code of Ethics is cascaded to new team members as part of their onboarding processes. Team members are also required to review the Code of Ethics and to sign an affirmation that they have read and understood the same. In order to support this annual exercise, an e-learning module on the Group’s Code of Ethics was developed and is rolled out every year. As part of the Group’s commitments in the Code of Ethics, all team members are expected to act professionally, fairly, and with integrity in all of their business dealings, and to comply with all applicable laws and regulations, including those against bribery and corruption.

The Chief Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board, management, and employees with the Revised Manual, the Code of Ethics, other company policies, and existing laws and regulations. The Chief Compliance Officer also ensures the implementation of AboitizPower’s policy against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

The Chief Compliance Officer regularly reports the Company’s compliance status with existing laws and regulations, as well as the Board’s, management’s and employees’ compliance with internal governance policies to the Board ESCG Committee.

In addition, the Company has a Whistleblowing Policy to support the implementation of the Revised Manual and the Code of Ethics. Through this policy, allegations of violations of the Revised Manual, the Code of Ethics, or of other illegal conduct can be reported through an independent whistleblowing portal. Matters reported through the whistleblowing platform are discussed by the Board ESCG Committee and, if necessary, escalated to the entire Board.

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In 2021, AboitizPower updated its Code to align with international best practices and promote the Company's Environmental, Social and Governance efforts. The following policies and guidelines were approved by the Board of Directors:

- Amended Code of Ethics and Business Conduct to (i) strengthen the Company's commitment to sustainability principles, and (ii) further elaborate on the Company's commitment to its stakeholders, particularly on anti-bribery and anti-corruption, trade compliance, and anti-money laundering. Related guidelines on (i) anti-corruption, (ii) gift, meals, and entertainment, and (iii) business partner due diligence was also approved by senior management to operationalize the amendments to the Code.
- Amended the Company's Whistleblowing Policy. The Company is evaluating the adoption of a new whistleblowing portal to encourage team members, team leaders and third parties to report suspected or actual violation of the Code and Company policies. Procedures were also developed to assist and guide in the handling, investigation, and resolution of reports or complaints received, whether via the whistleblowing platform or through any other channel.

There are no major deviations from the Revised Manual as of the date of this report. There were also no corruption-related incidents reported in 2022.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2022 Consolidated Annual and Sustainability Report, the 2022 IACGR, and the Governance page of the AboitizPower website which will be available at [www.aboitzpower.com](http://www.aboitzpower.com) on or before May 30, 2023.

#### **Disclosure and Transparency**

Pursuant to its commitment to transparency and accountability, AboitizPower's website, [www.aboitzpower.com](http://www.aboitzpower.com) has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. AboitizPower also publishes a consolidated Annual and Sustainability Report and IACGR on its website at [www.aboitzpower.com](http://www.aboitzpower.com).

#### **SUSTAINABILITY AND ENVIRONMENT, SOCIAL, AND GOVERNANCE PRACTICES**

The Aboitiz Group's adherence to sustainable business practices and social responsibility are key elements of its success story for the past 100 years. Today, AboitizPower's Environmental, Social, and Governance (ESG) strategy is geared towards addressing the need to balance business growth with sustainability initiatives. It does so by accounting for the impact of its activities on people, planet, and prosperity, and with a view of its long-term implications. In replicating this success for future generations, AboitizPower intends to strengthen its ESG standards and practices by reinforcing this triple bottom line framework and taking advantage of emerging technologies and innovations as the Aboitiz Group undertakes its "Great Transformation" into the Philippines' first techglomerate. This is amidst the country's continued post-pandemic recovery and transition to a decarbonized economy.

#### **Indices and Ratings**

AboitizPower's efforts "to drive change for a better world by advancing business and communities" continue to be commended by various independent assessors of ESG. The Company remained a constituent of the FTSE4Good Index Series, a status it has held since 2018. It maintained its overall rating of 3.1 in 2022. The FTSE4Good Index Series, created by global index provider FTSE Russell, measures the performance of companies demonstrating strong ESG practices.

S&P Global also accorded the Company with a score of 50 in its 2022 Corporate Sustainability Assessment, reflecting marked improvements in its ESG performance. This was an upgrade from its score of 44 in 2021 and is now positioned among its global peer group at 78th percentile. The company performed well in the areas of Risk Management, Environmental Policy & Management Systems and Labor Practice Indicators, and had significant improvements in the areas of Innovation Management with its digital and open innovation programs in 2022, Human Capital Development, CSR and Stakeholder Engagement.

AboitizPower also earned a Sustainalytics ESG Risk Rating of 28.6, a better position from the previous year's 33.4 rating. This now brings the Company to the Medium Risk Rating category for the first time. Meanwhile, the Company has also improved its 2022 CDP Climate Change rating to C from D in 2021.

In January 2023, AboitizPower also received a 4-arrow recognition from the Institute of Corporate Directors (ICD) after scoring 111.83 in its 2021 ASEAN Corporate Governance Scorecard (ACGS) assessment. The ACGS is an assessment tool that evaluates the corporate governance of top publicly listed companies based on the Philippine Code of Corporate Governance and best practices from abroad.



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## Focus Areas

AboitizPower's commitment to "people, planet, and prosperity" is inspired by its core values of integrity, teamwork, innovation, responsibility, and service excellence. It promotes inclusive growth by integrating its stakeholders - communities, customers, team members, and shareholders - to its sustainable enterprise of creating long-term equitable value. The Company is also conscious of the limitedness of resources and ensures that it can be replenished for future stakeholders. By extension, AboitizPower also ensures that it partners with suppliers who prioritize sustainability and sustainable business practices. Prosperity that is balanced with a strong social component and healthy environmental practices is the key element to building a sustainable business for generations to come.

In line with the Philippines' goal of having a 35% share of renewable energy (RE) in the power generation mix by 2030, AboitizPower will further grow its renewables portfolio, Cleanergy, to triple its current capacity also by the end of the decade. When realized, 4,600-megawatts (MW) or 50% of AboitizPower's total generation capacity will be sourced from indigenous energy sources, namely, solar, hydro, geothermal, and wind. With its diversified fleet of Cleanergy assets, AboitizPower aims to help address the country's energy trilemma of energy security, energy equity, and environmental sustainability; made even more important as its economy recovers from pandemic scarring. AboitizPower strives to provide reliable and ample power supply at reasonable and competitive prices while taking into consideration social development and environmental stewardship.

As part of AEV's initiative to become the Philippines' first techglomerate by 2025, AboitizPower will utilize technology, including data science and artificial intelligence, to improve production, services, and processes. This transition will also involve the empowerment of team members through the embedding of a strong entrepreneurial mindset and spirit as they are exposed to the opportunities of a more modernized, inclusive, and technology-driven organization.

The Company has made progress in the following focus areas: team member engagement and development, corporate social responsibility (CSR), disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, financial growth, and financial returns. Other focus areas on its ESG reports include Occupational Health and Safety (OHS), diversity and inclusion, corporate governance, biodiversity and conservation, risk management, and ISO certification.

AboitizPower conducts a report in compliance with the sustainability reporting initiatives of its parent company, AEV. Currently, AboitizPower is compliant with AEV's sustainability reporting initiatives. Its report has been prepared following the GRI Standards: Core Option and its key performance indicators are aligned with the United Nations Sustainable Development Goals (SDGs).

## United Nations Sustainable Development Goals

The Aboitiz Group acknowledges the interconnectedness of the United Nations' (UN) 17 SDGs, having recognized it as a shared blueprint for peace and prosperity for people and the planet. The UN SDGs guide the organization's efforts towards poverty reduction, education, climate change, responsible consumption, disaster preparedness, technological innovation, and institutional partnership. In 2020, the Aboitiz Group became a member of the United Nations Global Compact (UNGC), and is currently a member of the Board of Trustees of UNGC's Global Compact Network Philippines (GCNP).

AboitizPower has direct, significant, and profitable contributions to UN SDG 7 or Affordable and Clean Energy, through its offering and aggressive expansion of Cleanergy and selective building of baseload capacities. As of end-2022, the Company has a total net sellable capacity of 1,249 MW of renewable energy. Moving forward, it intends to continue providing accessible, affordable, and environmentally sustainable energy that accommodates the country's growth aspirations amid post-pandemic recovery.

In its mission to bring down electricity prices for its consumers, AboitizPower wants to exhaust all possible technological avenues. It is currently optimizing energy storage for battery systems, predicting boiler tube leaks in thermal power plants, managing grid risks from vegetation, and improving customer service and account management through data science and artificial intelligence (DSAI).

AboitizPower is submitting its Sustainability Report through the consolidated report that its parent company, AEV, publishes annually. AEV began publishing its Sustainability Report in 2009, being one of the few Philippine publicly-listed companies to publish and submit a report on its sustainability impacts and performances to the SEC.



## Sustainable Finance

Earlier in 2023, Aboitiz Renewables, Inc. (ARI), a subsidiary of AboitizPower, secured a ₱20-bn loan facility with a 10-year maturity from the Land Bank of the Philippines intended for the financing of ongoing and future RE projects. In November 2022, project financing for the construction and development of a 75 MW solar power plant in Cayanga, Bugallon, Pangasinan amounting to ₱3.6 bn was negotiated and executed by PV Sinag Power, Inc., a special purpose vehicle of ARI, with the Bank of the Philippine Islands (BPI). In the first quarter of 2022, AboitizPower also issued fixed-rate retail bonds of up to ₱10 bn which was also utilized for the funding of its RE projects, as well as the early redemption of bonds it issued in 2018. Overall, the Company estimates a price tag of ₱190 bn to achieve its 10-year growth strategy of adding 3,700 MW of renewable sources to its energy capacities by 2030. By then, this will account for a 50:50 balance of Cleanenergy and thermal capacities; crucial to the country's ambition to reduce its carbon emissions while on its path to continued economic growth.

## Corporate Social Responsibility

In fulfilling the triple bottom line framework of “people, planet, and prosperity”, AboitizPower and its business units realize their aspirations to “advance business and communities” through the Aboitiz Group's social development arm, Aboitiz Foundation, Inc. (Aboitiz Foundation). As a partner in nation building, AboitizPower extends educational scholarships, cooperative assistance programs, environmental campaigns, and corporate social responsibility (CSR) activities to its partner communities. Keeping with its framework and aspirations, the Aboitiz Group, via the Aboitiz Foundation, invested a total of ₱155 mn in CSR projects and initiatives to support its partner communities in 2022. Broken down, this consisted of ₱44.6 mn for environmental programs, ₱9.8 mn for enterprise or livelihood programs, ₱45.3 mn for educational programs, and ₱55 mn for other initiatives. Moving towards its “Great Transformation” to a techglomerate, the Aboitiz Group will harness the opportunities brought forth by new technologies and innovations to further elevate the value, scalability, and sustainability of its CSR program projects.

Further taking part in the Philippines' post-pandemic economic recovery, AboitizPower continues to extend assistance to its partner communities through its compliance with Energy Regulations No. 1-94 (ER 1-94). The aforementioned program is a policy under the DOE Act of 1992 and the EPIRA, which stipulates that host communities will get a share of one centavo for every kilowatt-hour (₱0.01/kWh) generated by power plants operating in its area. The funds generated can be used by host beneficiaries for the electrification of areas or households that have no access to power, development, and livelihood programs, as well as reforestation, watershed management, health, and environmental enhancement initiatives.

On April 6, 2020, due to the COVID-19 pandemic, the DOE released Department Circular No. DC2020-04-0008 which repurposed ER 1-94 funds for projects that would help alleviate the COVID-19 situation in the country. AboitizPower successfully downloaded about ₱212 mn-worth of ER 1-94 funds as of the end of 2022 to about 150 host beneficiaries. About ₱575 mn-worth of outstanding ER 1-94 funds was also remitted by the DOE to the Company's beneficiaries. The remitted funds were used by the beneficiaries to build isolation facilities and purchase relief goods, medical supplies or equipment, and COVID-19 testing kits and vaccines.

With the recent amendment to the ER 1-94 guidelines, power generation companies can now directly download the ER 1-94 fund to their host communities. Streamlining the release of funding will ease the process of implementing projects that benefit the host communities. Towards the end of 2019, AboitizPower led its power generation business units to sign memoranda of agreement with their respective beneficiaries for the amended set-up of the ER 1-94.

## Beyond Compliance

### (a) A-Park Program

The A-Park Program is the Aboitiz Group's partnership with the Ramon Aboitiz Foundation Inc., Philippine Business for Social Progress, and the carbon sink program of TSI and TVI as part of the Enhanced National Greening Program of the DENR. As the largest tree growing initiative, it has resulted in the planting of as much as 12 mn trees, with about 300,000 trees planted by team member volunteers all over the archipelago in 2021. Of the 12 mn trees, AboitizPower contributed 5 mn from its own initiatives. Between 2016 to 2022, the Company has planted more than 2.1 mn trees in 3,497 hectares. Further, AboitizPower also supports the A-Park Program through the watershed management and carbon sink programs of its subsidiaries.

(b) Aboitiz Cleanergy Park

The Aboitiz Cleanergy Park, located in Davao City, serves as a sanctuary and safe nesting ground for the critically endangered Hawksbill sea turtles (*Eretmochelys imbricata*), as well as to more than 100 species of endemic and migratory birds, and marine species. The eight-hectare park actively promotes decarbonization in an urban area via habitat conservation and biodiversity management, showcasing a mangrove reforestation site, nursery, and botanical garden for the propagation of 29 native tree species. Since 2014, the park has already released more than 7,470 hatchlings to the sea, planted 16,442 mangroves, and rescued 20 *pawikans*. It has been designated by the DENR as the Pawikan Rescue Center of Davao City.

(c) Cleanergy Center and Energy Education Resource Center

Located at the Makiling-Banahaw Geothermal Complex of APRI, the Cleanergy Center is an educational facility that serves to uphold the Aboitiz Group's advocacy to renewable energy education - the first of its kind in the country. Launched in August 2013, the Center has audiovisual presentations, interactive displays, and a tour of a working geothermal power plant. It has since accommodated close to 56,000 local and foreign visitors.

Meanwhile, the Energy Education Center is a public facility at TSI's Davao baseload power plant that teaches electric power generation via interactive scale models and displays of the Philippine energy sector and various advanced technologies, as well as an overview of the power plant's 300 MW operations. Since it was inaugurated by TSI and the Aboitiz Foundation in May 2016, it has welcomed about 3,500 visitors.

(d) Building Resilient Infrastructure and Communities through Kaibigans (B.R.I.C.K) Hub

The Building Resilient Infrastructure and Communities through Kaibigans (B.R.I.C.K) Hub is a project that produces eco-bricks incorporating ash by-products from our power generation plant and community plastic wastes to the Company's community partners, Barangay Binugao and Inawayan. The ash and plastics are upcycled into high-value pavers and bricks that are nine times stronger than a typical hollow block brick. Aside from providing livelihood opportunities, it also promotes solid waste management, supports resilient infrastructure, and reduces the Company's collective environmental footprint. The project is a collaboration among TSI, Green Antz Builders, Inc., United Kaibigan Multipurpose Cooperative (UKC), and Income Credit Cooperative (ICC).

(e) #BetterTogether Talks

Launched in 2021, the #BetterTogether series was created to improve its team members' knowledge and appreciation of Sustainability and different ESG topics and issues that impact the Company and its stakeholders. In these internal awareness events, AboitizPower President and Chief Executive Office, Manny Rubio, joins as panelist, along with invited external subject matter experts as speakers, to enrich the discussion on the various sustainability concerns. In 2022, the Company discussed several topics which includes the Philippine energy outlook and contribution to Sustainable Development Goals (SDG) number 7, climate justice, diversity, equity, and inclusion (DEI), circular economy and the role of the 17 SDGs.

(f) Other Initiatives

As part of its efforts to reduce carbon emissions and improve climate change resilience, AboitizPower and its subsidiaries took part in many other initiatives. These include the Annual Aboitiz group wide simultaneous tree planting, watershed projects, adoption of protected areas, Adopt-a-River, Adopt-a-Marine Sanctuary, coastal and river clean-ups, and Philippine Eagle Adoption. In addition, AboitizPower has also integrated pollution control devices and new technology and systems that improve its processes and optimize its resources.

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## ANNEX "A" – Explanation of Agenda Items

### EXPLANATION OF AGENDA ITEMS (Including Agenda Items requiring Stockholders' Approval)

**ITEM NO. 1:** The Chairman will formally open the meeting at approximately 1:00 P.M.

**ITEM NO. 2:** **Proof of Notice of Meeting and Determination of Quorum**

**RATIONALE:** *To inform the stockholders that notice requirements for the 2023 Annual Stockholders' Meeting (2023 ASM) have been complied with in accordance with the Company's Amended By-Laws and the Revised Corporation Code of the Philippines, and that quorum exists for the transaction of business.*

The Corporate Secretary will certify the date when notices for the 2023 ASM were sent out to the stockholders of record, including the date of publication and the newspapers where the notice was published. The Corporate Secretary will also certify to the existence of a quorum, as verified and confirmed by the Board of Election Inspectors. Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Voting shall be through proxy or remote communication or in absentia. Pursuant to Article I Sections 4, 5, and 6 of the Company's Amended By-Laws and Sections 23 and 57 of the Revised Corporation Code which allow voting through remote communication or *in absentia*, stockholders may access the link: <https://aboitizpower.com/2023asm> (the "ASM Portal"), to register and vote on the matters at the meeting beginning March 23, 2023. A stockholder voting *in absentia* shall be deemed present for purposes of quorum.

Votes may be cast by registered stockholders until 10:00 a.m. of April 24, 2023, which will be tabulated and presented during the 2023 ASM. Stockholders may still vote after the cut-off, and the final votes received through proxy and through the ASM Portal will be included in the minutes of the 2023 ASM.

The following are the rules and conduct of the procedures for voting and participation in the meeting through remote communication:

1. Stockholders may register at the Company's ASM Portal beginning March 23, 2023 until 10:00 a.m. of April 24, 2023. Only stockholders who registered and voted before the cut-off time will be counted for quorum purposes.
2. Votes cast by registered stockholders until 10:00 a.m. of April 24, 2023 will be tabulated and presented during the 2023 ASM. Stockholders may still vote after the cut-off, and the final total votes received through proxy and through the ASM Portal will be included in the minutes of the 2023 ASM.
3. The conduct of the 2023 ASM will be livestreamed and stockholders may participate in the proceedings through the ASM Portal.
4. Stockholders may send their remarks or questions in advance, or during the meeting, through the ASM Portal. The moderator shall read out the remarks or questions, and direct them to the relevant director or officer.
5. Each of the proposed resolutions for approval will be shown on screen at the time they are being taken up at the meeting.
6. All votes received within the cut-off shall be tabulated by the Office of the Corporate Secretary and the results shall be validated by Luis Cañete & Company, an independent auditing firm which has been appointed as the Board of Election Inspectors.
7. The Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for all items for approval, as of the cut-off time, shall be flashed on the screen.



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**ITEM NO. 3: Reading and Approval of the Minutes of the Annual Stockholders' Meeting held on April 25, 2022**

**RATIONALE:** *To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.*

The minutes of the meeting held on April 25, 2022 were posted at AboitizPower's website, [www.aboitzpower.com](http://www.aboitzpower.com), on April 26, 2022. Copies of the 2022 ASM minutes were made part of the Information Statement and provided to the stockholders.

A resolution approving the minutes of the April 25, 2022 ASM will be presented to the stockholders for approval.

**ITEM NO. 4: Presentation of the President's Report**

**RATIONALE:** *To apprise the stockholders of the Company's operating performance, financial condition, and outlook.*

The Company's President and Chief Executive Officer, Mr. Emmanuel V. Rubio, shall deliver a report to the stockholders on the 2022 operating and financial performance of the Company, as well as its outlook for 2023.

**ITEM NO. 5: Approval of the 2022 Annual Report and Financial Statements**

**RATIONALE:** *To present to the stockholders the results of the Company's operations in 2022, in accordance with Section 74 of the Revised Corporation Code.*

The Company's audited financial statements as of December 31, 2022 is integrated and made part of the Company's Information Statement that will be sent to the stockholders at least 15 business days prior to the 2023 ASM. The Information Statement and the Company's 2022 Annual Report will be posted on the Company's website, at [www.aboitzpower.com](http://www.aboitzpower.com).

A resolution approving the 2022 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

**ITEM NO. 6: Appointment of the Company's External Auditor for 2023**

**RATIONALE:** *To appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse an external auditor for 2023 for the stockholders to appoint.*

The Company's Board Audit Committee endorsed, and the Board of Directors approved for stockholders' consideration the election of Sycip Gorres Velayo & Co. (SGV) as the Company's external auditor for 2023.

The accounting firm of SGV has been AboitizPower's Independent Public Accountant for the last 24 years. Ms. Jhoanna Feliza C. Go is AboitizPower's audit partner from SGV since 2022. AboitizPower complies with the requirement of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

There has been no event in the past 24 years wherein AboitizPower and SGV or its handling partner had any disagreement regarding any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

A resolution for the appointment of the Company's external auditor for 2023, and ratifying the fees paid in 2022 shall be presented to the stockholders for approval.



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**ITEM NO. 7: Election of the Members of the Board of Directors**

**RATIONALE:** *To allow stockholders to elect the Company's Board of Directors in accordance with Section 24 of the Revised Corporation Code and the Company's Amended By-Laws.*

Under the Amended Guidelines for the Nomination and Election of Independent Directors, the period for nominations for Independent Directors started on January 1, 2023 and the table of nominations closed on February 15, 2023, unless the Board Environment, Sustainability and Corporate Governance (ESCG) Committee, acting as the Nomination Committee, unanimously agrees to extend the deadline for meritorious reasons. The stockholders who nominated the Independent and other directors are disclosed in the Information Statement. The ESCG Committee assesses and evaluates the nominees before submitting the final list of qualified nominees to the stockholders for approval. The profiles of all the nominees are (i) disclosed to the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE), and the Philippine Dealing Exchange (PDEX), (ii) included in the Company's Information Statement, and (iii) uploaded in the Company's website for examination by the stockholders.

Article 6 of the Company's Amended Articles of Incorporation provides that the number of directors of AboitizPower shall be nine who are to serve until their successors are elected and qualified as provided in the Company's By-Laws.

A stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected, provided that the total number of votes cast does not exceed his shares in the Company. The nine nominees receiving the highest number of votes will be declared elected as directors of the Company.

**ITEM NO. 8: Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management from April 25, 2022 up to April 24, 2023**

**RATIONALE:** *The acts and resolutions of the Board of Directors, Corporate Officers and Management to be ratified were those taken and adopted during the period since the conclusion of the Company's 2022 ASM last April 25, 2022 until April 24, 2023. These included the approval of contracts and agreements and other transactions in the ordinary course of business. A summary of these acts and resolutions are enumerated in the Information Statement. The Company also regularly discloses material transactions approved by the Board of Directors. These disclosures are available for viewing and download at the Company's website at [www.aboitizpower.com](http://www.aboitizpower.com).*

A resolution ratifying the acts and proceedings of the Board of Directors, Corporate Officers and Management will be presented to the stockholders for approval.

**ITEM NO. 9: Other Business**

The Chairman will open the floor for comments or queries by the stockholders. Stockholders are given the opportunity to address the members of the Board, ask questions, and raise matters which may be properly taken up during the 2023 ASM.

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**ANNEX “B-1” – Certificate of Independent Directors - Eric Ramon O. Recto**

**CERTIFICATION OF INDEPENDENT DIRECTORS**

I, **ERIC RAMON O. RECTO**, Filipino, of legal age, with business address at [REDACTED] after having been duly sworn to in accordance with law do hereby declare that:

1. I am an nominee for Independent Director of Aboitiz Power Corporation (AboitizPower) and have been its independent director since May 21, 2018.
2. I am currently affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
DITO CME Holdings Corp. (formerly: ISM Corporate Corporation)	Director	2005 to present
Q-Tech Alliance Holdings, Inc.	President/Director	2009 to present
Philippine Bank of Communications	Chairman of the Board	2013 to present
Bedfordbury Development Corporation	Chairman of the Board and President	2014 to present
PH Resorts Group Holdings, Inc.	Independent Director	2018 to present
Manila Water Company, Inc.	Independent Director	2018 to present
Miescor Infrastructure Development Corporation	Director	2022 to present
Stonepeak Infrastructure Partners	Senior Adviser	2022 to present
Alphaland Corporation	Chairman of the Board and CEO	2023
Atok-Big Wedge Co., Inc.	Chairman of the Board and CEO	2023

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AboitizPower, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and others SEC issuances.
4. I am not related to any director/officer/sustantial shareholder of AboitizPower and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or admistrative investigation or proceeding.
6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of AboitizPower of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 15<sup>th</sup> of February 2023 at Taguig City, Philippines.

(SGD.)

**ERIC RAMON O. RECTO**

Affiant

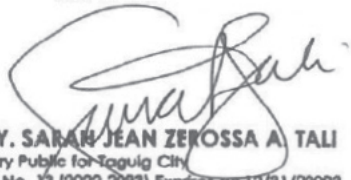
**SUBSCRIBED AND SWORN** to before me this 15<sup>th</sup> of February 2023 at Taguig City, Philippines. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Driver's License No. [REDACTED] issued in LTO NCR, Philippines on August 28, 2019 bearing the affiant's photograph and signature.

Doc. No. 476 :

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Book No. 11 :

Series of 2023.

  
**ATTY. SARAH JEAN ZEROSSA A. TALI**  
Notary Public for Taguig City  
NCC No. 73 (2022-2023) Expires on 12/31/2023  
Unit 1210 High Street South Corporate Plaza Tower 2,  
26th St., Bonifacio Global City, Taguig City  
Roll No. 15379; IBP No. 251941; 20 December 2022; RSM  
PTR No. A-5787991; 01/03/2023; Taguig City  
MCLE No. VII-00009498; 11/17/2022 valid until 4/14/2025

ANNEX “B-2” – Certificate of Independent Directors - Cesar G. Romero

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **CESAR G. ROMERO**, Filipino, of legal age, with residence address at [REDACTED] after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Aboitiz Power Corporation (AboitizPower) and have been its independent director since October 1, 2022.
2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Aboitiz Equity Ventures Inc.	Independent Director	2002 to present
Robinsons Retail Holdings, Inc.	Independent Director	2002 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AboitizPower, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/sustantial shareholder of AboitizPower and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or adimistrative investigation or proceeding.
6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of AboitizPower of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 15<sup>th</sup> of February 2023 at Taguig City, Philippines.

(SGD.)  
**CESAR G. ROMERO**  
Affiant



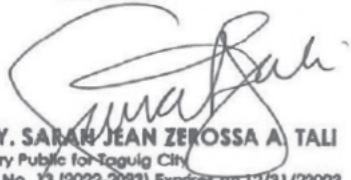
SUBSCRIBED AND SWORN to before me this 15<sup>th</sup> February 2022 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me his Philippine Passport No. [REDACTED] issued at DFA Manila on February 11, 2022.

Doc. No. 474 :

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Book No. 11 :

Series of 2023.



**ATTY. SARAH JEAN ZEROSSA A. TALI**  
Notary Public for Taguig City  
NCC No. 73 (2022-2023) Expires on 12/31/2023  
Unit 1210 High Street South Corporate Plaza Tower 2,  
26th St., Bonifacio Global City, Taguig City  
Roll No. 75379; IBP No. 251941; 20 December 2022; RSM  
PTR No. A-5787991; 01/03/2023; Taguig City  
MCLE No. VII-00009498; 11/17/2022 valid until 4/14/2025

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## ANNEX “C-1” – Summary of Minutes of the 2022 ASM

### SUMMARY OF THE MINUTES OF THE 2021 ANNUAL STOCKHOLDERS’ MEETING

The meeting was called to order on April 25, 2022 at 2:00 p.m. by the Chairman of the Board, Mr. Sabin M. Aboitiz. The Corporate Secretary, Mr. Manuel Alberto R. Colayco, recorded the minutes of the meeting. The Corporate Secretary certified that notices for the 2022 Annual Stockholders’ Meeting of AboitizPower were duly sent out on March 30 and March 31, 2022 to all stockholders of record as of close of business on March 23, 2022. Through the notice, the stockholders were informed that in light of the continuing COVID-19 global pandemic and government-imposed restrictions on mass gathering, the Company will be conducting its 2022 ASM online through live streaming available at the Company’s website. In addition, the notice informed the stockholders that they could cast their votes through proxies or in absentia using the Company’s online voting portal, <https://asm.aboitiz.com/aboitizpower/>. The Corporate Secretary further reported that notices of the meeting were distributed to stockholders through the following: (i) disclosed to the PSE including any amendments thereof; (ii) published in the business section of the Daily Tribune and Manila Times on March 30 and 31, 2022; (iii) uploaded on the Company’s website; (iv) sent to stockholders electronically via email and through private courier beginning March 30, 2022; and (v) broadcasted through the PDTC platform for the stockholders under PCD/Broker accounts.

The Corporate Secretary certified to the existence of a quorum, there being a total of 1,991,470,759 shares participating remotely, via livestream or attending in absentia, and 4,463,205,180 shares represented by proxy, or a total of 6,454,675,939 shares which constitute at least a majority of, or 87.72% of the total outstanding capital stock of 7,358,604,307 entitled to vote, or more than two-thirds (2/3) of the total outstanding shares entitled to vote as of 10:00 a.m.

The Corporate Secretary informed the stockholders that the Company engaged the services of the accounting firm, Luis Cañete & Company as its Board of Election Inspectors to verify, canvass, and validate the shareholder’s vote for the Company’s 2022 ASM.

There were 145 viewers of the live webcast of the 2022 ASM on <https://asm.aboitiz.com/aboitizpower/>. Upon motion duly made and seconded, the minutes of the previous Annual Stockholders’ Meeting last April 26, 2021 was approved.

The body passed the following resolutions:

- 1) Approval of the 2021 Annual Report and Audited Financial Statements
- 2) Appointment of the Company’s External Auditor for 2022
- 3) Election of the Members of the Board of Directors
- 4) Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2021 up to April 25, 2022

After the approval of the proposed resolutions, the meeting was duly adjourned.

A Copy of the Minutes of the 2022 ASM is also available at the Company’s website at: [https://aboitizpower.com/uploads/media/AP-Minutes-2022---\(04-25-22\)-Annual-Stockholders'-Meeting-\(DRAFT\).pdf](https://aboitizpower.com/uploads/media/AP-Minutes-2022---(04-25-22)-Annual-Stockholders'-Meeting-(DRAFT).pdf).



**Minutes of the Annual Stockholders' Meeting  
of  
Aboitiz Power Corporation**

("AboitizPower" or the "Company")

Conducted virtually through a secure Video Conference Facility through:

<https://asm.aboitiz.com/aboitizpower/>

on

25 April 2022 at 1400H

**Stockholders Present:**

Total No. of Shares Outstanding	7,358,604,307
Total No. of Shares of Stockholders represented by Proxy	4,463,205,180
Percentage of Shares of Stockholders represented by Proxy	60.65%
Total No. of Shares of Stockholders present through Remote Communication (Livestream) or in <i>Absentia</i>	1,991,470,759
Percentage of Shares of Stockholders present through Remote Communication (Livestream) or in <i>Absentia</i>	27.06%
Total No. of Shares Represented by Proxy, Present through Remote Communication (livestream), and Voting in <i>Absentia</i>	6,454,675,939
Percentage of Shares Represented by Proxy, Present through Remote Communication (livestream), and Voting in <i>Absentia</i>	87.72%
Total No. of Shares Not Represented	903,928,368
Percentage of Shares Not Represented	12.28%

**Directors Present:**

Name	Designation
Sabin M. Aboitiz	Chairman of the Board/Member, Board Environmental, Social, and Corporate Governance (ESCG) Committee, Board Risk and Reputation Management Committee, Board Executive Committee, and Board Cyber and Information Security Committee
Luis Miguel O. Aboitiz	Vice Chairman of the Board/Member, Board ESCG Committee, Board Audit Committee, Board Executive Committee, and Board Cyber and Information Security Committee
Emmanuel V. Rubio	Director/President and Chief Executive Officer/Member, Board Risk and Reputation Management Committee/Chairman, Board Executive Committee
Toshiro Kudama	Director/Member, Board Risk and Reputation Management Committee, Board Executive Committee

\*Shares represented by proxies exclude those represented by proxies that are submitted beyond the deadline of April 18, 2022.

Name	Designation
Danel C. Aboitiz	Director/Member, Board Audit Committee, and Board Executive Committee
Edwin R. Bautista	Director
Raphael P.M. Lotilla	Lead Independent Director/Chairman, Board ESCG/Member, Board Audit Committee, Board Risk and Reputation Management Committee, and Board Related Party Transaction (RPT) Committee
Eric Ramon O. Recto	Independent Director/Chairman, Board RPT Committee and Board Cyber and Information Security Committee/Member, Board ESCG Committee, Board Audit Committee, and Board Risk and Reputation Management Committee

\*Shares represented by proxies exclude those represented by proxies that are submitted beyond the deadline of April 18, 2022.

The list of Company officers present and other attendees during the meeting is attached as **Annex "A"**.

Before the official start of the meeting, Mr. Francisco Victor Salas, the Company's Investor Relations Officer, read the House Rules and Procedures for Voting for the 2022 Annual Stockholders Meeting (ASM), as follows:

1. Stockholders who registered through the Company's ASM Portal at <https://asm.aboitiz.com/aboitizpower/> (the "ASM Portal") may participate and vote in the ASM;
2. For proper order, the moderator will read out questions and comments received before the cut-off during the question-and-answer (Q&A) session scheduled at the end of the meeting. Questions that were not taken up during the meeting may be directed to the Company representatives whose details were flashed on the screen;
3. The language of the proposed resolutions and the number of votes received for each agenda item will be shown on the screen;
4. Voting in *absentia* through the Company's ASM Portal will remain open until the end of the meeting. For purposes of presentation, votes received through proxy and votes cast through the voting portal as of 10:00 a.m. on April 25, 2022 will be shown for each relevant agenda item;
5. The final results of the votes cast will be reflected in the minutes of the 2022 ASM which will be posted on the Company's website on April 26, 2022.
6. The proceedings of the 2022 ASM will be recorded.

## I. CALL TO ORDER

Mr. Sabin M. Aboitiz, Chairman of the Board of Directors, acted as Chairman of the 2022 ASM pursuant to the authority granted by the Board of Directors. The Corporate Secretary, Mr. Manuel Alberto R. Colayco (MAC), recorded the minutes of the meeting.

The Chairman of the Meeting explained that in light of the COVID-19 pandemic, for the 3<sup>rd</sup> consecutive year, the Company is holding its 2022 ASM virtually as a prudent measure to protect the health and safety of its stockholders and as part of the Company's sustainability initiatives.

## II. PROOF OF NOTICE OF MEETING

The Corporate Secretary certified that notices for the 2022 ASM were distributed to stockholders as follows: (i) disclosed to the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE), and Philippine Depository & Trust Corporation (PDTC) (ii) uploaded on the Company's website, and (iii) published in the business sections of 2 newspapers of general circulation, Manila Times and Daily Tribune, on March 30 and 31, 2022, in print and online format.

As an additional measure, Quick Response (QR) code of the Notice and Agenda together with the Company's Definitive Information Statement were sent to stockholders electronically and through private courier beginning March 30, 2022.



The Corporate Secretary certified that the Notice and Agenda were sent out at least 21 days prior to the ASM, in accordance with the requirements of the Revised Corporation Code and relevant SEC regulations. The Notice informed stockholders that the Company would not conduct a physical annual stockholders meeting. Instead, the 2022 ASM will be streamed live from the Company's principal address in Taguig City. Stockholders were also notified that if they wish to cast their votes, they may vote through Proxy or in absentia through the ASM Portal. The Stockholders were also informed of the rationale for each Agenda Item that will be put to a vote during the 2022 ASM. MAC also informed the stockholders attending the meeting that they could still cast their votes online until the adjournment of the meeting.

### III. DETERMINATION OF QUORUM

Upon the Chairman's request, the Corporate Secretary certified that, as of 10:00 a.m., there was a quorum to conduct business, there being a total Four Billion Four Hundred Sixty-Three Million Two Hundred Five Thousand One Hundred Eighty (4,463,205,180) shares represented by proxy, One Billion Nine Hundred Ninety One Million Four Hundred Seventy Thousand Seven Hundred Fifty-Nine (1,991,470,759) shares attending through remote communication or livestream, or attending in *absentia*, or a total of Six Billion Four Hundred Fifty Four Million Six Hundred Seventy Five Thousand Nine Hundred Thirty-Nine (6,454,675,939) shares entitled to vote. The shares constituted 87.72% of the Company's total outstanding shares of Seven Billion Three Hundred Fifty-Eight Million Six Hundred Four Thousand Three Hundred Seven (7,358,604,307) entitled to vote, which is more than 2/3 of the Company's total outstanding shares entitled to vote.

The Corporate Secretary informed the stockholders that the Company engaged the services of the accounting firm Luis Cañete & Company as its Board of Election Inspectors to tally, canvass, and validate the proxies received, as well as the shareholders' votes for the Company's 2022 ASM.

There were 145 attendees of the live webcast of the 2022 ASM through the Company's ASM Platform, <https://asm.aboitiz.com/aboitizpower/>.

### IV. READING AND APPROVAL OF THE MINUTES OF THE PREVIOUS STOCKHOLDERS' MEETING HELD ON APRIL 26, 2021

The Chairman proceeded to the next item in the agenda, which was the reading and approval of the minutes of the previous stockholders' meeting on April 26, 2021. Upon motion duly made and seconded, the reading of the minutes of the previous stockholders' meeting dated April 26, 2021 was dispensed with and the stockholders approved the minutes of the previous stockholders' meeting.

Upon motion duly made and seconded, the stockholders approved the following resolutions:

**ASM Resolution No. 2020-1**

**"RESOLVED**, that the stockholders of Aboitiz Power Corporation (the "Company") approve, as they hereby approve, the minutes of the Annual Stockholders Meeting Report held last April 26, 2021."

The Corporate Secretary recorded the following votes for this item, the results of which were verified by the representatives from Luis Cañete & Company.

Vote	Number of Votes (One Share-One vote)	Percentage of shares represented
In favor	6,454,675,939	100.00%
Against	0	0%
Abstain	0	0%
<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>

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The voting process complied with the one-share, one-vote and cumulative voting requirements under the Revised Corporation Code. The votes submitted through proxy documents were counted and added to the votes of the stockholders in *absentia* through the online voting portal.

## V. PRESENTATION OF THE PRESIDENT'S REPORT

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Mr. Emmanuel V. Rubio (EVR), the Company's President and Chief Executive Officer, presented his prerecorded report to the stockholders. EVR informed the stockholders that questions will be entertained during the Q&A portion at the end of the meeting. The President's report covered the highlights of the Company's financial and operating results for the year 2021, specifically on the following matters:

- 5.1 Financial Highlights for 2021;
- 5.2 Dividend Policy and Stock Performance;
- 5.3 Operating Results, Highlights, and Outlook of the Company's Key Subsidiaries;
- 5.4 Digital Leap;
- 5.5 Risk Management and Risk Maturity Index;
- 5.6 Capital Expenditure;
- 5.7 Environmental Social, and Governance Performance and Sustainability Initiatives; and
- 5.8 Tribute to Outgoing Director and Welcome to Incoming Directors.

*(A copy of the President's report to the stockholders is attached to the minutes and made an integral part of the minutes of the Annual Stockholders' Meeting. The presentation materials have also been uploaded on the Company's website.)*

## VI. APPROVAL OF THE 2021 ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

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The Chairman informed the stockholders that the next item on the agenda was the approval of the Company's Annual Report and its Audited Financial Statements as of and for the year ended December 31, 2021.

MAC certified that the Company's Annual Report and its Audited Financial Statements were included in (i) the Definitive Information Statement that was uploaded to the Company's website and disclosed to the SEC, PSE, and PDTC on March 30, 2022, and (ii) the 2021 Annual Report (SEC Form 17-A) that was uploaded to the Company's website and disclosed to the SEC, PSE, and PDTC on April 13, 2022. As an added measure, a QR code of the Definitive Information Statement was also published in two newspapers of general circulation.

The Corporate Secretary certified that the following information were included in the Company's 2021 Annual Report and Information Statements:

- a) the draft minutes of the 2021 Annual Stockholders Meeting;
- b) the security ownership of the Company's top 20 stockholders, as well as security ownership of its directors and officers;
- c) the attestation and verification from the Company's President and Internal Audit Head that its systems of risk management, internal controls, and compliance and governance processes provide reasonable assurance that the Company's risks are managed to an acceptable level;
- d) the Company's audited financial statements for the period as of and for the period ending December 31, 2021, as audited by the Company's independent external auditor, SyCip Gorres Velayo & Co. (SGV);
- e) dividends declared and paid for by the Company, for the past three years, as well as the Company's dividend policy;
- f) a statement on the external audit and non-audit fees;
- g) the profiles of the Company's directors and officers, as well as the profiles of nominees to be elected to the Board of Directors. Their profiles include their qualifications, experience, length of service in the Company, educational background, and their board and committee membership in the Company and in other organizations, including other listed companies or government positions, if any;

- h) the attendance report for the Company's directors, indicating their attendance at each Board meeting, committee meeting, and special or regular stockholder meetings;
- i) the appraisal and performance reports for the member of the Board and the criteria and procedure for assessment;
- j) a report on the annual compensation of each director, as well as the aggregate compensation of the President/Chief Executive Officer, and the Company's top four most highly compensated officers; and
- k) disclosures on related party transactions, including dealings with directors.

Upon motion duly made and seconded, the stockholders approved the following resolutions:

**ASM Resolution No. 2022-2**

**"RESOLVED**, that the stockholders of Aboitiz Power Corporation (the "Company") approve, as they hereby approve, the 2021 Annual Report and Audited Financial Statements of the Company as of December 31, 2021."

Upon the Chairman's request, the Corporate Secretary recorded the following votes for this agenda item and as witnessed and verified by the representatives from Luis Cañete Company.

Vote	Number of Votes (One Share-One vote)	Percentage of shares represented
In favor	6,454,679,939	99.98%
Against	0	0%
Abstain	0	0.02%
<b>Total</b>	<b>6,454,679,939</b>	<b>100.00%</b>

The voting process complied with the principles of one-share, one-vote, and cumulative voting requirements under the Revised Corporation Code. Based on the Requirements and Procedures for Voting in the 2022 ASM, the votes submitted through proxy documents were counted and added to the votes of the stockholders in absentia through the online voting portal.

**VII. APPOINTMENT OF THE COMPANY'S EXTERNAL AUDITOR FOR 2022**

The Chairman explained to the stockholders that, after deliberation and evaluation, the Board Audit Committee of the Company recommended the appointment of SGV as the Company's external auditors for 2022. The Chairman advised the stockholders that the Board Audit Committee, after its evaluation of SGV's services, was satisfied with SGV's performance as the Company's external auditors. On behalf of the Board of Directors of the Company, the Chairman endorsed to the stockholders for approval the appointment of SGV as the Company's external auditor for the year 2022.

Upon motion made and duly seconded, the following resolution was approved by the stockholders:

**ASM Resolution No. 2022-3**

**"RESOLVED**, that the stockholders of Aboitiz Power Corporation (the "Company") approve, as they hereby approve, the appointment of SyCip Gorres Velayo & Co. as the Company's external auditor for the year 2022 based on recommendation of the Board Audit Committee and the Board of Directors."

The Corporate Secretary recorded the following votes for this item, the results of which were verified by the representatives from Luis Cañete & Company.

Vote	Number of Votes (One Share-One vote)	Percentage of shares represented
In favor	6,451,708,739	99.95%
Against	2,967,200	0.05%
Abstain	0	0.00%
<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>

The voting process complied with the principles of one-share, one-vote, and cumulative voting requirements under the Revised Corporation Code. Based on the Requirements and Procedures for Voting in the 2022 ASM, the votes submitted through proxy documents were counted and added to the votes of the stockholders in absentia through the online voting portal.

### VIII. ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Chairman announced that the next order of the business was the election of the members of the Board of Directors for the year 2022-2023. He called on the Corporate Secretary to explain the procedure for the nomination and election of directors.

The Corporate Secretary reiterated the basis for the nomination of directors under Article I, Section 7 of the Company's Amended By-Laws. The By-Laws state that:

*"Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the Annual Meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law."*

The Corporate Secretary reported that the deadline to nominate candidates to the Board of Directors was on March 31, 2022, and that all stockholders have been given the opportunity to submit their nominees for membership to the Board of Directors. He said that since it was already past the deadline, nominations for directors would not be allowed to be made on the floor.

As for the nomination of the independent directors, the Corporate Secretary explained that the Amended Guidelines for the Nomination and Election of Independent Directors state that:

*"Nominations for independent directors are accepted from all stockholders starting January 1 up to February 15 of the year in which such nominee director is to serve."*

The Corporate Secretary advised the body that the stockholders who nominated the independent and other directors were disclosed in the Company's latest Definitive Information Statement, which was previously distributed to all stockholders through a disclosure to the PSE and PDTC on March 29, 2022, and uploaded to the Company's website. A QR code of the Definitive Information Statement was also published in two newspapers of general circulation.

He further reiterated that (a) directors are elected at each annual stockholders' meeting by stockholders entitled to vote; and (b) each director holds office until the next annual election, or for a term of one (1) year and until his successor is duly elected, or unless he resigns, dies or is removed prior to such election.



The Corporate Secretary reported that after proper screening and approval by the Board ESCG Committee, in its capacity as the Nomination and Compensation Committee, the following were determined to be qualified for nomination as members of the Board of Directors of the Company:

Mr. Sabin M. Aboitiz  
 Mr. Luis Miguel O. Aboitiz  
 Mr. Emmanuel V. Rubio  
 Mr. Edwin R. Bautista  
 Mr. Danel C. Aboitiz  
 Mr. Toshiro Kudama  
 Mr. Satoshi Yajima  
 Mr. Raphael P.M. Lotilla (*Independent Director*)  
 Mr. Eric Ramon O. Recto (*Independent Director*)

The Corporate Secretary advised the stockholders that the profiles of the nominees to the Board of Directors were part of the Definitive Information Statement which were uploaded to the Company's website and distributed to the stockholders through disclosures to the PSE and PDTC on March 29, 2022. As an added measure, a QR code of the Definitive Information Statement was also published in two newspapers of general circulation.

Upon motion duly made and seconded, the stockholders moved to elect the nine (9) nominees as directors of the Company for the year 2022-2023. Since no objection was made the motion was carried and all the nine (9) nominees were elected as directors based on votes of stockholders represented in person and by proxy.

The Chairman announced that the nine (9) named nominees have been duly elected as members of the Board of Directors to serve for a term of one (1) year until their successors will have been qualified and elected. He requested the Corporate Secretary to record the votes for this agenda item.

The following were the votes on the directors as verified by Luis Cañete & Company.

Name of Director		Number of Votes	Percentage of shares represented
Mr. Sabin M. Aboitiz	In favor	6,310,265,790	97.76%
	Abstain	144,863,367	2.24%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>
Mr. Luis Miguel O. Aboitiz	In favor	6,309,977,590	97.76%
	Abstain	145,151,567	2.25%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>
Mr. Emmanuel V. Rubio	In favor	6,450,495,691	99.94%
	Abstain	3,953,639	0.06%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>
Mr. Edwin R. Bautista	In favor	6,317,995,857	97.88%
	Abstain	136,453,473	2.11%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>
Mr. Danel C. Aboitiz	In favor	6,311,504,190	97.78%
	Abstain	143,624,967	2.23%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>
Mr. Toshiro Kudama	In favor	6,318,004,165	97.88%
	Abstain	136,445,165	2.11%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>

Name of Director	Vote	Number of Votes	Percentage of shares represented
Mr. Satoshi Yajima	In favor	6,318,460,765	97.89%
	Abstain	135,988,565	2.11%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>
Mr. Raphael P.M. Lotilla (Independent Director)	In favor	6,410,639,291	99.32%
	Abstain	43,810,039	0.68%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>
Mr. Eric Ramon O. Recto (Independent Director)	In favor	6,438,995,988	99.76%
	Abstain	15,453,342	0.24%
	<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>

The voting process complied with the principles of one-share, one vote, and cumulative voting requirements under the Revised Corporation Code. Based on the Requirements and Procedures for Voting in the 2022 ASM, the votes submitted through proxy documents were counted and added to the votes of the stockholders in absentia through the online voting portal.

On behalf of the other directors, the Chairman thanked the stockholders for their trust and confidence in electing them as members of the Board of Directors of the Company.

#### **IX. RATIFICATION OF THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, CORPORATE OFFICERS AND MANAGEMENT IN 2021 UP TO APRIL 25, 2022**

The Chairman informed the stockholders that the next item on the agenda was the ratification of all corporate acts, resolutions, business judgments, management proceedings, any and all succession, compensation, management, and performance-related decisions entered into or done by the Board of Directors, Corporate Officers and Management in the exercise of their duties for the year 2021, including all acts up to April 25, 2022.

The Corporate Secretary explained to the stockholders that the acts, resolutions and proceedings requested to be ratified are the regular corporate acts performed by the Board, Officers and Management in the ordinary course of the Company's business and that a list of resolutions approved by the Board of Directors for the period covered have been enumerated in the Definitive Information Statements distributed to the stockholders ahead of the meeting. In addition, the Company has regularly disclosed material transactions approved by the Board of Directors, which are available for viewing and download at the Company's website and at [pse.edge.com.ph](http://pse.edge.com.ph).

Upon motion duly made and seconded, the stockholders approved the following resolution:

#### **ASM Resolution No. 2022-5**

**"RESOLVED**, that the stockholders of Aboitiz Power Corporation (the "Company") approve, ratify and confirm, as they hereby approve, ratify and confirm, corporate acts, resolutions, business judgments, management proceedings, any and all succession, compensation and management, and performance-related decisions entered into or done by the Board of Directors, Corporate Officers and Management of the Company for the past year 2021, including all acts up to April 25, 2022."

The Corporate Secretary recorded the following votes for this item, the results of which were verified by the representatives from Luis Cañete & Company.

Vote	Number of Votes (One Share-One vote)	Percentage of shares represented
In favor	6,454,455,839	100.00%
Against	220,100	0.00%
Abstain	0	0.02%
<b>Total</b>	<b>6,454,675,939</b>	<b>100.00%</b>

The voting process complied with the principles of one-share, one-vote, and cumulative voting requirements under the Revised Corporation Code. Based on the Requirements and Procedures for Voting in the 2022 ASM, the votes submitted through proxy documents were counted and added to the votes of the stockholders in absentia through the online voting portal.

## XI. OTHER BUSINESS AND ADJOURNMENT

The Chairman then asked the stockholders if there were any matters they wished to raise.

The moderator of the meeting, Mr. Francis Victor G. Santos, Investor Relations Officer, read out questions submitted by stockholders through the Company's ASM Platform:

### Question #1: Addressed to EVR

***We heard in the news that the country has been recently experiencing yellow alerts. Does this mean we will experience brown outs?***

EVR confirmed that in the past few months, there have been NGCP alerts for both the Luzon and Visayas Grids. However, as the country's economy recovers and reopens once again, and assuming that the recent surge in Covid cases does not merit another economic shutdown, plus considering election-related demand, the Company expects the tight power supply situation will continue, and become tighter still in 2023 and onwards. To meet the current existing critical market needs - on AboitizPower's generation side, the Company is making sure that its existing baseload facilities are working smoothly, efficiently and effectively. It is also anticipating that new capacity will come in late 2025 or 2026. Amidst this evolving supply and demand situation, which includes the impact of the Department of Energy's (DOE) moratorium on the building of new coal plants, the Company expects its GNPowr Dinginin Ltd. Co. (GNPD) units to play a significant role in addressing supply gaps and meeting critical market needs. Unit 1 will help address 2022 peak demand while Unit 2 will help address 2023 peak demand. For baseload, we are shifting our focus to gas. Through the strategic partnership with JERA Co, Inc. (JERA) and Asia Pte. Ltd. (JERA Asia), AboitizPower continues to explore new pathways to decarbonization and the potential joint development of LNG-to-Power projects.

To help alleviate the situation, he enjoined consumers to practice energy efficiency, especially with the looming power crisis in Luzon and Visayas. Little things such as turning off unnecessary lights and unplugging unused appliances can go a long way, and come at no cost as well.

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#### Question #2: Addressed to EVR

***On March 3, Pres. Duterte signed an EO that includes nuclear power as an option in the Philippines' energy mix as the country phases out coal-fired power plants in order to meet climate goals. Will AP be participating in this move to nuclear? What is AP's position on the Executive Order on Nuclear Power?***

EVR believes that the country should continue exploring every available technology that will ensure supply of reliable, cost competitive and sustainable energy over different planning horizons. The Company supports the executive order, sees it as an opportunity, and is open to participating in crafting the policies and provisions for the road map in developing nuclear energy as a long-term source of power. He added that it goes without saying that it is important that any framework that will be put in place should be aligned with provisions in the Electric Power Industry Reform Act (EPIRA) of 2001. At the end of the day, additional power sources for the country will ultimately benefit our customers

#### Question #3: Addressed to EVR

***Does AP have a Net-Zero commitment? If not, does it plan to have one?***

EVR responded that the Company has been considering this shared societal goal deeply and thoroughly. But for it to be able to make this commitment, the Company needs to understand first what it will look like for a business like AboitizPower and how it will impact its customers, its communities, and the country. A simple and one-size-fits-all approach to the energy transition will not work, thus the Company believes in taking a well-calculated and long-term approach towards decarbonization or net-zero.

He explained that the shift needs to be well managed and will happen over decades, and only if all sectors of our society work together. The Philippines will need all forms of energy to sustain the way of life of Filipinos and fuel the much-needed economic progress of the country. The Company recognizes that it is an integral part of this transition and wants to contribute significantly to reach net-zero emissions. This is evidenced by AboitizPower's aggressive focus on renewable energy (RE) growth in this decade.

The Company has allocated Ph 190 billion for an additional 3,700 MW of RE capacity. This will allow the Company to hit the 4,600 MW goal in the next 10 years. To grow RE above and beyond the Company's 2030 ambition, and to begin reducing AboitizPower's CO2 emissions, it is looking for ways to displace fossil fuel burning baseload power with zero-emissions power generation technologies.

Last month, AboitizPower entered into an agreement with the International Finance Corporation (IFC) to study how it can generate baseload power from a combination of different renewable energy sources and energy storage. The Company's focus right now is to find a technically and commercially feasible solution tailored specifically for the Philippines.

#### Question #4: Addressed to EVR

***What happened to your plans to go international?***

EVR responded that AboitizPower continues to be on the lookout for opportunities to grow internationally, particularly in high-growth geographic markets with acceptable regulatory environments that are also aligned with the Company's risk appetite.



**Question #5: Addressed to EVR**

***Congratulations on the recent inclusion of AP on PSE's dividend yield index. May I know how this benefits me as an investor and the investing public?***

EVR advised the shareholders that this is good for both the investing public, as well as for the companies included in the index. This index focuses on companies that consistently give high-yielding dividends. The 20 companies in this index were selected by the Philippine Stock Exchange, based on liquidity, free float, financials, and three-year average dividend yield performance. This index provides additional tools to track market performance. It also offers an alternative index that may be used as a benchmark for new funds.

What's good for both investors - as well as the included companies - is that the inclusion in this index may potentially generate additional liquidity for AboitizPower.

Mr. Salas explained that there were a number of questions sent by shareholders and attendees to which the Company will respond separately via email. He also invited the stockholders to direct their queries to the Company's representatives for depending on their queries and concerns, and flashed their contact details on the screen.

The Chairman then asked the Corporate Secretary to flash on the screen the votes cast by the stockholders for each agenda item approved, including the votes cast in the election of directors.

Since there were no other matters, upon motion duly made and seconded, the meeting was adjourned.

The next Annual Stockholders' Meeting has been scheduled for April 24, 2023.

**MANUEL ALBERTO R. COLAYCO**  
Corporate Secretary

*ATTESTED:*

**EMMANUEL V. RUBIO**  
Chairman of the Meeting/  
President and Chief Executive Officer

*NOTED:*

**LUIS CAÑETE**  
Board of Election Inspector, Luis Cañete & Company

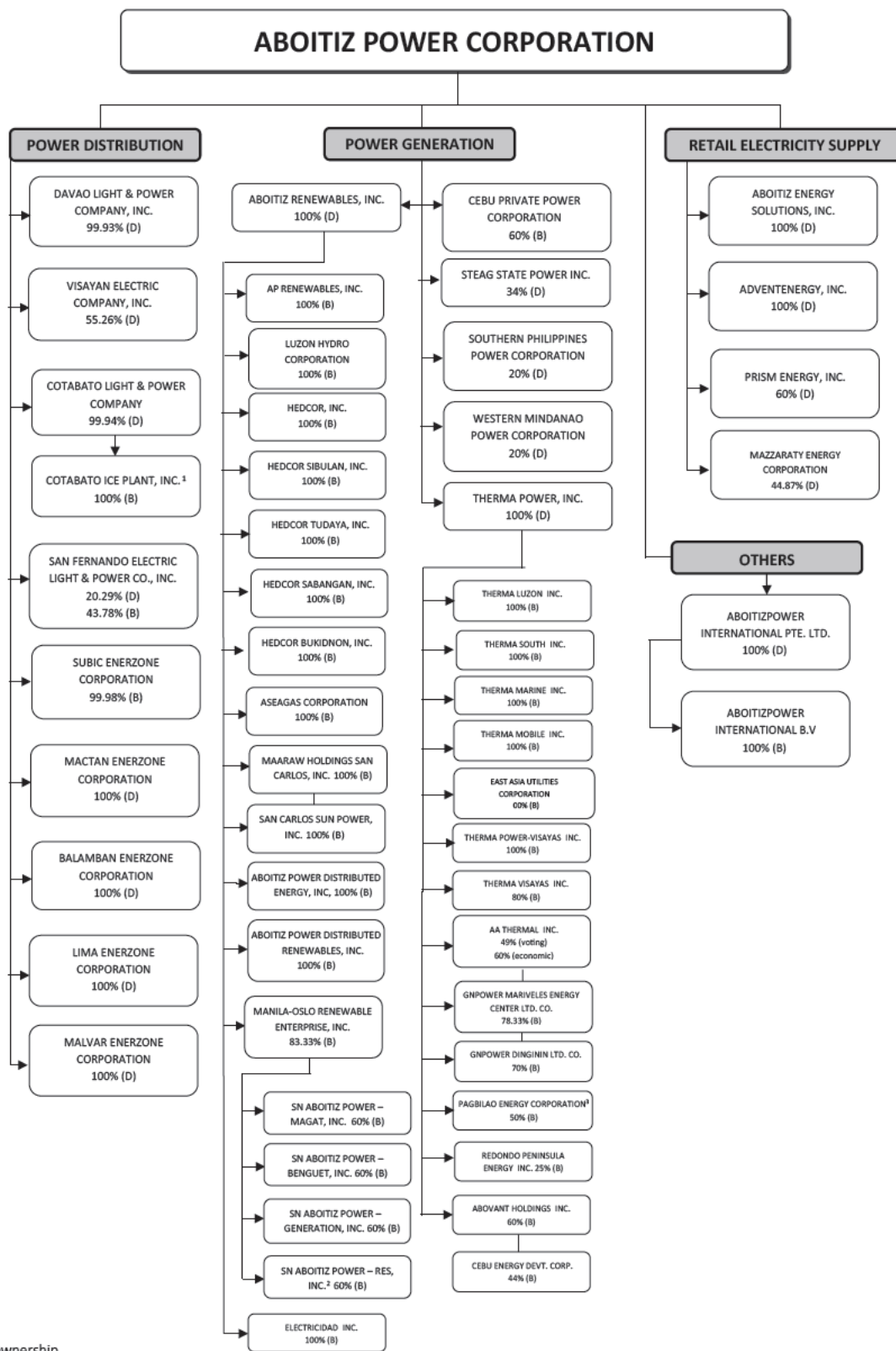
**NOEL PETER CAÑETE**  
Board of Election Inspector, Luis Cañete & Company

**Officers Present:**

Liza Luv T. Montelibano	-	Senior Vice President/Chief Financial Officer/Corporate Information Officer
Maria Veronica C. So	-	Group Treasurer
Francisco Victor G. Salas	-	Investor Relations
Monalisa C. Dimalanta	-	Compliance Officer
Mailene M. de la Torre	-	Assistant Corporate Secretary
Sammy Dave A. Santos	-	Assistant Corporate Secretary
Anton Mari G. Perdices	-	SVP and COO, Distribution Business Group
Alexander B. Coo	-	President and COO, Renewable Power Generation Group
Celso C. Caballero III	-	President and COO, Coal Business Unit
Maria Racquel J. Bustamante	-	Chief Finance Officer, Generation Group
James Arnold D. Villaroman	-	Chief Strategy Officer
Myla G. Espineda	-	VP for Finance

**Others:**

Maria Veronica Andresa R. Pore	-	Audit Partner for 2021, Sycip Gorres Velayo & Co.
Jhoanna Feliza C. Go	-	External Auditor for 2021, Sycip Gorres Velayo & Co.
Maria Vivian C. Ruiz	-	External Auditor for 2021, Sycip Gorres Velayo & Co.
Martin C. Guantes	-	External Auditor for 2021, Sycip Gorres Velayo & Co.
Genghis O. Gorospe	-	External Auditor for 2021, Sycip Gorres Velayo & Co.
Frecy Catadman	-	External Auditor for 2021, Sycip Gorres Velayo & Co.
Mary Jane A. Claveria	-	External Auditor for 2021, Sycip Gorres Velayo & Co.
Wilson P. Tan	-	External Auditor for 2021, Sycip Gorres Velayo & Co.
Luis Cañete	-	Board Election Inspector, Luis Cañete & Company
Noel Peter Cañete	-	Board Election Inspector, Luis Cañete & Company
Michael C. Capoy	-	Stock Transfer Service Inc., Stock and Transfer Agent
Novelyn S. Pabalan	-	Stock Transfer Service Inc., Stock and Transfer Agent
Joel Cortez	-	Stock Transfer Service Inc., Stock and Transfer Agent
Ivy Manalang	-	Manager - Investor Relations
Marvin De Torres	-	Officer - Investor Relations
Marinel Mangubat	-	Shareholder Relations Officer



**Legend:**  
 B – Beneficial Ownership  
 D – Direct Ownership

<sup>1</sup> Other services  
<sup>2</sup> Engages in Retail Electricity Supply Business  
<sup>3</sup> Joint operations

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## ANNEX “E” – Requirements and Procedure for Voting and Participation in the 2023 ASM

### Requirements and Procedures for Voting and Participation in the 2023 Annual Stockholders’ Meeting (ASM) of Aboitiz Power Corporation (the “Company”)

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The Company will conduct a virtual ASM on April 24, 2023, Monday at 1:00 p.m. (“The 2023 ASM”). The meeting will be conducted via livestream at the link provided in the Company’s website at <https://aboitizpower.com/2023asm> (the “ASM Portal”) beginning on March 23, 2023.

Stockholders of record as of March 21, 2023 are entitled to participate and vote in the 2023 ASM.

The following procedures and requirements provide the ways in which the Company’s stockholders can participate and vote in the 2023 ASM.

#### I. VOTING BY PROXY

1. *For Individual stockholders holding certificated shares in the Company* - Download the file [Proxy Form for Individual Stockholder](#). For the Special Power of Attorney (“SPA”), refer to the Sample SPA uploaded in the ASM Portal.
2. *For stockholders holding ‘scripless’ shares, or shares held under a PCD Participant/Broker* - Download the file [Proxy Form for PCD Participant/Broker](#). Stockholders must coordinate with their brokers for the execution of this type of proxy. A stockholder may instruct his broker to directly send a scanned copy of the executed proxy to the Company, or he may send the scanned copy of the executed proxy.
3. *For Corporate Stockholders* - Download the file [Proxy Form for Corporate Stockholder](#). For the secretary’s certificate, refer to the Sample Secretary’s Certificate in the SSM Portal.
4. General instructions on Voting through Proxy:
  - (a) Download and fill up the appropriate Proxy Form. The Chairman of the meeting, by default, is authorized to cast the votes pursuant to the instructions in the proxy.
  - (b) Send a scanned copy of the executed proxy through email to [AP\\_BoardSecretariat@aboitiz.com](mailto:AP_BoardSecretariat@aboitiz.com).
  - (c) Deadline for the submission of proxies is on April 17, 2023, to give time for the Proxy Validation.

Committee to review and validate the proxies received in accordance with the Company’s Amended By-Laws.

#### II. ELECTRONIC VOTING OR VOTING IN ABSENTIA

1. Instead of voting by proxy, stockholders may choose to vote for the matters set out in the Agenda for the 2023 ASM (including casting votes in the election of directors) through the online voting platform available at the SSM Portal. Votes cast until 10:00 a.m. on April 24, 2023 will be tabulated and presented during the 2023 ASM. Stockholders may still vote after the cut-off time, and the final votes received through proxy and through the ASM Portal after the adjournment of the meeting will be included in the minutes of the 2023 ASM. Stockholders must provide the information required and upload the documents needed to complete their registration and to cast their votes, which are then subject to verification and validation by the Office of the Corporate Secretary.



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2. Stockholders will need the following documents to register at the online voting platform:
- (a) Individual Stockholders
    - i. Valid email address and active contact number (landline or cellphone);
    - ii. Any valid government-issued identification card (ID);
    - iii. Any valid stock certificate issued by the Company in the name of the individual stockholder, or stock certificate number that matches with the name provided in the registration form, if such stock certificate is lost.
  - (b) Stockholders with Joint Accounts
    - i. An authorization letter signed by other stockholders indicating the person among them authorized to cast the votes;
    - ii. Documents required under Items 2.a.(i) and 2.a.(ii) for the authorized stockholder; and
    - iii. Any valid stock certificate issued by the Company in the name of the joint stockholders, or stock certificate number that matches with the name provided in the registration form, if such stock certificate is lost.
  - (c) Stockholder under PCD Participant/Brokers Account or “Scripless Shares”
    - i. Coordinate with the broker, and request for your broker’s full account name and PDTC broker identification number or account number they provided to PDTC and/or the Company; and
    - ii. Items 2.a.(i) and 2.a.(ii) above.
  - (d) Corporate Stockholders
    - i. Secretary’s certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
    - ii. Any valid stock certificate in the name of the corporate stockholder; and
    - iii. Documents required under Items 2.a.(i) and 2.a.(ii) above for the authorized representative.
3. The ASM Portal contains the Agenda items for approval as set out in the Notice and Agenda for the 2023 ASM.
- (a) For items other than the election of directors, stockholders have the option to vote: In Favor of, Against, or Abstain.
  - (b) For the election of Directors, stockholders have the option to vote his shares for all nominees, not vote for any nominees, or vote for one or some nominees only, in such number of shares as the stockholder prefers, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The system will automatically compute the total number of votes the stockholder is allowed to cast, based on the number of shares he owns.
  - (c) Once the stockholder finalizes his votes, he can proceed to submit the accomplished form by clicking the ‘Submit’ button.
  - (d) After the ballot has been submitted, the stockholder may no longer change his/her vote.
4. Thereafter, the Office of the Corporate Secretary will send a confirmation email to the stockholder once his/her account has been verified and his/her vote has been recorded.

If the registration cannot be verified due to lacking, incomplete, or unreadable documents or information, the stockholder will be notified through a system-generated email from the ASM Portal. The Company shall send a subsequent email to inform the stockholder of the actions or documentations needed to complete the registration. Stockholders may contact [AP\\_BoardSecretariat@aboitiz.com](mailto:AP_BoardSecretariat@aboitiz.com) for queries regarding the online voting and registration.

If the account of a stockholder cannot be verified, then the votes cast by the non-verified stockholder shall not be recorded.

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5. The Office of the Corporate Secretary shall tabulate all valid and confirmed votes cast through the ASM Portal, together with the votes cast through proxies. The Board of Election Inspectors will thereafter validate the results.
  6. Votes cast until 10:00 a.m. of April 24, 2023. will be tabulated and presented during the ASM. Stockholders may still vote at <https://aboitizpower.com/2023asm> after the cut-of time and the final votes received through the proxy and through the SSM Portal after the adjournment of the meeting will be included in the minutes of the 2023 ASM.

### III. ATTENDANCE IN THE 2023 ASM BY REMOTE COMMUNICATION

1. Stockholders who intend to participate in the 2023 ASM remotely may register using the link <https://aboitizpower.com/2023asm> until 10:00 a.m. of April 24, 2023.
2. To register, stockholders will need the requirements under Item II.2 above, depending on the type of ownership. Stockholders will also need to upload a valid ID as proof of identity.
3. Upon successful registration, the stockholder will receive an email confirmation and a unique link which can be used to log in and view the 2023 ASM livestream.

If the registration cannot be verified due to lacking, incomplete, or unreadable documents or information, the stockholder will be notified through a system-generated email notification from the ASM Portal. The Company shall send a subsequent email to inform the stockholder of the actions and documentations needed to complete the registration. Stockholders may contact [AP\\_BoardSecretariat@aboitiz.com](mailto:AP_BoardSecretariat@aboitiz.com) for queries regarding the online voting and registration.

4. Stockholders may send questions or remarks through the ASM Portal upon registration and until the adjournment of the 2023 ASM.
6. The proceedings during the 2023 ASM will be recorded.

For more questions and clarifications, stockholders may visit the Company's website at <https://aboitizpower.com/> or contact:

The Corporate Secretary at [AP\\_BoardSecretariat@aboitiz.com](mailto:AP_BoardSecretariat@aboitiz.com)  
Ma. Clarisse S. Osteria at [ma.clarisse.osteria@aboitiz.com](mailto:ma.clarisse.osteria@aboitiz.com)  
Michael Capoy - (632) 8403-3798 or [mccapoy@stocktransfer.com](mailto:mccapoy@stocktransfer.com)

ANNEX “F” - Definition of Terms and Acronyms

## DEFINITION OF TERMS AND ACRONYMS

2014 Bonds	Refers to the Company’s fixed-rate corporate retail bonds with an aggregate principal amount of up to ₱10 bn with tenors of seven and 12 years
2017 Bonds	Refers to the Company’s fixed-rate corporate retail bonds with an aggregate principal amount of up to ₱30 bn registered under the shelf registration program of SEC to be issued in tranches. The 2017 Bonds have been issued in six tranches
2021 Bonds	Refers to the Company’s fixed-rate corporate retail bonds with an aggregate principal amount of up to ₱30 bn registered under the shelf registration program of SEC to be issued in tranches. As of the date of this report, the 2021 Bonds have been issued in two tranches
Aboitiz Group	ACO and the companies or entities in which ACO has beneficial interest, or over which ACO directly or indirectly exercises management control, including, without limitation, AEV, AboitizPower, and their respective Subsidiaries and Affiliates
AboitizPower, the Company, the Issuer, or the Registrant	Aboitiz Power Corporation
AboitizPower Group or the Group	AboitizPower and its Subsidiaries
Abovant	Abovant Holdings, Inc.
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV	Aboitiz Equity Ventures Inc.
Affiliate	With respect to any Person, any other Person directly or indirectly controlled or is under common control by such Person
Ambuklao-Binga Hydroelectric Power Complex	Refers to SN Aboitiz Power-Benguet’s 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
APRI	AP Renewables, Inc.
APX1	Aboitiz Power Distributed Energy, Inc.
APX2	Aboitiz Power Distributed Renewables, Inc.
ARI	Aboitiz Renewables, Inc. (formerly: Philippine Hydropower Corporation)
AS	Ancillary Services
Aseagas	Aseagas Corporation

ASPA	Ancillary Services Procurement Agreement
Associate	Refers to an entity over which the Aboitiz Group has significant influence. “Significant influence” is the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies.
Bakun AC Hydro Plant	Refers to Luzon Hydro Corporation’s 70-MW Bakun run-of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
Balamban Enerzone	Balamban Enerzone Corporation
BCQ	Bilateral Contract Quantity
BESS	Battery Energy Storage System
BIR	Bureau of Internal Revenue
Binga Plant	The 140-MW Binga HEPP of SN AboitizPower-Benguet located in Itogon, Benguet
BOC	Bureau of Customs
BOI	Board of Investments
BOT	Build-Operate-Transfer
Bunker-C	A term used to designate the thickest of the residual fuels that is produced by blending any oil remaining at the end of the oil-refining process with lighter oil
Business Unit	A Subsidiary of AboitizPower
CA	Court of Appeals
Cebu Coal Project	Refers to the construction and operation of the 3x82-MW coal-fired power plant of Cebu Energy Development Corporation located in Toledo City, Cebu
Cebu Energy	Cebu Energy Development Corporation
CFB	Circulating Fluidized Bed
CIPDI	Cebu Industrial Park Developers, Inc.
Cleanergy	Cleanergy, Inc. (formerly, Northern Mini – Hydro Corporation)
Coal Group or Coal Business Units	Refers to companies of the AboitizPower Group which own and/or operate coal-fired power plants, including Therma Luzon, Inc., Therma South, Inc., Therma Visayas, Inc., GNPowder Mariveles Energy Center Ltd. Co., GNPowder Dinginin Ltd. Co., Pagbilao Energy Corporation, Redondo Peninsula Energy, Inc., STEAG State Power, Inc., and Cebu Energy Development Corporation
COC	Certificate of Compliance

Code	AboitizPower's Code of Ethics and Business Conduct
Contestable Customer/ Contestable Market	Refers to the electricity end-users who have a choice of a supplier of electricity, as may be determined by ERC in accordance with Sec. 4(h) of the EPIRA
Contracted Capacity	Refers to the total capacity sold to customers at a given point in time
Control	Possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings.
Cotabato Light	Cotabato Light & Power Company
COVID-19	Coronavirus disease
CPPC	Cebu Private Power Corporation
CSEE	Contract for the Supply of Electric Energy
CSP	Competitive Selection Process
DAU	Declaration of Actual Use
Davao Light	Davao Light & Power Company, Inc.
DENR	Department of Environment and Natural Resources
Dependable Capacity or Sellable Capacity	Refers to the maximum capacity when modified for ambient limitation for a specific period of time, such as a month or season
Distribution Utilities	Refers to the companies within the AboitizPower Group engaged in power distribution, such as Balamban Enerzone, Cotabato Light, Davao Light, Lima Enerzone, Mactan Enerzone, Malvar Enerzone, Subic Enerzone, SFELAPCO, and Visayan Electric. "Distribution Utility" may refer to any one of the foregoing companies.
DOE	Department of Energy
DOLE	Department of Labor and Employment
EAUC	East Asia Utilities Corporation
ECC	Environmental Compliance Certificate
Enerzone Group	Collectively refers to Balamban Enerzone, Lima Enerzone, Mactan Enerzone, Malvar Enerzone, and Subic Enerzone, which are Distribution Utilities of the AboitizPower Group operating within special economic zones

EPIRA	RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended from time to time, and including the rules and regulations issued thereunder
ERC	Energy Regulatory Commission
EO	Executive Order
Feeder Loss	Refers to the sum of Feeder Technical Loss and Non-Technical Loss, as defined in ERC Resolution No. 10, Series of 2018 or "A Resolution Clarifying the System Loss Calculation and Providing the Effectivity of the Rules for Setting the Distribution System Loss Cap"
FIT	Feed-in-Tariff
FIT-All	FIT-Allowance
Generation Companies or Power Generation Group	Refers to the companies within the AboitizPower Group engaged in power generation; "Generation Company" may refer to any one of these companies.
Generating Unit	Under ERC Resolution No. 10, Series of 2020, refers to a unit conversion apparatus, including auxiliaries and associated equipment functioning as a single unit, which is used to produce electric energy from some other form of energy.
Generation Plant	Under ERC Resolution No. 10, Series of 2020, refers to a facility, consisting of one or more Generating Units, where electric energy is produced from some other forms of energy by means of suitable apparatus.
GMEC	GNPower Mariveles Energy Center Ltd. Co.
GNPD	GNPower Dinginin Ltd. Co.
Government	The Government of the Republic of the Philippines
Greenfield	Refers to power generation projects that are developed from inception on previously undeveloped sites
Grid	As defined in the Implementing Rules and Regulations of the EPIRA, it is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas, and Mindanao, or as may be otherwise determined by ERC in accordance with Section 45 of the EPIRA
Guidelines	AboitizPower's Amended Guidelines for the Nomination and Election of Independent Directors
GWh	Gigawatt-hour, or one million kilowatt-hours



Hedcor Group or Hedcor Business Units	Refers to the companies within the AboitizPower Group engaged in run-of-river hydroelectric power generation, such as Hedcor, Inc., Hedcor Bukidnon, Inc., Hedcor Sabangan, Inc., Hedcor Sibulan, Inc., Hedcor Tudaya, Inc., and Luzon Hydro Corporation
Hedcor	Hedcor, Inc.
Hedcor Sabangan	Hedcor Sabangan, Inc.
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
HEPP	Hydroelectric Power Plant
IEMOP	Independent Electricity Market Operator of the Philippines Inc.
Installed Generating Capacity, Installed Capacity, Gross Capacity, or Nameplate Capacity	Refers to the registered capacity of a power plant in WESM, inclusive of the power plant's station use
IPPA	Independent Power Producer Administrator
IPO	Initial Public Offering
IRR	Implementing Rules and Regulations
JERA	JERA Co., Inc., a joint venture company organized under the laws of Japan and established in 2015 by TEPCO Fuel & Power Incorporated and Chubu Electric Power Company
JERA Asia	JERA Asia Private Limited
Joint Venture	Refers to a type of joint agreement 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 exist only when decisions about the relevant activities require unanimous consent of the parties sharing control.
kV	Kilovolt or one thousand volts
kW	Kilowatt or one thousand watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour.
LGU	Local Government Unit
LHC	Luzon Hydro Corporation
Lima Enerzone	Lima Enerzone Corporation
LISP IV	Light Industry & Science Park IV

LTC	Lima Technology Center
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Mactan Enerzone	Mactan Enerzone Corporation
Magat Plant	Refers to the 360-MW Magat HEPP of SN Aboitiz Power-Magat located at the border of Isabela and Ifugao provinces
Malvar Enerzone	Malvar Enerzone Corporation
Maris Plant	Refers to the 8.5 MW run-of-river Maris Main Canal 1 Hydroelectric Power Plant of SN Aboitiz Power-Magat
MEPZ II	Mactan Export Processing Zone II
Meralco	Manila Electric Company
MOA	Memorandum of Agreement
MORE	Manila-Oslo Renewable Enterprise, Inc.
MVA	Megavolt Ampere
MW	Megawatt or one million watts
MWh	Megawatt-hour
MWp	Megawatt-peak
Net Attributable Capacity or Attributable Net Sellable Capacity	Refers to the capacity attributed to a company's ownership in the power plant, excluding station use and fuel constraints
NGCP	National Grid Corporation of the Philippines
NPC	National Power Corporation
NPPC	Refers to the Naga Power Plant Complex, the 55 MW land-based gas turbine power plant of Thema Power-Visayas, Inc. located in Colon, Naga City, Cebu
Oil Group or Oil Business Units	Refers to companies of the AboitizPower Group which own and/or operate Bunker C-fired power plants, including East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Inc., Therma Power-Visayas, Inc., Southern Philippines Power Corporation, and Western Mindanao Power Corporation
Open Access	Retail Competition and Open Access
PA	Provisional Authority
Pagbilao Plant or Pag 1 and Pag 2	The 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon
Pag 3	The third generating unit with a net capacity of 420 MW within the Pagbilao Plant facilities
PBR	Performance-based Rate-setting Regulation
PCC	Philippine Competition Commission

PCRM	Pricing and Cost Recovery Mechanism
PDEX	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed-income securities
PDTC	Philippine Depository and Trust Corporation
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
Person	An individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
PEZA	Philippine Economic Zone Authority
PGC	Philippine Grid Code
PGPC	Philippine Geothermal Production Company, Inc.
Philippine Pesos or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Ratings Services Corporation
Pmax or Maximum Stable Load	The maximum demand in MW that a generating unit or generating block or module in the case of a combined cycle power plant, can reliably sustain for an indefinite period of time, based on the generator capability tests. It also refers to the registered maximum capacity.
Pmin or Minimum Stable Load	The minimum demand in MW that a generating unit, or a generating block or module in the case of combined cycle power plant, can reliably sustain for an indefinite period of time, based on generator capability tests. It also refers to the registered minimum capacity.
PPA	Power Purchase Agreement
Prism Energy	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSE	The Philippine Stock Exchange, Inc.
PV	Photovoltaic
RA	Republic Act
Regional Control Center	This control center connects to Hedcor's five hydro facilities in Davao City and its four hydro facilities in Davao del Sur, allowing all nine plants across Southern Mindanao to be operated remotely from a single control room
RE Law	RA No. 9513, otherwise known as the Renewable Energy Act of 2008

REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESC	Renewable Energy Service Contract
Revised Corporation Code or RCC	RA No. 11232, otherwise known as the Revised Corporation Code of the Philippines, amending Batas Pambansa Blg. 68 (or the Corporation Code of the Philippines), and as may be further amended from time to time, and including the rules and regulations issued thereunder
Revised Manual	Refers to the Company's Revised Manual on Corporate Governance
RP Energy	Redondo Peninsula Energy, Inc.
RPT	Related Party Transaction
RTC	Regional Trial Court
Run-of-river hydroelectric plant	Refers to hydroelectric power plants that generates electricity from the natural flow and elevation drop of a river
SacaSun	San Carlos Sun Power Inc.
SacaSun Plant	Refers to the 59 MWp Greenfield, stand-alone solar power generation project of SacaSun located at San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental
SEC	Securities and Exchange Commission of the Philippines
SFELAPCO	San Fernando Electric Light & Power Co., Inc.
SN Aboitiz Power-Benguet	SN Aboitiz Power – Benguet, Inc. (formerly, SN Aboitiz Power – Hydro, Inc.), which owns and operates the Ambuklao-Binga Hydroelectric Power Complex in Bokod, Benguet
SN Aboitiz Power-Magat	SN Aboitiz Power – Magat, Inc., which owns and operates the 360-MW Magat Plant located in Ramon, Isabela and Alfonso Lista, Ifugao, and the 8.5-MW Maris Plant in Ramon, Isabela
SN Aboitiz Power Group	The group of companies formed out of the strategic partnership between AboitizPower and SN Power (now Scatec); particularly, MORE and its Subsidiaries, including SN Aboitiz Power-Benguet, SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat.
SPPC	Southern Philippines Power Corporation
SRC	RA No. 8799 or the Securities Regulation Code of the Philippines
SPI	STEAG State Power Inc.
Subic Enerzone	Subic Enerzone Corporation

Subsidiary	In respect of any Person, any entity: (i) over fifty percent (50.0%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions
Systems Loss	Refers to Electric Energy Input minus the Electric Energy Output, as defined in ERC Resolution No. 10-2018.
TCIC	Taiwan Cogeneration International Corporation
TeaM Energy	Team Energy Corporation
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
Tiwi-Makban Geothermal Facilities	Refers to the geothermal facilities composed of twelve geothermal plants and one binary plant of APRI located in the provinces of Batangas, Laguna and Albay.
TPI	Therma Power, Inc.
TPVI	Therma Power-Visayas, Inc.

Transco	National Transmission Corporation and, as applicable, NGCP which is the Transco concessionaire
TSI	Therma South, Inc. (formerly: Therma Pagbilao, Inc.)
TVI	Therma Visayas, Inc. (formerly: Vesper Industrial
US\$	The lawful currency of the United States of America
VAT	Value Added Tax
Visayan Electric	Visayan Electric Company, Inc.
Vivant Group	Refers to Vivant Corporation and its Subsidiaries
WESM	Wholesale Electricity Spot Market
WMPC	Western Mindanao Power Corporation

## ANNEX “G” - Certificates of Compliance

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
Provisional Authority to Operate	Hedcor, Inc.	La Trinidad	Hydroelectric Power Plant	La Trinidad, Benguet	20.4 MW	Hydro	October 5, 2021 - October 5, 2022	November 3, 2021
COC No. 18-12-M-00336L	Hedcor, Inc.	Salangan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 17-04-M-00032L	Hedcor, Inc. <sup>13</sup>	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 20-08-M-00061M	Hedcor, Inc.	Talomo 1	Hydroelectric Power Plant	Brgy. Malagos, Davao City	1 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00062M	Hedcor, Inc.	Talomo 2	Hydroelectric Power Plant	Brgy. Mintal, Davao City	0.6 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00063M	Hedcor, Inc.	Talomo 2A	Hydroelectric Power Plant	Brgy. Tugbok, Davao City	0.65 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Brgy. Tugbok, Davao City	0.3 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00065M	Hedcor, Inc.	Talomo 3	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	1.92 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant (FSL)	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018

<sup>13</sup> Hedcor's 3.89 MW Irisan 1 Hydroelectric Plant's COC is valid until April 29, 2022. ERC issued a certification dated April 25, 2022 stating that the COC/PAO is currently being evaluated.



Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
Provisional Authority to Operate	Hedcor Sibulan, Inc. <sup>14</sup>	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	February 9, 2021 - February 8, 2022	November 4, 2020
		Sibulan A – Unit 2			8.164 MW			
Provisional Authority to Operate	Hedcor Sibulan, Inc. <sup>15</sup>	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	November 24, 2021 - November 23, 2022	November 4, 2020
		Sibulan B – Unit 2			13.128 MW			
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	6.65 MW	Hydro	March 10, 2019 - March 9, 2024	March 5, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 - July 29, 2023	June 20, 2018
COC No. 19-03-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2 – Unit 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	5.362 MW	Hydro	April 11, 2019-April 10, 2024	March 5, 2019
		Tudaya 2 – Unit 2			2.775 MW	Hydro		
Provisional Authority to Operate	Hedcor Sabangan, Inc. <sup>16</sup>	Sabangan Hydro	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.139 MW	Hydro	September 29, 2021 - September 28, 2022	September 29, 2021
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
Provisional Authority to Operate	San Carlos Sun Power Inc. <sup>17</sup>	San Carlos Sun Power Inc.	Solar Power Plant	Brgy. Punao, San Carlos City, Negros Occidental	58.981 MWp DC	Solar	July 14, 2021 - July 13, 2022	July 7, 2021
COC No. 17-04-M-15911M <sup>18</sup>	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, MEPZ I, Lapu-Lapu City, Cebu	49.60 MW	Bunker C/ Diesel	June 11, 2018 – June 10, 2023	March 27, 2018

<sup>14</sup> Hedcor Sibulan's 8.164 MW Sibulan A Unit 1 and 8.164 MW Sibulan A Unit 2 Hydroelectric Power Plant's PAO is valid until February 8, 2022. ERC issued a Certification dated January 12, 2023 stating that the COC/PAO is currently being evaluated.

<sup>15</sup> Hedcor Sibulan's 13.128 MW Sibulan B Unit 1 and 13.128 MW Sibulan B Unit 2 Hydroelectric Power Plant's PAO is valid until November 23, 2022. ERC issued a Certification dated November 17, 2022 stating that the COC/PAO is currently being evaluated.

<sup>16</sup> Hedcor Sabangan's 14.139 MW Sabangan Hydroelectric Power Plant's PAO is valid until September 28, 2022. ERC issued a certification dated September 20, 2022 stating that the COC/PAO is currently being evaluated.

<sup>17</sup> Sacasan's 58 98 MWp Solar Power Plant's PAO is valid until July 13, 2022. ERC issued a Certification dated June 29, 2022 stating that the COC/PAO is currently being evaluated.

<sup>18</sup> Cotabato Light's 9.927 MW Diesel Plant and 10 MW Blackstart Diesel Generator's COC is valid until January 9, 2022. ERC issued a certification dated January 12, 2023 stating that the COC/PAO is currently being evaluated.

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu City	70.59 MW	Bunker C/ Diesel	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
		N/A	Blackstart		160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
Provisional Authority to Operate <sup>19</sup>	SN Aboitiz Power – Magat, Inc. (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	November 29, 2021 - November 28, 2022	November 18, 2020
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Blackstart Diesel Generator Set	Blackstart		344 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I Hydroelectric Power Plant	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018
Provisional Authority to Operate <sup>20</sup>	SN Aboitiz Power – Benguet, Inc.	Binga Hydroelectric Power Plant - Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2022 - March 11, 2023	March 2, 2022
		Binga Hydroelectric Power Plant - Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant - Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant - Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Diesel Auxiliary Generator Set		330.40 KW	Diesel		

<sup>19</sup> SN Aboitiz Power – Magat’s Hydroelectric Power Plant Units 1 to 4 and Blackstart Diesel Generator Set’s COC is valid until November 28, 2022. ERC issued a certification dated November 3, 2022 stating that the COC/PAO is currently being evaluated.

<sup>20</sup> SN Aboitiz Power – Benguet’s Ambuklao Hydroelectric Power Plant Units 1 to 3, Auxiliary Generator Set, and Blackstart Generator Set’s COC are valid until August 30, 2022. ERC issued a certification dated October 20, 2022 stating that the COC/PAO is currently being evaluated.

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
Provisional Authority to Operate	SN Aboitiz Power – Benguet, Inc.	Ambuklao Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2021 - August 30, 2022	September 1, 2021
		Ambuklao Hydroelectric Power Plant – Unit 2			34.85 MW			
		Ambuklao Hydroelectric Power Plant – Unit 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 21-11-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2021 – August 29, 2026	November 13, 2021
COC No. 22-12-S-04892M	STEAG State Power, Inc.	N/A	Emergency Generating Set	Phividec Industrial Estate, Balacanas Villanueva, Misamis Oriental	1.25 MW	Diesel	December 22, 2022 – December 22, 2027	December 23, 2022
COC No. 19-09-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Balacanas Villanueva, Misamis Oriental	400 kW	Diesel	September 5, 2019 - September 4, 2024	September 5, 2019
Provisional Authority to Operate <sup>21</sup>	AP Renewables, Inc.	Makban – Bay, Plant A, Unit 1	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	December 1, 2021 to November 30, 2022	January 11, 2022
		Makban – Bay, Plant A, Unit 2			63.2 MW			
		Makban – Bay, Plant D, Unit 7			20.0 MW			
		Makban – Bay, Plant D, Unit 8			20.0 MW			

<sup>21</sup> APRI's Makban-Bay 63.2 MW Plant A Unit 1, 63.2 MW Plant A Unit 2, 20.0 MW Plant D Unit 7 and 20.0 MW Plant 8 Unit 8 Geothermal Steam Plant's PAO is valid until November 20, 2022. ERC issued a certification dated October 17, 2022 stating that the COC/PAO is currently being evaluated.

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
Provisional Authority to Operate <sup>22</sup>	AP Renewables, Inc.	Makban – Calauan, Plant B, Unit 3	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	December 1, 2021 to November 30, 2022	January 11, 2022
		Makban – Calauan, Plant B, Unit 4			63.2 MW			
		Makban – Calauan, Plant C, Unit 5			55.0 MW			
		Makban – Calauan, Plant C, Unit 6			55.0 MW			
Provisional Authority to Operate <sup>23</sup>	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E, Unit 9	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	December 1, 2021 to November 30, 2022s	January 11, 2022
		Makban – Sto. Tomas, Plant E, Unit 10			20.0 MW			
Provisional Authority to Operate <sup>24</sup>	AP Renewables, Inc.	Tiwi Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	December 12, 2020 - December 11, 2021	February 10, 2022
		Tiwi Plant A, Unit 2			60 MW			
Provisional Authority to Operate <sup>25</sup>	AP Renewables, Inc.	Tiwi Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	December 12, 2020 - December 11, 2021	February 10, 2022
		Tiwi Plant C, Unit 6			57 MW			
Provisional Authority to Operate <sup>26</sup>	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	November 12, 2021
Provisional Authority to Operate <sup>27</sup>	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Sta. Ana, Nasipit, Agusan del Norte	100.33 MW	Diesel	April 19, 2021 – April 18, 2022	March 30, 2021
			Blackstart		1.68 MW	Diesel		
Provisional Authority to Operate	Therma Marine, Inc.	M1 - BESS	Auxilliary Battery Energy Storage System	Brgy. San Roque, Maco, Davao de Oro	31.547 MW	BESS	August 23, 2022 – August 22, 2023	August 23, 2022

<sup>22</sup> APRI's Makban-Calauan 63.2 MW Plant B Unit 3, 63.2 MW Plant B Unit 4, 55.0 MW Plant C Unit 5 and 55.0 MW Plant C Unit 6 Geothermal Steam Plant's PAO is valid until November 30, 2022. ERC issued a certification dated October 17, 2022 stating that the COC/PAO is currently being evaluated.

<sup>23</sup> APRI's Makban-Sto. Tomas 20.0 MW Plant E Unit 9 and 20.0 MW Plant E Unit 10's PAO is valid until November 30, 2022. ERC issued a certification dated October 17, 2022 stating that the COC/PAO is currently being evaluated.

<sup>24</sup> APRI's Tiwi Plant A 60 MW Unit 1 and 60 MW Unit 2's PAO is valid until December 11, 2022. ERC issued a certification dated October 17, 2022 stating that the COC/PAO is currently being evaluated.

<sup>25</sup> APRI's Tiwi Plant C 57 MW Unit 5 and 57 MW Unit 6's PAO is valid until December 11, 2022. ERC issued a certification dated October 17, 2022 stating that the COC/PAO is currently being evaluated.

<sup>26</sup> APRI's 7 MW MakBan Binary 1's PAO is valid until November 6, 2022. ERC issued a certification dated October 17, 2022 stating that the COC/PAO is currently being evaluated.

<sup>27</sup> Therma Marine's Mobile 1 Diesel Power Plant's COC is valid until April 18, 2022. ERC issued a certification dated July 29, 2022 stating that the COC/PAO is currently being evaluated.



Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
Provisional Authority to Operate <sup>28</sup>	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Sta. Ana, Nasipit, Agusan del Norte	100.327 MW	Diesel	April 6, 2021 – April 5, 2022	March 30, 2021
			Blackstart		1.68 MW	Diesel		
Provisional Authority to Operate	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Baradero Street, North Bay Blvd., Navotas City	66 MW	Bunker C/ Diesel	July 9, 2022 - July 8, 2023	August 22, 2022
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Baradero Street, North Bay Blvd., Navotas City	56 MW	Bunker C/ Diesel	July 9, 2022 - July 8, 2023	August 22, 2022
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Baradero Street, North Bay Blvd., Navotas City	57 MW	Bunker C/ Diesel	July 9, 2022 - July 8, 2023	August 22, 2022
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Baradero Street, North Bay Blvd., Navotas City	52 MW	Bunker C/ Diesel	July 9, 2022 - July 8, 2023	August 22, 2022
Provisional Authority to Operate <sup>29</sup>	Therma Power-Visayas, Inc.	Naga Oil-Fired Power Plant (NOPP)	Oil-Fired Power Plant	Brgy. Colon, Naga City, Cebu	44.58 MW	Bunker C	January 6, 2022 – January 5, 2023	February 6, 2022
		Blackstart Diesel Engine Generating Unit	Blackstart		440 kW	Diesel		
Provisional Authority to Operate <sup>30</sup>	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150.025 MW	Coal	September 1, 2022 - August 31, 2023	October 11, 2022
		Unit 2			150.025 MW	Coal		
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	September 20, 2019 - September 19, 2024	September 20, 2019
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019

<sup>28</sup> Therma Marine's Mobile 2 Diesel Power Plant's COC is valid until April 5, 2022. ERC issued a certification dated July 29, 2022 stating that the COC/PAO is currently being evaluated.

<sup>29</sup> Therma Power-Visayas' Naga Oil-Fired Power Plant and Blackstart Engine Generating Unit's COC is valid until January 5, 2023. ERC issued a certification dated December 21, 2022 stating that the COC/PAO is currently being evaluated.

<sup>30</sup> Therma South's 300.50 MW Circulating Fluidized Bed Coal-Fired Thermal Power Plant's PAO is valid until August 31, 2023. ERC issued a certification dated October 11, 2022 stating that the COC/PAO is currently being evaluated.

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plan	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Blackstart		800 kW	Diesel		
COC No. 18-02-M-00145L <sup>31</sup>	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Blackstart		1.04 MW	Diesel		
COC No. 17-11-M-00282L <sup>32</sup>	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		
COC No. 21-12-M-00203L	GNPower Dinginin Ltd. Co.	Unit 1	Supercritical Coal-Fired Power Plant	Coastal Area, Sitio Dinginin, Brgy. Alas-asin, Mariveles, Bataan	724.965 MW	Coal	December 2, 2021 - December 1, 2026	December 2, 2021
COC No. 21-04-S-04285L		N/A	Diesel	Sitio Dinginin, Brgy. Alas-asin, Mariveles, Bataan	2.400 MW	Diesel	April 30, 2021 to April 29, 2026	April 30, 2021

<sup>31</sup> On October 3, 2022, PEC has filed an application for the renewal of its COC. It is currently being evaluated by the ERC for the renewal of its COC or a grant of a Provincial Authority to Operate, as may be applicable.

<sup>32</sup> GMEC's 651.61 MW Coal Plant COC is valid until December 2, 2022. ERC issued a certification dated December 5, 2022 and the COC/PAO is currently being evaluated.

## The Board Audit Committee Report to the Board of Directors

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2022.

### Board Audit Committee Responsibility

The primary purpose of the Audit Committee is to assist the full Board in fulfilling its responsibility to the public, governmental and/or regulatory bodies in:

- (a) Ensuring the integrity of the Company's financial reporting processes, including ensuring the integrity of financial reports and other financial information provided by the Company to the public, governmental and/or regulatory bodies;
- (b) Ensuring excellence in the Company's control performance by having an adequate and effective internal control system, governance and risk management processes and reviewing the performance of the Company's internal audit function;
- (c) Reviewing the annual independent audit of the Company's financial statements and the external auditors qualifications and independence;
- (d) Ensuring compliance with applicable laws and regulations which may represent material financial exposure to the Company; and
- (e) Providing an avenue of communication among the Company's independent auditors, the management, the internal audit department and the Company.

The Committee in fulfilling its purpose, will establish a constructive and collaborative relationship with the Company's senior leadership especially the Company CEO, COO, CFO and the heads of the different departments.

### Committee Membership

The Board Audit Committee is composed of five (5) Directors, four (4) of whom are independent directors and non-executive directors including the Chairman, Eric Ramon O. Recto (Independent Director). Other members of the committee are Cesar G. Romero (Independent Director), Edwin R. Bautista (Non-Executive Director), Luis Miguel O. Aboitiz (Non-Executive Director), and Danel C. Aboitiz (Director).

### Meetings and Attendance

The Board Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors, advisers and others, where appropriate.

The Audit Committee Charter provided for the committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings, when deemed required.

In 2022, four (4) meetings were held via video conferencing. The attendance of the committee members is indicated below:

Committee Composition	Mar 2, 2022 Regular Meeting	Apr 20, 2022 Regular Meeting	July 26, 2022 Regular Meeting	Oct 25, 2022 Regular Meeting
<b>ERIC RAMON O. RECTO</b> Chairman, Independent Director	✓	✓	✓	✓
<b>CARLOS C. EJERCITO*</b> Former Chairman, Independent Director	✓	✓	N/A	N/A
<b>CESAR G. ROMERO**</b> Member, Independent Director	N/A	N/A	N/A	✓
<b>RAPHAEL P.M. LOTILLA***</b> Former Member, Independent Director	✓	✓	N/A	N/A

\*Until April 2022

\*\*Effective Date of Appointment is October 1, 2022

\*\*\*Effective Date of Resignation is July 11, 2022

Committee Composition	Mar 2, 2022 Regular Meeting	Apr 20, 2022 Regular Meeting	July 26, 2022 Regular Meeting	Oct 25, 2022 Regular Meeting
<b>EDWIN R. BAUTISTA</b> Member, Non-Executive Director	N/A	N/A	✓	✓
<b>LUIS MIGUEL O. ABOITIZ</b> Member, Non-Executive Director	✓	✓	✓	✓
<b>DANEL C. ABOITIZ</b> Member, Director	✓	✓	✓	✓

Attendees to these meetings also include the 1AP Internal Audit Group Head, Aboitiz Group Internal Audit Head, and, by invitation, the Chief Risk Officer, Chief Financial Officer, Controller and other key leaders when deemed appropriate.

Regular one-on-one sessions of 1AP Internal Audit Head with the Chairman of the Board Audit Committee prior to every scheduled Board Audit Committee meeting are also conducted.

### Financial Reports

The Board Audit Committee reviewed, discussed, and approved for public disclosure the 2022 quarterly unaudited consolidated financial statements and endorsed for approval by the full Board the 2022 annual audited financial statements of Aboitiz Power Corp., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the company's independent external auditor, SyCip Gorres Velayo & Co. (SGV) – a member practice of Ernst & Young (EY) in the Philippines.

The activities of the Board Audit Committee are performed in the context –

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the company's independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company's audited financial statements with Philippine Financial Reporting Standards.

### External Auditor

Upon endorsement of the Board Audit Committee to the full Board which, in turn, sought the approval of the shareholders of Aboitiz Power Corp., during its Annual General Stockholders Meeting held last April 25, 2022, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2022 with Jhoanna Feliza C. Go as the signing partner for SGV.

The overall scope and audit plan of SGV were reviewed and approved during the October 25, 2022 regular Board Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, March 1, 2023.

In 2022, the Company also engaged SGV on non-audit related services particularly on transfer pricing study and the related BIR 1709 compliance reporting.

### Internal Auditors

The Board Audit Committee is satisfied with the internal audit function and had assessed that it is operating effectively and is able to generally cover the relevant risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competencies of the staff, and independence of the internal auditor.



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With reference to the International Professional Practices Framework (IPPF) Attribute Standard 1100 which states that “The Internal Audit Activity must be independent, and internal auditors must be objective in performing their work.”, the Board Audit Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impairments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2022. Internal audit is organizationally positioned to be independent – functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Board Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

The 1AP Group Internal Audit remains to be the single-point-of-contact for the Board Audit Committee. It takes the lead in setting the standards, initiatives, and overall direction of the audit team which, in turn, focuses its reviews on the top risks of respective business units.

Information systems and technology-related risks, however, still remain to be an area mostly covered by the Aboitiz Equity Ventures’ information systems auditors in 2022.

In line with the strategic intent of the Group Internal Audit to gradually decentralize the Information Systems Audit starting 2020 to 2023, 1AP internal audit had covered information systems related risks in their 2022 engagements as identified and agreed with AEV IT/IS Team.

In 2024 and as part of the federalization initiative of the Group, the 1AP IT and IS engagements will be fully under the responsibility of 1AP Internal Audit Group.

Based on audit reports and highlights presented to the Board Audit Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Board Audit Committee concurs with the internal audit’s assessment that, generally, there is a reasonable assurance that the existing system of internal controls, risk management, and governance allow for generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to further strengthen governance and controls over security standards for information and related technologies, particularly in relation to cyber-security risks.

### External Quality Assessment

The 1AP Internal Audit Group (IAG), after undergoing the External Quality Assessment (EQA) review by the authorized validator of the Institute of Internal Auditors (IIA) Australia that are duly accredited by the Institute of Internal Auditors (IIA) International, received the official EQAR results in October 2022.

It is the opinion of the IIA-Australia that the AboitizPower Internal Audit team has achieved **100 percent conformance** with the standards and a maturity rating of **optimizing** across all standards.

In its report, IIA-Australia said the IAG is “built on solid foundations, operating professionally, and focused on building a high-performing function that meets the needs of AboitizPower.”

It also said that IAG continues to seek and implement ways to improve, especially with regard to its charter, quality assurance and improvement, as well as internal audit resourcing. In its maturity assessment, IIA-Australia described IAG as “leading” for its innovative best practices and strategic partnerships.

Acquiring the EQA global certification helps build the reputation not just of internal audit but of Aboitiz Power Corp. as a company that not only conforms, complies, and follows but adopts and implements the International Standards for the Professional Practice of Internal Auditing. **The EQA certification is valid for 5 years until 2027.** Until then, 1AP Internal Audit Group ensures that it continually works on its Quality Assurance Improvement Program by doing its interim self-assessment annually.

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## Review of the Audit Charters

Annual review and updating of the Board Audit Committee Charter was conducted. No further changes were effected in 2022. The existing Board Audit Committee charter reinforced the oversight responsibilities of the board audit committee in ensuring excellence in control performance by having an adequate and effective internal control system, governance and risk management processes. It likewise includes among its oversight duties and responsibilities the establishment of a fraud response plan.

The review and updating of the Internal Audit Team Charter are also done annually, and approved by the Board Audit Committee.

## Self-Assessment

The Board Audit Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Circular No. 4, series of 2012. The assessment results showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

## Risk Management

The partnership between the functions of risk management and audit has remained solid. In order to continuously provide objective assurance to the Board on the adequacy (effectiveness and efficiency) of the internal control system, the top strategic risks that present a significant impact to the Company's ability to execute its plans and strategies as well as to achieve its business objectives are prioritized.

These top risks are among the relevant factors in consideration for the preparation of the internal audit's master plan for the following year.

Results of the 2022 series of existence and effectiveness validation reviews by internal audit on risk management or treatment plans identified and implemented by the different business units across AP were discussed to the various levels of management including the Risk Management Head of AP.

Assurance is given when results of the review show that majority of the risk management or treatment plans were generally acted upon (done) or being addressed (in-progress), and generally effective for those subjected to deep-dive reviews in 2022.

After considering, analyzing and reviewing all pertinent information to the integrity of financial reporting, adequacy of internal controls, risk management, governance and compliance within Aboitiz Power Corp. and its affiliated companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

In behalf of the Board Audit Committee,

(SGD.)

**Eric Ramon O. Recto**

Chairman, Independent Director

Board Audit Committee Chairman



**Internal Control and Compliance System Attestation**  
**For the year ended, December 31, 2022**

Aboitiz Power Corporation (AP) corporate governance system includes a combination of internal and external mechanisms such as the structure of the board of directors and our committees, the oversight it exercises over management, and the formulation of sound policies and controls.

- The Board of Directors is responsible for providing governance and in overseeing the effective implementation of adequate internal control mechanism and risk management processes;
- Management is primarily responsible for designing and implementing an adequate (effective and efficient) internal control system and risk management processes as well as in ensuring compliance with legal requirements (statutory and regulatory);
- Management is responsible for developing a system to monitor and manage risks;
- SGV & Co., the Company's external auditor is responsible for assessing and expressing an opinion on the conformity of the audited financial statement with Philippine Financial Reporting Standards and the overall quality of the financial reporting process;
- Internal Audit adopts a risk-based audit approach in developing an annual audit master plan and conducts reviews to assess the adequacy of the Company's internal control system;
- The Company's Resident Internal Audit Head that acts as the equivalent of a Chief Audit Executive and reports functionally to the Board Audit Committee to ensure independence and objectivity, allowing internal audit to fulfil its responsibilities; and
- Internal Audit activities conform to the International Standards for the Professional Practice of Internal Auditing as re-assessed in November 2022 as "generally conforming" with "Optimising" maturity level assessment. Also, the internal Audit Team is continuously evaluated annually through self-assessment and peer reviews.

Based on the above assurance provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that Aboitiz Power Corporation's internal control and compliance system, which covers governance, risk and control processes, are generally adequate.

(SGD.)  
\_\_\_\_\_  
Emmanuel V. Rubio  
President & Chief Executive Officer

(SGD.)  
\_\_\_\_\_  
Juan Pascual C. Cosare  
AP Internal Audit Head



SECURITIES AND EXCHANGE COMMISSION  
SEC Building, EDSA Greenhills  
Mandaluyong, Metro Manila

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

(SGD.)

**SABIN M. ABOITIZ**  
Chairman of the Board

(SGD.)

**EMMANUEL V. RUBIO**  
President & Chief Executive Officer

(SGD.)

**LIZA LUV T. MONTELIBANO**  
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 5<sup>th</sup> day of March 2023

Aboitiz Power Corporation  
NAC Tower, 32nd St., Bonifacio  
Global City 1634 Taguig City, NCR




T. +632 886 2800  
F. +632 817 3560

[www.aboitizpower.com](http://www.aboitizpower.com)



Republic of the Philippines)  
City of Taguig ) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC No.	Date/Place Issued
SABIN M. ABOITIZ		July 19, 2021; DFA Manila
EMMANUEL V. RUBIO		September 13, 2019; DFA Manila
LIZA LUV T. MONTELIBANO		May 7, 2018, DFA Manila

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this \_\_\_\_\_.

Doc. No. \_\_\_\_\_:

Page No. \_\_\_\_\_:

Book No. \_\_\_\_\_:

Series of 2023



SECURITIES AND EXCHANGE COMMISSION  
SEC Building, EDSA Greenhills  
Mandaluyong, Metro Manila

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the Parent financial statements including the schedules attached therein, 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

(SGD.)

**SABIN M. ABOITIZ**  
Chairman of the Board

(SGD.)

**EMMANUEL V. RUBIO**  
President & Chief Executive Officer

(SGD.)

**LIZA LUV T. MONTELIBANO**  
SVP & Chief Financial Officer/Corporate Information Officer

Signed this




Aboitiz Power Corporation  
NAC Tower, 32nd St., Bonifacio  
Global City 1634 Taguig City, NCR

T. +632 886 2800  
F. +632 817 3560

[www.aboitzpower.com](http://www.aboitzpower.com)

Republic of the Philippines)  
City of Taguig ) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC No.	Date/Place Issued
SABIN M. ABOITIZ		July 19, 2021; DFA Manila
EMMANUEL V. RUBIO		September 13, 2019; DFA Manila
LIZA LUV T. MONTELIBANO		May 7, 2018, DFA Manila

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this \_\_\_\_\_.

Doc. No. \_\_\_\_\_:

Page No. \_\_\_\_\_:

Book No. \_\_\_\_\_:

Series of 2023

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of Aboitiz Power Corporation is responsible for all information and representations contained in the annual income tax return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of Aboitiz Power Corporation, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) Aboitiz Power Corporation has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith

(SGD.)

**SABIN M. ABOITIZ**

Chairman of the Board

(SGD.)

**EMMANUEL V. RUBIO**

President & Chief Executive Officer

(SGD.)

**LIZA LUV T. MONTELIBANO**

SVP & Chief Financial Officer/Corporate Information Officer

Signed this



# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

A	B	O	I	T	I	Z		P	O	W	E	R		C	O	R	P	O	R	A	T	I	O	N		A	N	D
S	U	B	S	I	D	I	A	R	I	E	S																	

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

3	2	n	d		S	t	r	e	e	t	,		B	o	n	i	f	a	c	i	o		G	l	o	b	a	l	
C	i	t	y	,		T	a	g	u	i	g		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l
a	,		P	h	i	l	i	p	p	i	n	e	s		1	6	3	4											

Form Type

A	A	C	F	S
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Department requiring the report

C	F	D
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Secondary License Type, If Applicable

-	N	A	-
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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
<b>www.aboitizpower.com</b>	<b>(02) 8886-2800</b>	<b>None</b>
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
<b>592</b>	<b>April 26</b>	<b>December/31</b>

**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
<b>Liza Luv T. Montelibano</b>	<b>liza.montelibano@aboitiz.com</b>	<b>(02) 8886-2813</b>	<b>Not Available</b>

**CONTACT PERSON'S ADDRESS**

<b>32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634</b>
---

**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.

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Aboitiz Power Corporation  
32<sup>nd</sup> Street, Bonifacio Global City  
Taguig City, Metro Manila  
Philippines

### Opinion

We have audited the consolidated financial statements of Aboitiz Power Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets 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.

### ***Impairment Testing of Goodwill***

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2022, the goodwill attributable to several cash-generating units (CGUs) amounted to ₱44.92 billion or 9% of total consolidated assets, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to uncertainty on the estimation process due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically discount and growth rates, revenue assumptions, and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialist in assessing the methodologies and assumptions used. We compared the key assumptions used, such as growth rate and revenue assumptions against the historical performance of the CGUs, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

### ***Revenue Recognition of Distribution Utilities***

The distribution utilities' revenue from the sale of electricity amounting to ₱57.24 billion for the year ended December 31, 2022 accounts for 30% of the Group's consolidated revenues and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

The Group's disclosures related to this matter are provided in Notes 3 and 20 to the consolidated financial statements.

#### *Audit Response*

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

#### ***Recoverability of Certain Segments of Property, Plant and Equipment***

Based on the assessment of the Group as of December 31, 2022, certain segments of property, plant and equipment totaling ₱5.51 billion, may be impaired due to the existence of impairment indicators. As such, the Group assessed the recoverable amount of these segments of property, plant and equipment and this requires significant judgment and involves estimation and assumptions about future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, we consider such assessment as a key audit matter in our audit.

The disclosures about the recoverability of certain segments of property, plant and equipment are included in Note 11 to the consolidated financial statements.

#### *Audit Response*

We involved our internal specialist in assessing the methodologies and assumptions used. We compared the key assumptions used against the historical performance of certain segments of property, plant and equipment, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts of certain segments of property, plant and equipment.

#### ***Consolidation Process***

Aboitiz Power Corporation owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosures on the basis of consolidation are in Note 3 to the consolidated financial statements.



### *Audit Response*

We obtained an understanding of the Group's consolidation process and the related controls, the process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation and reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the foreign currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

### **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 Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

Tax Identification No. 219-674-288

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 114122-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. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564628, January 3, 2023, Makati City

March 3, 2023

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Amounts in Thousands)

	December 31	
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱64,763,642	₱57,130,243
Trade and other receivables (Note 6)	35,342,951	26,820,071
Inventories (Note 7)	16,123,700	9,574,613
Derivative assets (Note 33)	2,666,226	1,383,903
Other current assets (Note 8)	14,079,868	9,511,107
<b>Total Current Assets</b>	<b>132,976,387</b>	<b>104,419,937</b>
<b>Noncurrent Assets</b>		
Investments and advances (Note 9)	77,928,459	64,952,728
Property, plant and equipment (Notes 11 and 34)	206,857,588	203,239,825
Intangible assets (Note 12)	49,771,385	46,015,496
Derivative assets - net of current portion (Note 33)	245,801	75,718
Net pension assets (Note 26)	83,438	87,146
Deferred income tax assets (Note 28)	1,343,346	1,441,768
Other noncurrent assets (Note 13)	8,387,477	7,183,001
<b>Total Noncurrent Assets</b>	<b>344,617,494</b>	<b>322,995,682</b>
<b>TOTAL ASSETS</b>	<b>₱477,593,881</b>	<b>₱427,415,619</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans (Note 15)	₱21,402,715	₱18,625,546
Current portions of:		
Long-term debts (Note 16)	10,279,212	18,419,227
Lease liabilities (Note 34)	9,288,292	8,106,781
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities (Note 33)	116,672	219,030
Trade and other payables (Note 14)	32,948,328	22,744,322
Income tax payable	492,656	264,647
<b>Total Current Liabilities</b>	<b>₱74,567,875</b>	<b>₱68,419,553</b>

(Forward)



	December 31	
	2022	2021
<b>Noncurrent Liabilities</b>		
Noncurrent portions of:		
Long-term debts (Note 16)	₱189,172,706	₱163,618,747
Lease liabilities (Note 34)	18,253,664	25,667,098
Long-term obligation on power distribution system	105,390	125,532
Derivative liabilities - net of current portion (Note 33)	330,592	174,664
Customers' deposits (Note 17)	8,144,054	7,200,341
Decommissioning liability (Note 18)	5,654,234	5,686,224
Deferred income tax liabilities (Note 28)	591,107	585,440
Net pension liabilities (Note 26)	599,491	302,812
Other noncurrent liabilities (Note 39j)	—	54,505
<b>Total Noncurrent Liabilities</b>	<b>222,851,238</b>	<b>203,415,363</b>
<b>Total Liabilities</b>	<b>297,419,113</b>	<b>271,834,916</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Paid-in capital (Note 19a)	19,947,498	19,947,498
Share in other comprehensive income of associates and joint ventures (Note 9)	1,220,171	185,183
Cumulative translation adjustments (Note 33)	5,462,557	1,917,151
Cash flow hedge reserve (Note 33)	2,646,733	917,353
Actuarial losses on defined benefit plans (Note 26)	(1,095,697)	(1,072,629)
Equity reserve	(7,175,742)	(7,175,742)
Retained earnings (Note 19b)		
Appropriated	20,060,000	20,060,000
Unappropriated (Notes 9 and 19c)	130,037,425	113,172,268
	171,102,945	147,951,082
<b>Non-controlling Interests</b>	<b>9,071,823</b>	<b>7,629,621</b>
<b>Total Equity (Note 19c)</b>	<b>180,174,768</b>	<b>155,580,703</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱477,593,881</b>	<b>₱427,415,619</b>

See accompanying Notes to Consolidated Financial Statements.

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2022	2021	2020
<b>OPERATING REVENUES</b>			
Sale of power (Notes 20 and 31):			
Generation	₱101,500,632	₱70,008,135	₱51,750,660
Distribution	57,235,327	44,375,529	41,872,331
Retail electricity supply	35,179,570	19,874,964	16,476,713
Technical, management and other fees (Note 31)	78,059	100,593	276,945
<b>OPERATING REVENUES</b>	<b>193,993,588</b>	<b>134,359,221</b>	<b>110,376,649</b>
<b>OPERATING EXPENSES</b>			
Cost of purchased power (Notes 21 and 31)	69,379,333	41,496,499	31,409,251
Cost of generated power (Note 22)	60,619,129	33,499,708	23,461,858
Depreciation and amortization (Notes 11, 12 and 34)	11,863,670	11,202,273	10,973,364
General and administrative (Note 23)	10,194,903	9,540,775	8,663,373
Operations and maintenance (Note 24)	12,133,579	10,410,170	8,988,916
	<b>164,190,614</b>	<b>106,149,425</b>	<b>83,496,762</b>
<b>FINANCIAL INCOME (EXPENSES)</b>			
Interest income (Notes 5 and 31)	678,696	343,233	653,076
Interest expense and other financing costs (Notes 15, 16, 32 and 34)	(13,420,348)	(13,590,365)	(14,253,528)
	<b>(12,741,652)</b>	<b>(13,247,132)</b>	<b>(13,600,452)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Share in net earnings of associates and joint ventures (Note 9)	15,134,970	9,479,696	2,675,136
Other income - net (Note 27)	515,330	213,565	4,928,563
	<b>15,650,300</b>	<b>9,693,261</b>	<b>7,603,699</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>32,711,622</b>	<b>24,655,925</b>	<b>20,883,134</b>
<b>PROVISION FOR INCOME TAX (Note 28)</b>	<b>3,164,205</b>	<b>2,110,710</b>	<b>6,061,912</b>
<b>NET INCOME</b>	<b>₱29,547,417</b>	<b>₱22,545,215</b>	<b>₱14,821,222</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent	₱27,535,133	₱20,837,182	₱12,577,676
Non-controlling interests	2,012,284	1,708,033	2,243,546
	<b>₱29,547,417</b>	<b>₱22,545,215</b>	<b>₱14,821,222</b>
<b>EARNINGS PER COMMON SHARE (Note 29)</b>			
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	<b>₱3.74</b>	<b>₱2.83</b>	<b>₱1.71</b>

See accompanying Notes to Consolidated Financial Statements.

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the parent	₱27,535,133	₱20,837,182	₱12,577,676
Non-controlling interests	2,012,284	1,708,033	2,243,546
	<b>29,547,417</b>	<b>22,545,215</b>	<b>14,821,222</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Movement in cumulative translation adjustments	3,532,388	2,990,011	(2,749,926)
Movement in cash flow hedges (Note 32)	1,884,965	2,355,803	764,459
Share in movement in cumulative translation adjustment of associates and joint ventures	986,012	753,960	(530,557)
Share in net unrealized valuation losses on fair value through other comprehensive income (FVOCI) investments of an associate (Note 9)	—	—	(3,125)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	<b>6,403,365</b>	<b>6,099,774</b>	<b>(2,519,149)</b>
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Share in actuarial gain on defined benefit plans of associates and joint ventures, net of tax	48,976	7,915	23,047
Actuarial gain (loss) on defined benefit plans, net of tax (Note 26)	4,871	168,827	(327,505)
Net other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods	<b>53,847</b>	<b>176,742</b>	<b>(304,458)</b>
Total other comprehensive income (loss) for the period, net of tax	<b>6,457,212</b>	<b>6,276,516</b>	<b>(2,823,607)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱36,004,629</b>	<b>₱28,821,731</b>	<b>₱11,997,615</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent	₱33,821,839	₱27,047,317	₱10,298,742
Non-controlling interests	2,182,790	1,774,414	1,698,873
	<b>₱36,004,629</b>	<b>₱28,821,731</b>	<b>₱11,997,615</b>

See accompanying Notes to Consolidated Financial Statements.

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
**(Amounts in Thousands, Except Dividends Per Share Amounts)**

	Attributable to Equity Holders of the Parent									
	Paid-in Capital (Note 19a)	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures (Note 9)	Cumulative Translation Adjustments (Note 33)	Cash Flow Hedge Reserve	Actuarial Losses on Defined Benefit Plans (Note 26)	Equity Reserve	Retained Earnings (Note 19b)	Non-controlling Interests	Total	
Balances at January 1, 2022	₱19,947,498	₱185,183	₱1,917,151	₱917,353	(₱1,072,629)	(₱7,175,742)	₱20,060,000	₱7,629,621	₱155,580,703	
Net income for the year	—	—	—	—	—	—	—	2,012,284	29,547,417	
<i>Other comprehensive income</i>										
Share in other comprehensive loss of associates and joint ventures	—	1,034,988	—	—	—	—	—	—	1,034,988	
Movement in cumulative translation adjustments	—	—	3,545,406	—	—	—	—	(13,018)	3,532,388	
Movement in cash flow hedges	—	—	—	1,729,380	—	—	—	155,585	1,884,965	
Actuarial loss on defined benefit plans, net of tax	—	—	—	—	(23,068)	—	—	27,939	4,871	
Total comprehensive income (loss) for the year	—	1,034,988	3,545,406	1,729,380	(23,068)	—	—	2,182,790	36,004,629	
Cash dividends - ₱1.45 per share (Note 19b)	—	—	—	—	—	—	—	—	(10,669,976)	
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	(1,380,664)	(1,380,664)	
Change in non-controlling interests	—	—	—	—	—	—	—	640,076	640,076	
Balances at December 31, 2022	₱19,947,498	₱4,220,171	₱5,462,557	₱2,646,733	₱1,095,697	(₱7,175,742)	₱20,060,000	₱9,071,823	₱180,174,768	



Attributable to Equity Holders of the Parent

	Paid-in Capital (Note 19a)	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures (Note 9)	Cumulative Translation Adjustments (Note 33)	Cash Flow Hedge Reserve	Actuarial Gains (Losses) on Defined Benefit Plans (Note 26)	Equity Reserve	Retained Earnings (Note 19b)		Non-controlling Interests	Total
							Appropriated	Unappropriated		
Balances at January 1, 2021	₱19,947,498	(₱576,692)	(₱1,067,593)	(₱1,379,180)	(₱1,239,612)	(₱7,175,742)	₱33,660,000	₱84,989,900	₱7,426,494	₱134,585,073
Net income for the year	—	—	—	—	—	—	—	20,837,182	1,708,033	22,545,215
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—
Share in other comprehensive loss of associates and joint ventures	—	761,875	—	—	—	—	—	—	—	761,875
Movement in cumulative translation adjustments	—	—	2,984,744	—	—	—	—	—	—	2,990,011
Movement in cash flow hedges	—	—	—	2,296,533	—	—	—	—	59,270	2,355,803
Actuarial loss on defined benefit plans, net of tax	—	—	—	—	166,983	—	—	—	1,844	168,827
Total comprehensive income (loss) for the year	—	761,875	2,984,744	2,296,533	166,983	—	—	20,837,182	1,774,414	28,821,731
Reversal of appropriation	—	—	—	—	—	—	(13,600,000)	13,600,000	—	—
Cash dividends - ₱.85 per share (Note 19b)	—	—	—	—	—	—	—	(6,254,814)	—	(6,254,814)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(1,586,998)	(1,586,998)
Change in non-controlling interests	—	—	—	—	—	—	—	—	15,711	15,711
Balances at December 31, 2021	₱19,947,498	₱185,183	₱1,917,151	₱917,353	(₱1,072,629)	(₱7,175,742)	₱20,060,000	₱113,172,268	₱7,629,621	₱155,580,703

## Attributable to Equity Holders of the Parent

	Paid-in Capital (Note 19a)	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures (Note 9)	Cumulative Translation Adjustments	Cash Flow Hedge Reserve	Actuarial Gains (Losses) on Defined Benefit Plans (Note 26)	Equity Reserve	Retained Earnings (Note 19b)	Non-controlling Interests	Total
							Appropriated	Unappropriated	
Balances at January 1, 2020	₱19,947,498	(₱66,057)	₱4,229,557	(₱2,223,810)	(₱923,833)	(₱7,175,742)	₱33,660,000	₱81,095,377	₱133,643,011
Net income for the year	—	—	—	—	—	—	—	12,577,676	14,821,222
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—
Share in other comprehensive loss of associates and joint ventures	—	(510,635)	—	—	—	—	—	—	(510,635)
Movement in cumulative translation adjustments	—	—	(2,297,150)	—	—	—	—	—	(2,749,926)
Movement in cash flow hedges	—	—	—	844,630	—	—	—	—	764,459
Actuarial gains (losses) on defined benefit plans, net of tax	—	—	—	—	(315,779)	—	—	—	(327,505)
Total comprehensive income (loss) for the year	—	(510,635)	(2,297,150)	844,630	(315,779)	—	—	12,577,676	11,997,615
Cash dividends - ₱1.18 per share (Note 19b)	—	—	—	—	—	—	—	(8,683,153)	(8,683,153)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—
Change in non-controlling interests	—	—	—	—	—	—	—	(2,350,216)	(2,350,216)
Balances at December 31, 2020	₱19,947,498	(₱576,692)	(₱1,067,593)	(₱1,379,180)	(₱1,239,612)	(₱7,175,742)	₱33,660,000	₱84,989,900	₱134,585,073

See accompanying Notes to Consolidated Financial Statements.

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱32,711,622	₱24,655,925	₱20,883,134
Adjustments for:			
Share in net earnings of associates and joint ventures (Note 9)	(15,134,970)	(9,479,696)	(2,675,136)
Interest expense and other financing costs (Note 32)	13,420,348	13,590,365	14,253,528
Depreciation and amortization (Notes 11 and 12)	11,863,670	11,202,273	10,973,364
Net unrealized foreign exchange loss (gain)	1,227,513	1,816,579	(2,022,493)
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 11, 12, 13 and 27)	729,255	340,597	113,683
Interest income (Notes 5 and 31)	(678,696)	(343,233)	(653,076)
Write-off of project development costs (Notes 12 and 27)	238,021	298,031	7,240
Unrealized fair valuation gain on investment property (Note 27)	(78,600)	—	(115,829)
Unrealized fair valuation loss (gain) on derivatives and financial assets at FVTPL (Note 33)	(57,109)	(18,333)	4,848
Loss on disposal of property, plant and equipment (Note 27)	34,843	214,032	88,227
Operating income before working capital changes	44,275,897	42,276,540	40,857,490
Decrease (increase) in:			
Trade and other receivables	(8,115,523)	(4,134,879)	(8,521,328)
Inventories	(6,549,087)	(3,266,413)	323,829
Other current assets	(5,058,887)	1,102,850	2,857,713
Increase (decrease) in:			
Trade and other payables	11,529,552	2,427,336	632,050
Long-term obligation on power distribution system	(40,000)	(40,000)	(40,000)
Customers' deposits	943,713	401,496	277,376
Net cash generated from operations	36,985,665	38,766,930	36,387,130
Income and final taxes paid	(2,772,328)	(2,439,894)	(4,605,461)
Net cash flows from operating activities	34,213,337	36,327,036	31,781,669
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash dividends received (Note 9)	3,585,997	8,355,017	3,238,926
Decrease (increase) in other noncurrent assets	(2,053,238)	1,630,833	(478,506)
Interest received	634,182	314,490	654,133
Proceeds from sale of property, plant and equipment	26,214	10,360	8,851
Proceeds from redemption of shares (Note 9)	5,605	14,413	6,939
Net collection of advances (Note 9)	2,111	5,549	2,035
Acquisitions through business combinations, net of cash acquired	—	1,251	—

(Forward)

**Years Ended December 31**

	2022	2021	2020
Additions to:			
Property, plant and equipment (Note 11)	(₱12,981,059)	(₱8,254,307)	(₱5,428,730)
Intangible assets (Note 12)	(662,028)	(105,049)	(198,030)
Additional investments (Note 9)	—	(954,386)	(2,332,591)
<b>Net cash flows from (used in) investing activities</b>	<b>(11,442,216)</b>	<b>1,018,171</b>	<b>(4,526,973)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from long-term debt (Note 16)	44,745,631	39,737,724	20,967,211
Payments of:			
Long-term debt (Note 16)	(30,666,741)	(37,179,837)	(19,905,432)
Interest	(10,305,062)	(9,770,209)	(10,032,413)
Lease liabilities, including interest accretion (Note 34)	(9,600,853)	(9,401,915)	(7,632,923)
Cash dividends paid (Note 19b)	(10,669,606)	(6,254,588)	(8,682,746)
Net availments of short-term loans (Note 15)	2,777,169	5,352,163	1,888,223
Payment of dividends to non-controlling interests	(1,380,664)	(1,586,998)	(2,515,930)
Additional contributions from non-controlling interests (Note 2)	624,250	—	—
<b>Net cash flows used in financing activities</b>	<b>(14,475,876)</b>	<b>(19,103,660)</b>	<b>(25,914,010)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,295,245</b>	<b>18,241,547</b>	<b>1,340,686</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<b>(661,846)</b>	<b>189,151</b>	<b>(75,070)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>57,130,243</b>	<b>38,699,545</b>	<b>37,433,929</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>	<b>₱64,763,642</b>	<b>₱57,130,243</b>	<b>₱38,699,545</b>

See accompanying Notes to Consolidated Financial Statements.



## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

#### 1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation, retail electricity supply and power distribution in the Aboitiz Group. On December 16, 2021, JERA Asia Private Limited completed the acquisition of the Company's share from Aboitiz Equity Ventures, Inc. (AEV) and Aboitiz & Company, Inc. (ACO) totaling to 27%. As of December 31, 2022, AEV (also incorporated in the Philippines) owns 52.00% of the Company. The ultimate parent of the Company is ACO.

The Company's registered office address is 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 3, 2023.

#### 2. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries of the Company and a joint operation that is subject to joint control (collectively referred to as "the Group"; see Note 10). The following are the subsidiaries as of December 31 of each year:

	Nature of Business	Percentage of Ownership					
		2022		2021		2020	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	–	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	–	100.00	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	–	100.00	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	–	100.00	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00	–	100.00
Hedcor Tudaya, Inc. (HTI)	Power generation	–	100.00	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00	–	100.00
Sinag Solar Power Corporation (formerly AP Solar Tiwi, Inc.)*	Power generation	–	100.00	–	100.00	–	100.00
Retensol, Inc.*	Power generation	–	100.00	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power generation	–	100.00	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	–	100.00	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	–	100.00	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	–	100.00	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	–	100.00	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	–	100.00	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	–	100.00	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power generation	–	100.00	–	100.00	–	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power generation	–	100.00	–	100.00	–	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power generation	–	100.00	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power generation	–	100.00	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00	–	100.00

(Forward)

	Nature of Business	Percentage of Ownership					
		2022		2021		2020	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Amihan Frontier Energy, Inc. (formerly Hedcor Mt. Province, Inc.)*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Tamugan, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
RE Resources, Inc. (formerly Mt. Apo Geopower, Inc.)*	Power generation	-	100.00	-	100.00	-	100.00
Visayas Cleanergy, Inc. (formerly Negron Cuadrado Geopower, Inc. (NCGI))*	Power generation	-	100.00	-	100.00	-	100.00
Tagoloan Hydro Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Luzon Hydro Company Limited*	Power generation	-	100.00	-	100.00	-	100.00
Electricidad, Inc. (formerly La Filipina Elekrika, Inc.)*	Power generation	-	100.00	-	100.00	-	-
Wind Renewable Energy Corporation*	Power generation	-	100.00	-	100.00	-	-
Maaraw Renewable Energy Corporation*	Power generation	-	100.00	-	100.00	-	-
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Holding company	-	100.00	-	100.00	-	100.00
San Carlos Sun Power, Inc. (Sacason, see Note 9)	Power generation	-	100.00	-	100.00	-	100.00
Luzon Alternative Energy Sources, Inc.*	Power generation	-	100.00	-	-	-	-
Luzon Cleanergy Generation, Inc.*	Power generation	-	100.00	-	-	-	-
Luzon Cleanergy, Inc.*	Power generation	-	100.00	-	-	-	-
Maaraw Holdings Bais, Inc.*	Power generation	-	100.00	-	-	-	-
Mindanao Cleanergy, Inc.*	Power generation	-	100.00	-	-	-	-
North Luzon Green and Sustainable Energy, Inc.*	Power generation	-	100.00	-	-	-	-
North Luzon Green Power, Inc.*	Power generation	-	100.00	-	-	-	-
North Luzon Natural Energy, Inc.*	Power generation	-	100.00	-	-	-	-
Northern Sun Power, Inc.*	Power generation	-	100.00	-	-	-	-
Northern Sun Radiance, Inc.*	Power generation	-	100.00	-	-	-	-
South Cleanergy, Inc.*	Power generation	-	100.00	-	-	-	-
South Luzon Energy Solutions, Inc.*	Power generation	-	100.00	-	-	-	-
South Luzon Power Development, Inc.*	Power generation	-	100.00	-	-	-	-
South Luzon Sustainable Energy, Inc.*	Power generation	-	100.00	-	-	-	-
Hydro Electric Development Corporation*	Power generation	-	99.97	-	99.97	-	99.97
Sinag Naraw Power, Inc.*	Power generation	-	44.00	-	-	-	-
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	100.00	-	100.00	-	100.00	-
Mindanao Sustainable Solutions, Inc.*	Services	-	100.00	-	100.00	-	100.00
Therma Luzon, Inc. (TLI)	Power generation	-	100.00	-	100.00	-	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	-	100.00	-	100.00	-	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	-	100.00	-	100.00	-	100.00
Therma South, Inc. (TSI)	Power generation	-	100.00	-	100.00	-	100.00
Therma Power-Visayas, Inc. (TPVI)	Power generation	-	100.00	-	100.00	-	100.00
Therma Central Visayas, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Therma Subic, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Therma Mariveles Holdings, Inc.	Holding company	-	100.00	-	100.00	-	100.00
GNPower Mariveles Energy Center Ltd. Co. (formerly GNPower Mariveles Coal Plant) (GMEC)	Power generation	-	78.33	-	78.33	-	78.33
Therma Dinginin Holdings, Inc.	Holding company	-	100.00	-	100.00	-	100.00
Therma Visayas, Inc. (TVI)	Power generation	-	80.00	-	80.00	-	80.00
Abovant Holdings, Inc.	Holding company	-	60.00	-	60.00	-	60.00
AboitizPower International Pte. Ltd. (API)	Holding company	100.00	-	100.00	-	100.00	-
Cleanergy Asia Power Holdings Pte Ltd.	Holding company	-	100.00	-	-	-	-
AP Lariang Pte Ltd.	Holding company	-	100.00	-	-	-	-
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity supplier	100.00	-	100.00	-	100.00	-
Adventenergy, Inc. (AI)	Retail electricity supplier	100.00	-	100.00	-	100.00	-
Balamban Enerzone Corporation (BEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Malvar Enerzone Corporation (MVEZ)	Power distribution	100.00	-	100.00	-	100.00	-
East Asia Utilities Corporation (EAUC)	Power generation	50.00	50.00	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	99.94	-	99.94	-	99.94	-
Cotabato Ice Plant, Inc.	Manufacturing	-	100.00	-	100.00	-	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	99.93	-	99.93	-	99.93	-
AboitizPower International B.V. (APIBV, see Note 9)	Holding company	-	-	-	100.00	-	100.00
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	-	60.00	-	60.00	-
Prism Energy, Inc. (PEI)	Retail electricity supplier	60.00	-	60.00	-	60.00	-
Visayan Electric Company (VECO)	Power distribution	55.26	-	55.26	-	55.26	-
Cell Power Energy Corporation (formerly Olongapo Energy Corporation)*	Power generation	100.00	-	-	-	-	-

\* No commercial operations as of December 31, 2022.

All of the foregoing subsidiaries are incorporated and registered with the Philippine SEC and operate in the Philippines except for the following:

Subsidiary	Country of incorporation
AboitizPower International Pte. Ltd.	Singapore
Cleanergy Asia Power Holdings Pte Ltd.	Singapore
AP Lariang Pte Ltd.	Singapore
AboitizPower International B.V.	Netherlands

#### *Material partly-owned subsidiary*

Information of subsidiaries that have material non-controlling interests is provided below:

	2022	2021	2022	2021	2022	2021
	VECO	VECO	TVI	TVI	GMEC	GMEC
<b>Summarized balance sheet information</b>						
Current assets	<b>₱5,179,004</b>	₱3,893,467	<b>₱10,406,844</b>	₱8,204,475	<b>₱17,337,209</b>	₱11,903,465
Noncurrent assets	<b>13,415,962</b>	13,063,250	<b>31,171,963</b>	33,463,331	<b>35,865,149</b>	32,261,831
Current liabilities	<b>8,347,008</b>	7,123,948	<b>4,572,522</b>	4,199,642	<b>13,428,273</b>	10,081,276
Noncurrent liabilities	<b>3,306,647</b>	3,358,708	<b>22,288,756</b>	24,697,667	<b>31,193,279</b>	31,372,483
Non-controlling interests	<b>2,551,929</b>	2,676,895	<b>2,967,120</b>	2,570,405	<b>2,033,092</b>	895,600
<b>Summarized comprehensive income information</b>						
Profit for the year	<b>₱2,132,981</b>	₱2,337,966	<b>₱1,972,652</b>	₱1,081,523	<b>₱1,848,683</b>	₱83,498
Total comprehensive income	<b>2,098,268</b>	2,303,253	<b>1,960,974</b>	1,087,338	<b>3,796,237</b>	385,153
<b>Summarized other financial information</b>						
Profit (loss) attributable to non-controlling interests	<b>₱924,560</b>	₱1,080,695	<b>₱394,530</b>	₱216,305	<b>₱626,387</b>	(₱76,688)
Dividends paid to non-controlling interests	<b>1,063,508</b>	938,149	—	—	—	—
<b>Summarized cash flow information</b>						
Operating	<b>₱3,568,658</b>	₱2,498,355	<b>₱3,030,495</b>	₱4,394,866	<b>₱6,347,588</b>	₱1,962,435
Investing	<b>(1,056,146)</b>	(379,535)	<b>380,881</b>	555,734	<b>117,023</b>	(2,176,780)
Financing	<b>(2,162,441)</b>	(1,986,331)	<b>(4,128,771)</b>	(4,299,085)	<b>(3,927,521)</b>	(210,090)
Net increase (decrease) in cash and cash equivalents	<b>350,071</b>	132,489	<b>(717,395)</b>	651,515	<b>2,537,090</b>	(504,310)

For the year ended December 31, 2022, non-controlling interests includes contribution of other partners of GMEC amounting to ₱625.3 million.

### 3. Summary of Significant Accounting Policies

#### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets at FVTPL and investment properties which are measured at fair value. The consolidated financial statements are presented in Philippine peso which is the Company's functional currency and all values are rounded to the nearest thousand except for earnings per share and exchange rates and as otherwise indicated.

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The consolidated financial statements provide comparative information in respect of the previous periods.

#### Statement of Compliance

The consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and a joint operation that is subject to joint control, as at December 31 of each year. 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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 acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses, 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 loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;



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- Recognizes the fair value of any investment retained;
  - Recognizes any surplus or deficit in profit or loss; and
  - Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals of non-controlling interest is also recognized directly in equity.

#### New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards starting January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these new standards 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.

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- 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.

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*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.

The Group will apply the requirements of this amendment and expects to recognize deferred income tax assets and liabilities amounting to ₱6.55 billion and ₱8.02 billion, respectively, as of January 1, 2023.

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*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



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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**

##### Business Combination 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 non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition-related costs incurred are expensed and included in 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, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as “bargain purchase gain” in profit or loss.

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 (CGUs) 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 forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *Impairment of goodwill*

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized.

#### *Common control business combination*

Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

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### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet 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 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 months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

### 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 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 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 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.

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

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 as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the external valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen Valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyses the movements in the values of the investment properties which are required to be re-measured or re-assessed in accordance with the subsidiaries' accounting policies. The team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

#### Investments in Associates and Joint Ventures

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. 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 are similar to those necessary to determine control over subsidiaries.



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The Group's investments in its associates and joint ventures 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 of 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 neither amortized nor individually tested 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 other comprehensive income of those investees is presented as part of the Group's other comprehensive income. 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 of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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 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.

#### Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

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The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

#### Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 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 as 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 date when the fair value was determined.

The functional currency of its subsidiaries; Therma Mariveles Group, Therma Dinginin Group, AboitizPower International Pte. Ltd., AboitizPower International B.V. and LHC, and its associate; STEAG State Power, Inc. (STEAG), is the United States (US) Dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statement of income and statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. Upon disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

#### Cash and Cash Equivalents

Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### Inventories

Materials and supplies are valued at the lower of cost and net realizable value (NRV). Cost is determined on moving average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

#### Financial Instruments - Classification and Measurement

##### *Classification of financial assets*

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

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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 fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, 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 'Interest income' 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 credit and impairment losses' in the consolidated statement of income.

The Group's debt financial assets as of December 31, 2022 and 2021 consist of cash in banks, including restricted cash, cash equivalents, trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheets. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

#### *Financial assets at FVOCI*

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.

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.

The Group does not have any financial asset at FVOCI as of December 31, 2022 and 2021.



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#### *Financial assets at FVTPL*

Financial assets at FVTPL are measured at its fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and 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.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's investments in quoted equity securities and in unquoted equity shares are measured at FVTPL as of December 31, 2022 and 2021.

#### *Classification of financial liabilities*

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

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

Financial liabilities are subsequently measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- 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 fair value through profit or loss, 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.

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The Group's financial liabilities measured at amortized cost as of December 31, 2022 and 2021 include trade and other payables (excluding taxes and fees, output value-added tax (VAT) and unearned revenue), customers' deposits, short-term loans, lease liabilities, long-term obligation on power distribution system, long-term debts, and other noncurrent liabilities and (see Note 32).

#### *Reclassifications of financial instruments*

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

#### Derivative financial instruments

##### *Initial recognition and subsequent measurement*

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative within a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held. On the other hand, an embedded derivative with a financial liability or a non-financial host is separated from the host and accounted for as a separate derivative if: its economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Separated embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modified the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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The Group uses derivative financial instruments, such as foreign currency forward, interest rate swap (IRS) and commodity swap contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively.

For the purpose of hedge accounting, the Group's hedges are classified as cash flow hedges. Hedges are classified as cash flow hedge 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.

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 Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### *Cash flow hedge*

The effective portion of the gain or loss on the hedging instrument is recognized 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 foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, IRS contracts to manage its floating interest rate exposure on its loans and commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to these contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Group designated all of the foreign currency forward, IRS and commodity swap contracts as hedging instrument. The amounts accumulated in other comprehensive income 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 other comprehensive income for the period. This also applies where the hedged forecast



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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 other comprehensive income is reclassified to the consolidated statement of income 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 other comprehensive must remain in accumulated other comprehensive income 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 other comprehensive must be accounted for depending on the nature of the underlying transaction as described above.

### Derecognition of Financial Assets and 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 derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group 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 Group has transferred its rights to receive cash flows from the asset and either (a) 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.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the



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extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

#### *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 consolidated 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 liabilities*

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Impairment of Financial Assets

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

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.

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Financial assets migrate through the following three 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 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 debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

*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 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 simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade and other receivables'. The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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### Financial Guarantee Contracts and Loan Commitments

Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet 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. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the consolidated balance sheet.

### Classification of financial instruments between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.



deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Cost also include decommissioning liability relating to the decommissioning of power plant equipment, if any. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Category</u>	<u>Estimated Useful Life (in years)</u>
Buildings, warehouses and improvements	10-50
Power plant equipment	2-50
Transmission, distribution and substation equipment:	
Power transformers	30
Poles and wires	20-40
Other components	12-30
Transportation equipment	5-10
Office furniture, fixtures and equipment	2-20
Electrical equipment	5-25
Meters and laboratory equipment	25
Steam field assets	20-25
Tools and others	2-20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements ranging from 5 to 15 years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts, and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment 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 in the year the asset is derecognized.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.



When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. (The net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying 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) included as part of "Property, plant and equipment" account in the consolidated balance sheet. 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, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

<u>Category</u>	<u>Number of years</u>
Land	10-50
Building	2-50
Power plant	38
Equipment and others	2-20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also 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 lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

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Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15, for the services it performs. If an entity performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at the stand-alone selling price of the related service. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15.

Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

#### *Software and licenses*

Software and licenses are initially recognized at cost. Following initial recognition, the software and licenses are carried at cost less accumulated amortization and any accumulated impairment in value.



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The software and licenses is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs is available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

#### *Service concession right*

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated economic useful life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

#### *Franchise*

The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

#### *Intangible assets - customer contracts*

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These 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.



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The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

#### *Project development costs*

Project development costs include power plant projects in the development phase which meet the “identifiability” requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to “Property, plant and equipment” when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

#### Research and Development Expenditure

The Group’s policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be 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. During the period of development, the asset is tested for impairment annually.

#### Investment Properties

Investment properties, which pertain to land, are measured initially at cost, including transaction costs. 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. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such

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property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

#### Impairment of Non-financial Assets

*Property, plant and equipment, intangible assets, investment and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment*

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Decommissioning Liability

The decommissioning liability arose from the Group's obligation, under their contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets, or the end of the lease term, or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income under "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

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Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of property, plant and equipment. The amount deducted from the cost of property, plant and equipment, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the property, plant and equipment, the excess shall be recognized immediately in the consolidated statement of income.

#### Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.

#### Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

#### Revenue Recognition

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 assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

##### *Sale of power*

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.



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Revenue from power generation and ancillary services is recognized in the period actual capacity is delivered. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time and based on amounts billed.

#### *Technical, management and other fees*

Technical, management and other fees are recognized when the related services are rendered.

#### *Interest income*

Interest is recognized as it accrues taking into account the effective interest method.

#### *Other income*

Revenue is recognized when non-utility operating income and surcharges are earned.

#### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

#### Pension Benefits

The Group has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset



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Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying 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 shall be the weighted average of the borrowing costs applicable to the borrowings of the Group 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.

#### Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

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Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred income tax*

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where 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 profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in 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 profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit 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 to 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 as of the balance sheet date.

Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the consolidated statement of income.

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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.

#### VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheet, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

#### 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. Where 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 any 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

#### Contingencies

Contingent liabilities are not recognized in the consolidated 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 consolidated 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 Group's financial position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.



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### Earnings Per Common Share

Basic earnings per common share are computed by dividing consolidated net income for the year attributable to the equity holders of the Company by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the consolidated net income for the year attributable to the equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive potential common shares.

### Operating Segments

For management purposes, the Group is organized into two major operating segments (power generation and power distribution) according to the nature of the services provided, with each segment representing a significant business segment. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on the operating segment is presented in Note 30.

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## 4. Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRSs require management to make judgment, estimates and assumptions that affect amount reported in the financial statements and related notes. The judgment, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under circumstances. The following items are those matters which the Group assess to have significant risk arising from judgements and estimation uncertainties:

### Judgments

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Determining functional currency*

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine Peso except for certain subsidiaries and an associate whose functional currency is the US Dollar. The Philippine Peso is the currency of the primary economic environment in which companies in the Group operates and it is the currency that mainly influences the sale of power and services and the costs of power and of providing the services. The functional currency of the Group's subsidiaries and associates is the Philippine Peso except for Therma Mariveles Group, Therma Dinginin Group, AboitizPower International Pte. Ltd., AboitizPower International B.V. and LHC (subsidiaries), and STEAG (associate) whose functional currency is the US Dollar.



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*Service concession arrangements - Companies in the Group as Operators*

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). SEZ, MEZ and LHC's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

*Determining fair value of customers' deposits*

In applying PFRS 9 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits, which are therefore stated at cost, amounted to ₱8.14 billion and ₱7.20 billion as of December 31, 2022 and 2021, respectively (see Note 17).

*Determining whether Independent Power Producer (IPP) Administration Agreement Contains a Lease*

In accounting for its IPP Administration Agreement with PSALM, the Group's management has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group's management has made a judgment that TLI has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a lease and recognized a right-of-use asset included as part of power plant and lease liability at the present value of the agreed monthly payments to PSALM (see Note 34).

The power plant is depreciated over its estimated useful life, as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2022 and 2021, the carrying value of the power plant amounted to ₱30.30 billion and ₱31.41 billion, respectively (see Notes 11 and 34). The carrying value of the lease liability related to this contract amounted to ₱24.77 billion and ₱31.38 billion as of December 31, 2022 and 2021, respectively (see Note 34)

*Nonconsolidation of Manila-Oslo Renewable Enterprise, Inc. (MORE) and its investees, AA Thermal, Inc. (AA Thermal) and GNPowder Dingin Ltd. Co. (GNPD)*

The Group has 83.33% interest in MORE which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc. (SNAP M), SN Aboitiz Power-Benguet, Inc. (SNAP B), SN Aboitiz Power-RES, Inc. (SNAP RES), and SN Aboitiz Power-Generation, Inc.

The Group has 70% interest in GNPD, direct 40% via TPI and indirect 30% via AA Thermal.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD. This is a result of partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE,

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AA Thermal and GNPD are vested in their respective BOD or “Management Committee” and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings (see Note 9).

#### *Determining a joint operation*

The Group has 50% interest in Pagbilao Energy Corporation (PEC). The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

#### *Classification of financial instruments*

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

#### *Contractual cash flows assessment*

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

#### *Evaluation of business model in managing financial instruments*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

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The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### *Identifying performance obligations*

The Group 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 customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group 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 services 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.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or 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.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

#### *Revenue recognition*

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group's revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power.

#### *Identifying methods for measuring progress of revenue recognized over time*

The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.



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For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

- a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

*Determining method to estimate variable consideration and assessing the constraint*

The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., volume and prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Group's influence (i.e., provisional ERC rates).

*Allocation of variable consideration*

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.



### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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:

#### *Estimating allowance for impairment losses on investments and advances*

Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or impairment recovery for any significant change in the expected historical or projected future operating results of the investees. There were no impairment indicators in 2022, 2021 and 2020 based on management's assessment. The carrying amounts of the investments and advances amounted to ₱77.93 billion and ₱64.95 billion as of December 31, 2022 and 2021, respectively (see Note 9).

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2022 and 2021 amounted to ₱44.92 billion and ₱41.16 billion, respectively (see Note 12). No impairment of goodwill was recognized in 2022, 2021 and 2020.

#### *Estimating useful lives of property, plant and equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2022 and 2021, the net book values of property, plant and equipment, excluding land and construction in progress, amounted to ₱193.66 billion and ₱195.42 billion, respectively (see Note 11).

#### *Estimating useful lives of intangible asset - franchise*

The Group estimates the useful life of VECO distribution franchise based on the period over which the asset is estimated to be available for use over 40 years. As of December 31, 2022 and 2021, the carrying value of the franchise amounted to ₱2.34 billion and ₱2.42 billion, respectively (see Note 12).

#### *Estimating useful lives of intangible asset - service concession rights*

The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contracts at the end of the original contract term. As of December 31, 2022 and 2021, the aggregate net book values of intangible asset - service concession rights amounted to ₱1.50 billion and ₱1.75 billion, respectively (see Note 12).

#### *Assessing impairment of nonfinancial assets*

The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property, plant and equipment, intangible assets (excluding goodwill), and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of non-financial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment, intangible assets (excluding goodwill), and other current and noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income.

As of December 31, 2022 and 2021, the aggregate net book values of these assets amounted to ₱228.15 billion and ₱220.65 billion, respectively (see Notes 8, 11, 12 and 13). Impairment losses and write-off recognized on these non-financial assets in 2022, 2021 and 2020 amounted to ₱1.01 billion, ₱711.5 million and ₱165.0 million, respectively (see Notes 11, 12 and 13).

#### *Measurement of expected credit losses*

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

#### *Inputs, assumptions and estimation techniques*

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*  
The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the

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associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*  
Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.
- *Exposure at default*  
EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

#### *Simplified approach for trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, customer segment and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.



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The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

*Incorporation of forward-looking information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for expected credit losses of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2022 and 2021, allowance for expected credit losses amounted to ₱3.33 billion and ₱3.02 billion, respectively. Trade and other receivables, net of allowance for ECL, amounted to ₱35.34 billion and ₱26.82 billion as of December 31, 2022 and 2021, respectively (see Note 6).

*Estimating allowance for inventory obsolescence*

The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2022 and 2021, allowance for inventory obsolescence amounted to ₱27.3 million and ₱27.5 million respectively. The carrying amount of the inventories amounted to ₱16.12 billion and ₱9.57 billion as of December 31, 2022 and 2021, respectively (see Note 7).



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#### *Estimating the incremental borrowing rate (IBR)*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The carrying amount of the lease liabilities amounted to ₱27.54 billion and ₱33.77 billion as of December 31, 2022 and 2021, respectively (see Note 34).

#### *Estimating decommissioning liability*

Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of their lease terms. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statement of income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱5.65 billion and ₱5.69 billion as of December 31, 2022 and 2021, respectively, (see Note 18).

#### *Recognition of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group recognize deferred taxes based on enacted or substantially enacted tax rates for renewable of 10%

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Details of the Group's unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) are disclosed in Note 28.

#### *Pension benefits*

The cost of defined benefit pension plans, as well as 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 specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 26.

Net benefit expense amounted to ₱512.9 million in 2022, ₱277.3 million in 2021, and ₱231.0 million in 2020. The net pension assets as of December 31, 2022 and 2021 amounted to ₱83.4 million and ₱87.1 million, respectively. Net pension liabilities as of December 31, 2022 and 2021 amounted to ₱599.5 million and ₱302.8 million, respectively.

#### *Fair value of financial instruments*

Where the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques which include the discounted cash flow model and other generally accepted market valuation model. The inputs for these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The fair values of the Group's financial instruments are presented under Note 33.

#### *Legal contingencies*

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2022, 2021 and 2020.

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## 5. Cash and Cash Equivalents

	2022	2021
Cash on hand and in banks	₱26,275,516	₱17,239,024
Short-term deposits	38,488,126	39,891,219
	<b>₱64,763,642</b>	<b>₱57,130,243</b>

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposits rates. Interest income earned from cash and cash equivalents amounted to ₱678.7 million in 2022, ₱343.2 million in 2021, and ₱653.1 million in 2020.

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## 6. Trade and Other Receivables

	2022	2021
Trade receivables - net of allowance for expected credit losses of ₱3.33 billion and ₱3.02 billion in 2022 and 2021, respectively (see Notes 9, 31 and 32)	₱27,019,951	₱19,618,892
Others		
Non-trade receivable	7,067,580	4,726,071
Dividends receivable (see Note 9)	792,515	1,192,000
Advances to contractors	285,501	191,904
Interest receivable	122,899	48,343
PSALM deferred adjustment (see Note 39j)	54,505	1,042,861
	<b>₱35,342,951</b>	<b>₱26,820,071</b>

Trade and other receivables are noninterest-bearing and are generally on 10 - 30 days' term.

For terms and conditions relating to related party receivables, refer to Note 31.

Advances to contractors refer to noninterest-bearing advance payments made for acquisition of inventories and services which are offset against progress billings to be made by the suppliers.

Non-trade receivable relates mostly to claims from insurance against the property damage and business interruption insurance policies of TSI, TLI's accrual of income from coal commodity hedge and advances to partners in GMEC.

The rollforward analysis of allowance for expected credit losses as of December 31, 2022 and 2021, which pertains to trade receivables, is presented below:

	2022	2021
January 1	₱3,018,981	₱2,276,373
Provision (see Note 23)	133,735	1,089,566
Write-off	(215,685)	(204,940)
Effect of changes in foreign exchange rate	392,366	(142,018)
December 31	₱3,329,397	₱3,018,981

#### 7. Inventories - at NRV

	2022	2021
Plant spare parts and supplies	₱6,590,396	₱4,881,095
Fuel	8,092,930	3,399,155
Transmission and distribution supplies	1,395,180	1,294,087
Other parts and supplies	45,194	276
	₱16,123,700	₱9,574,613

Inventories are carried at lower of cost and NRV as of December 31, 2022 and 2021.

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱52.19 billion in 2022, ₱27.48 billion in 2021, and ₱19.65 billion in 2020 (see Note 22). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱337.8 million in 2022, ₱272.1 million in 2021, and ₱305.8 million in 2020 (see Note 24). The allowance for inventory obsolescence to arrive at NRV amounted to ₱27.3 million and ₱27.5 million as of December 31, 2022 and 2021, respectively.

#### 8. Other Current Assets

	2022	2021
Restricted cash (see Note 16)	₱6,023,425	₱4,073,381
Prepaid tax	3,929,664	2,529,435
Input VAT	2,774,959	1,387,464
Prepaid expenses	665,903	818,610
Advances to NGCP	551,506	615,785
Others	134,411	86,432
	₱14,079,868	₱9,511,107

Restricted cash represents proceeds from sale of power under the control of trustees of TVI and TSI's lenders as per loan agreement (see Note 16). The asset will be used to pay the current portion of loans payable, interest payments and operating costs in the following period.

Advances to NGCP pertain to TVI's cost of construction and installation of substation and transmission facilities which are subject for reimbursement.

Prepaid expenses mainly include prepayments for insurance.



## 9. Investments and Advances

	2022	2021
Acquisition cost:		
Balance at beginning of the year	₱61,410,545	₱60,470,649
Additions during the year	—	954,386
Step acquisition to subsidiary	—	(77)
Redemptions during the year	(5,605)	(14,413)
Balance at end of year	61,404,940	61,410,545
Accumulated equity in net earnings:		
Balance at beginning of the year	3,914,203	2,482,442
Share in net earnings	15,134,970	9,479,696
Step acquisition to subsidiary	—	1,082
Dividends	(3,186,512)	(8,049,017)
Balance at end of year	15,862,661	3,914,203
Share in net unrealized valuation gain on FVOCI investment of an associate	98,602	98,602
Share in actuarial gains on defined benefit plans of associates and joint ventures	65,640	16,663
Share in cumulative translation adjustments of associates and joint ventures	1,055,930	69,918
	1,220,172	185,183
	78,487,773	65,509,931
Less allowance for impairment losses	568,125	568,125
Investments at equity	77,919,648	64,941,806
Advances	8,811	10,922
	₱77,928,459	₱64,952,728

As of December 31, 2022 and 2021, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱15.86 billion and ₱3.91 billion, respectively, are not available for distribution to the stockholders unless declared by the investees (see Note 19).

### 2022

In 2022, AEV Aviation, Inc. (AAI) redeemed 5,605 Redeemable Preferred Shares (RPS) held by the Company for ₱5.6 million.

### 2021

In 2021, the Group, through TPI and AA Thermal, made capital contributions to GNPD amounting to ₱952.1 million.

In 2021, the Group made capital contributions to MEC amounting to ₱2.2 million.

In 2021, AAI redeemed 14,413 RPS held by the Company for ₱14.4 million.

In 2021, the Group, through ARI acquired 100% of Electricidad, Inc. (formerly La Filipina Electrika, Inc.) from TPI (40%) and La Filipina Uy Gongco Corporation (60%) at its par value of ₱192,500. As a result, Electricidad, Inc. (formerly an associate) became a subsidiary.

## 2020

In 2020, the Group converted the advances to Hijos de F. Escaño, Inc. (Hijos) to equity in the form of common and redeemable preferred shares amounting to ₱15.4 million.

In 2020, AAI redeemed 6,939 RPS held by the Company for ₱6.9 million.

In 2020, the Group, through TPI and AA Thermal made capital contributions to GNPD amounting to US\$48.25 million (₱2.32 billion).

The completion of the transaction increases the Company's economic interests in GMEC, and GNPD to 78.3%, and 75.0%, respectively.

The Group's associates and joint ventures and the corresponding equity ownership are as follows:

	Nature of Business	Percentage of Ownership		
		2022	2021	2020
MORE <sup>1</sup>	Holding company	<b>83.33</b>	83.33	83.33
GNPD <sup>(1,3)</sup>	Power generation	<b>70.00</b>	70.00	70.00
AA Thermal <sup>(1,2)</sup>	Holding company	<b>60.00</b>	60.00	60.00
Hijos	Holding company	<b>46.73</b>	46.73	46.73
Mazzaraty Energy Corporation (MEC)	Retail electricity supplier	<b>44.87</b>	44.87	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	<b>43.78</b>	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	<b>42.84</b>	42.84	42.84
Electricidad, Inc. *	Power generation	—	—	40.00
STEAG	Power generation	<b>34.00</b>	34.00	34.00
AAI	Service	<b>26.69</b>	26.69	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	<b>26.40</b>	26.40	26.40
Redondo Peninsula Energy, Inc. (RPEI)*	Power generation	<b>25.00</b>	25.00	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	<b>20.00</b>	20.00	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	<b>20.00</b>	20.00	20.00

<sup>1</sup> Joint ventures.

<sup>2</sup> Economic interest.

<sup>3</sup> Includes 30% indirect ownership through AA Thermal.

\* No commercial operations as of December 31, 2022.

The principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

All ownership percentages presented in the table above are direct ownership of the Group except for GNPD and SFELAPCO. As of December 31, 2022, AA Thermal has an indirect ownership in GNPD of 50% while the Group's direct ownership in GNPD is 40% resulting to the Group's effective ownership in GNPD of 70%. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

The carrying values of investments, which are accounted for under the equity method are as follows:

	2022	2021
AA Thermal <sup>1</sup>	₱30,986,871	₱26,517,258
GNPD <sup>2</sup>	29,109,463	22,164,022
MORE	9,292,756	8,151,748
STEAG	3,592,972	3,211,116
CEDC	3,075,932	2,928,493
PEVI	624,304	586,219
SFELAPCO	485,966	437,673
Hijos	283,009	212,038
WMPC	174,927	179,639
RPEI	93,418	361,663
SPPC	42,341	48,368
Others	157,689	143,569
	<b>₱77,919,648</b>	<b>₱64,941,806</b>

<sup>1</sup> Includes indirect ownership from GNPD.

<sup>2</sup> Direct ownership only.

Following is the summarized financial information of significant associates and joint ventures:

	2022	2021	2020
<b>MORE:</b>			
Total current assets	₱63,207	₱655,296	₱1,046,825
Total noncurrent assets	11,122,609	9,672,667	12,724,102
Total current liabilities	(18,506)	(510,947)	(961,848)
Total noncurrent liabilities	(19,890)	(34,918)	(24,516)
Equity	<b>₱11,147,420</b>	<b>₱9,782,098</b>	<b>₱12,784,563</b>
Gross revenue	₱256,847	₱222,460	₱178,636
Operating profit	3,934,504	3,800,149	3,194,516
Net income	3,925,799	3,788,908	3,193,335
Other comprehensive income	36,024	16,501	22,889
Group's share in net income	<b>₱451,798</b>	<b>₱3,157,424</b>	<b>₱2,658,476</b>
<b>Additional information:</b>			
Cash and cash equivalents	₱46,149	₱55,669	₱36,165
Current financial liabilities	18,506	10,385	9,890
Noncurrent financial liabilities	—	8,209	13,785
Depreciation and amortization	15,765	18,628	20,124
Interest income	806	188	500
Interest expense	(904)	(1,501)	(2,132)
Income tax expense	7,619	10,149	4,836
<b>WMPC:</b>			
Total current assets	910,761	933,419	786,831
Total noncurrent assets	242,632	245,101	338,568
Total current liabilities	(162,654)	(210,852)	(203,776)
Total noncurrent liabilities	(110,028)	(67,288)	(80,403)
Equity	<b>₱880,711</b>	<b>₱900,380</b>	<b>₱841,220</b>
Gross revenue	₱1,793,183	₱1,596,258	₱1,390,204
Operating profit	615,791	630,603	427,771
Net income	277,729	351,931	348,795
Other comprehensive loss	—	—	—
Group's share in net income	<b>₱55,288</b>	<b>₱71,395</b>	<b>₱69,667</b>

	2022	2021	2020
<b>SPPC:</b>			
Total current assets	₱144,092	₱142,071	₱149,970
Total noncurrent assets	165,862	189,810	222,642
Total current liabilities	(44,172)	(37,565)	(51,339)
Total noncurrent liabilities	(53,687)	(53,015)	(55,041)
<b>Equity</b>	<b>₱212,095</b>	<b>₱241,301</b>	<b>₱266,232</b>
Gross revenue	₱—	₱—	₱12,857
Operating loss	(7,190)	(9,490)	(56,722)
Net loss	(35,009)	(43,115)	(48,136)
Other comprehensive loss	—	—	—
<b>Group's share in net loss</b>	<b>(6,028)</b>	<b>(₱4,878)</b>	<b>(₱8,250)</b>
<b>SFELAPCO*:</b>			
Total current assets	₱1,293,870	₱1,071,258	₱1,112,909
Total noncurrent assets	3,050,709	2,918,480	2,825,295
Total current liabilities	(822,482)	(699,925)	(831,991)
Total noncurrent liabilities	(738,362)	(772,733)	(826,003)
<b>Equity</b>	<b>₱2,783,735</b>	<b>₱2,517,080</b>	<b>₱2,280,210</b>
Gross revenue	₱5,142,904	₱4,674,313	₱4,318,340
Operating profit	658,375	582,477	573,989
Net income	560,139	484,543	418,088
Other comprehensive income	78,900	68,923	9,265
<b>Group's share in net income</b>	<b>₱270,374</b>	<b>₱234,137</b>	<b>₱198,142</b>
<b>STEAG:</b>			
Total current assets	₱5,633,304	₱3,510,163	₱5,053,099
Total noncurrent assets	9,390,560	9,155,136	9,000,415
Total current liabilities	(2,051,769)	(1,687,950)	(1,605,648)
Total noncurrent liabilities	(3,537,718)	(3,732,167)	(4,205,178)
<b>Equity</b>	<b>₱9,434,377</b>	<b>₱7,245,182</b>	<b>₱8,242,688</b>
Gross revenue	₱9,421,740	₱3,780,615	₱3,941,673
Operating profit	2,020,191	1,242,155	1,504,642
Net income	1,489,499	1,028,755	1,022,111
Other comprehensive income (loss)	41,931	73,301	(42,194)
<b>Group's share in net income</b>	<b>₱381,856</b>	<b>₱218,730</b>	<b>₱210,781</b>
<b>CEDC:</b>			
Total current assets	₱5,498,731	₱4,546,675	₱4,611,404
Total noncurrent assets	10,286,602	11,074,007	11,851,774
Total current liabilities	(3,900,081)	(3,205,091)	(7,751,429)
Total noncurrent liabilities	(4,958,095)	(5,823,525)	(1,008,946)
<b>Equity</b>	<b>₱6,927,157</b>	<b>₱6,592,066</b>	<b>₱7,702,803</b>
Gross revenue	₱14,258,846	₱8,984,184	₱7,718,729
Operating profit	4,199,039	4,111,795	2,726,815
Net income	2,125,080	1,921,029	1,576,645
Other comprehensive income (loss)	60,743	(36,552)	(17,256)
<b>Group's share in net income</b>	<b>₱909,994</b>	<b>₱839,766</b>	<b>₱710,307</b>
<b>AA Thermal</b>			
Total current assets	₱10,447	₱9,859	₱491,206
Total noncurrent assets	16,775,941	16,775,941	15,998,648
Total current liabilities	(144)	(89)	(134)
Total noncurrent liabilities	(218)	(152)	—
<b>Equity</b>	<b>₱16,786,026</b>	<b>₱16,785,559</b>	<b>₱16,489,720</b>
Gross revenue	₱—	₱—	₱—
Operating loss	—	—	—
Net income (loss)	468	(2,920)	—
Other comprehensive loss	—	—	—
<b>Group's share in net loss</b>	<b>₱—</b>	<b>₱—</b>	<b>(₱6,937)</b>



	2022	2021	2020
<b>GNPD</b>			
Total current assets	<b>₱29,574,563</b>	₱14,738,599	₱3,949,591
Total noncurrent assets	<b>95,476,181</b>	81,161,930	71,095,383
Total current liabilities	<b>(13,056,358)</b>	(5,173,546)	(2,542,327)
Total noncurrent liabilities	<b>(68,893,301)</b>	(64,794,734)	(56,958,752)
<b>Equity</b>	<b>₱43,101,085</b>	₱25,932,249	₱15,543,895
Gross revenue	<b>₱54,402,996</b>	₱18,531,437	₱1,725,867
Operating profit (loss)	<b>14,788,321</b>	2,067,594	(752,254)
Net income (loss)	<b>14,898,575</b>	7,495,055	(1,642,379)
Other comprehensive income	—	—	1,514
<b>Group's share in net income (loss)</b>	<b>₱5,959,430</b>	₱2,922,760	(₱683,376)
<b>Additional information:</b>			
Cash and cash equivalents	<b>₱15,250,602</b>	₱6,037,783	₱272,868
Current financial liabilities	<b>11,354,278</b>	1,295,090	1,213,841
Noncurrent financial liabilities	<b>65,075,513</b>	2,133,426	2,146,158
Depreciation and amortization	<b>124,902</b>	113,358	8,051
Interest income	<b>27,177</b>	26,868	3,702
Interest expense	<b>(246,524)</b>	(87,560)	(24,494)
Income tax expense	<b>1,470,480</b>	1,448,237	807,066
<b>Others**:</b>			
Total current assets	<b>₱387,536</b>	₱407,576	₱380,749
Total noncurrent assets	<b>2,525,500</b>	2,585,044	2,759,869
Total current liabilities	<b>(22,242)</b>	(27,113)	(34,193)
Total noncurrent liabilities	<b>(198,387)</b>	(143,983)	(166,040)
Gross revenue	<b>₱118,978</b>	₱131,073	₱125,908
Net income (loss)	<b>35,802</b>	8,138	(18,021)

\*Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱610.8 million, ₱517.7 million and ₱449.2 million in 2022, 2021, and 2020, respectively, for SFELAPCO.

\*\*The financial information of insignificant associates and joint ventures is indicated under "Others".

## 10. Joint Operation

Name of Joint Operation	Nature of Business	Percentage of Ownership		
		2022	2021	2020
PEC	Power generation	<b>50.00</b>	50.00	50.00

\*PEC's principal place of business and country of incorporation is the Philippines.

On May 15, 2014, the Group entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through PEC. TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC.

The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

**11. Property, Plant and Equipment**

**December 31, 2022**

Cost:	Power plant										Tools and others	Construction in progress	ROU assets (see Note 34)	Total
	Land	Buildings, warehouses and improvements	equipment and steam field assets (see Note 18)	Transmission, distribution and substation equipment	Transportation equipment	Office furniture and fixtures and equipment	Leasehold improvements	Electrical equipment	Meters and laboratory equipment					
Balances at beginning of year	₱1,807,495	₱51,935,601	₱127,423,926	₱25,319,519	₱1,634,855	₱1,038,896	₱3,029,884	₱10,661,921	₱2,899,385	₱4,863,477	₱8,661,336	₱38,392,228	₱277,668,523	
Additions (see Notes 14 and 18)	74,010	129,977	2,238,854	628,742	190,997	215,993	2,070	204,269	156,979	116,894	9,022,274	402,606	13,383,665	
Disposals	—	(14,970)	(68,946)	(3,441)	(25,136)	(11,565)	—	(10,440)	(400)	(34,989)	(6,933)	—	(176,820)	
Reclassifications and others	39,109	5,129,583	3,066,432	1,805,287	(90,139)	64,380	22,377	(520,097)	652,402	(3,341,051)	(3,751,292)	—	3,076,991	
Balances at end of year	1,920,614	57,180,191	132,660,266	27,750,107	1,710,577	1,307,704	3,054,331	10,335,653	3,708,366	1,604,331	13,925,385	38,794,834	293,952,359	
Accumulated Depreciation and Amortization:														
Balances at beginning of year	—	11,352,577	39,530,759	7,133,823	1,144,360	808,689	977,769	4,614,412	404,384	1,015,262	—	3,857,943	70,839,978	
Depreciation and amortization	—	2,417,345	5,685,361	857,741	108,518	127,388	140,032	504,433	146,898	57,299	—	1,284,412	11,329,427	
Disposals	—	(3,593)	(63,477)	(1,054)	(13,197)	(16,151)	—	(14,351)	—	(3,939)	—	—	(115,762)	
Reclassifications and others	—	(1,366,043)	2,909,475	(25,317)	(87,022)	32,045	(7,661)	(390,776)	288,836	(629,936)	—	(448)	723,153	
Balances at end of year	—	12,400,286	48,062,118	7,965,193	1,152,659	951,971	1,110,140	4,713,718	840,118	438,686	—	5,141,907	82,776,796	
Accumulated Impairment:														
Balances at beginning of year	—	9,955	787,496	77,541	2,088	792	251	—	65,568	—	2,645,029	—	3,588,720	
Impairment (see Note 27)	—	—	685,261	15,576	—	—	—	—	28,418	—	—	—	729,255	
Balances at end of year	—	9,955	1,472,757	93,117	2,088	792	251	—	93,986	—	2,645,029	—	4,317,975	
Net book values	₱1,920,614	₱44,769,950	₱83,125,391	₱19,691,797	₱555,830	₱354,941	₱1,943,940	₱5,621,935	₱2,774,262	₱1,165,645	₱11,280,356	₱33,652,927	₱206,857,588	

**December 31, 2021**

Cost:	Power plant										Total		
	Land	Buildings, warehouses and improvements	equipment and steam field assets (see Note 18)	Transmission, distribution and substation equipment	Transportation equipment	Office furniture, fixtures and equipment	Leasehold improvements	Electrical equipment	Meters and laboratory equipment	Tools and others		Construction in progress	ROU assets (see Note 34)
Balances at beginning of year	₱1,751,190	₱38,731,336	₱138,325,267	₱23,002,108	₱5,311,547	₱1,345,146	₱2,950,245	₱8,176,921	₱2,383,018	₱4,687,252	₱5,464,652	₱38,012,187	₱270,140,869
Additions (see Notes 14 and 18)	4,482	26,826	528,603	—	72,165	77,234	97,316	71,687	—	41,266	7,334,757	380,040	8,634,376
Disposals	—	—	(335,264)	(9,909)	(65,497)	(57,544)	(9)	10,951	107	(2,191)	(2,958)	—	(462,314)
Reclassifications and others	51,823	13,177,439	(11,094,680)	2,327,320	(3,683,360)	(325,940)	(17,668)	2,402,362	516,260	137,150	(4,135,115)	1	(644,408)
Balances at end of year	1,807,495	51,935,601	127,423,926	25,319,519	1,634,855	1,038,896	3,029,884	10,661,921	2,899,385	4,863,477	8,661,336	38,392,228	277,668,523
Accumulated Depreciation and Amortization:													
Balances at beginning of year	—	6,358,394	40,637,430	6,411,392	1,055,681	992,516	817,685	3,653,417	281,595	701,844	—	2,531,549	63,441,503
Depreciation and amortization	—	1,940,013	5,388,949	723,878	152,391	172,403	130,744	442,545	122,759	300,314	—	1,326,394	10,700,390
Disposals	—	—	(119,538)	(2,092)	(59,152)	(65,773)	(9)	10,774	2	(2,134)	—	—	(237,922)
Reclassifications and others	—	3,054,170	(6,376,082)	645	(4,560)	(290,457)	29,349	507,676	28	15,238	—	—	(3,063,993)
Balances at end of year	—	11,352,577	39,530,759	7,133,823	1,144,360	808,689	977,769	4,614,412	404,384	1,015,262	—	3,857,943	70,839,978
Accumulated Impairment:													
Balances at beginning of year	—	—	599,963	—	2,088	792	251	—	—	—	2,645,029	—	3,248,123
Impairment (see Note 27)	—	9,955	187,533	77,541	—	—	—	—	65,568	—	—	—	340,597
Balances at end of year	—	9,955	787,496	77,541	2,088	792	251	—	65,568	—	2,645,029	—	3,588,720
Net book values	₱1,807,495	₱40,575,069	₱87,105,671	₱18,108,155	₱488,407	₱229,415	₱2,051,864	₱6,047,509	₱2,429,433	₱3,848,215	₱6,016,307	₱34,534,285	₱203,239,825

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In 2022 and 2021, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱5.51 billion and ₱8.40 billion, respectively. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 9.68% to 11.51% in 2022 and 7.51% to 10.88% in 2021 was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- **Discount rate** - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.
- **Material price inflation** - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.
- **Growth rate** - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the projects, taking into account the impact of COVID-19.

In addition, the Group also performed an assessment whether there are specific equipment that should have been impaired.

These assessments resulted to the recognition of impairment losses in 2022 and 2021 amounting to ₱729.3 million and ₱340.6 million, respectively.

In 2022 and 2021, power plant equipment and steam field assets decreased by ₱331.4 million and increased by ₱459.2 million, respectively, due to the change in accounting estimate.

In 2022 and 2021, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits amounted to ₱269.8 million and ₱35.8 million, respectively (see Note 16). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 4.54% to 8.02% which are the effective interest rate of the specific borrowings in 2022.



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Property, plant and equipment with carrying amounts of ₱64.39 billion and ₱68.08 billion as of December 31, 2022 and 2021, respectively, are used to secure the Group's long-term debts (see Note 16).

Fully depreciated property and equipment with gross carrying amount of ₱2.73 billion and ₱2.19 billion as of December 31, 2022 and 2021, respectively, are still in use.

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## 12. Intangible Assets

	2022	2021
Goodwill	₱44,920,394	₱41,163,608
Franchise	2,340,890	2,417,850
Service concession rights	1,500,827	1,754,392
Project development costs	806,790	448,995
Software and licenses	202,484	230,651
	₱49,771,385	₱46,015,496

The table below shows the rollforward of intangible assets:

**December 31, 2022**

	Goodwill	Franchise	Service concession rights	Project development costs	Software and licenses	Customer contracts	Total
<b>Cost:</b>							
Balances at beginning of year	₱41,163,608	₱3,078,431	₱5,519,218	₱448,995	₱571,797	₱60,068	₱50,842,117
Additions during the year	—	2	33,007	595,816	33,203	—	662,028
Write-off (see Note 27)	—	—	—	(238,021)	—	—	(238,021)
Exchange differences	3,756,786	—	109,339	—	—	—	3,866,125
Balances at end of year	44,920,394	3,078,433	5,661,564	806,790	605,000	60,068	55,132,249
<b>Accumulated amortization:</b>							
Balances at beginning of year	—	660,581	3,764,826	—	341,146	60,068	4,826,621
Amortization	—	76,962	395,911	—	61,370	—	534,243
Balances at end of year	—	737,543	4,160,737	—	402,516	60,068	5,360,864
<b>Net book values</b>	<b>₱44,920,394</b>	<b>₱2,340,890</b>	<b>₱1,500,827</b>	<b>₱806,790</b>	<b>₱202,484</b>	<b>₱—</b>	<b>₱49,771,385</b>

**December 31, 2021**

	Goodwill	Franchise	Service concession rights	Project development costs	Software and licenses	Customer contracts	Total
<b>Cost:</b>							
Balances at beginning of year	₱38,812,852	₱3,078,431	₱5,411,326	₱702,671	₱538,776	₱60,068	₱48,604,124
Additions during the year	—	—	27,673	44,355	33,021	—	105,049
Write-off (see Note 27)	—	—	—	(298,031)	—	—	(298,031)
Exchange differences	2,350,756	—	80,219	—	—	—	2,430,975
Balances at end of year	41,163,608	3,078,431	5,519,218	448,995	571,797	60,068	50,842,117
<b>Accumulated amortization:</b>							
Balances at beginning of year	—	583,620	3,403,951	—	277,099	60,068	4,324,738
Amortization	—	76,961	360,875	—	64,047	—	501,883
Balances at end of year	—	660,581	3,764,826	—	341,146	60,068	4,826,621
<b>Net book values</b>	<b>₱41,163,608</b>	<b>₱2,417,850</b>	<b>₱1,754,392</b>	<b>₱448,995</b>	<b>₱230,651</b>	<b>₱—</b>	<b>₱46,015,496</b>

### Impairment Testing of Goodwill

Goodwill acquired through business combinations have been attributed to individual CGUs.

The carrying amount of goodwill follows:

	2022	2021
GMEC	₱44,041,109	₱40,284,323
LEZ	467,586	467,586
HI	220,228	220,228
BEZ	191,471	191,471
	₱44,920,394	₱41,163,608

The recoverable amounts of the investments have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

### Key assumptions used in value-in-use calculation for December 31, 2022 and 2021

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

#### *Discount rates and growth rates*

The discount rates applied to cash flow projections are from 9.68% to 11.51% in 2022 and 7.51% to 10.88% in 2021, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

#### *Revenue assumptions*

Revenue assumptions are based on the expected electricity to be sold. Revenue growth used for the next five (5) years are as follows:

	2022				2021			
	LEZ	BEZ	GMEC	HI	LEZ	BEZ	GMEC	HI
Year 1	3%	9%	14%	9%	6%	6%	30%	-2%
Year 2	-4%	-2%	-7%	8%	9%	1%	5%	3%
Year 3	-2%	9%	-11%	7%	6%	10%	-3%	0%
Year 4	3%	1%	-13%	-14%	4%	0%	1%	20%
Year 5	5%	2%	-4%	-8%	9%	-3%	-2%	0%

#### *Materials price inflation*

In 2022, the assumption used to determine the value assigned to the materials price inflation is 3.45% in 2023, 3.30% in 2024 and settles at 3.45% for the next 3 years until 2027. The starting point of 2022 is consistent with external information sources.

In 2021, the assumption used to determine the value assigned to the materials price inflation is 2.98% in 2022, 2.51% in 2023 and settles at 2.31% for the next 3 years until 2026.

### *Foreign exchange rates*

In 2022, the assumption used to determine foreign exchange rate is a fluctuating Philippine peso which starts at a rate of ₱54.80 to a dollar in 2023, appreciates annually at an average of 1.5% until 2025, then depreciates annually at an average of 1.5% until 2027. In 2021, the assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱50.92 to a dollar in 2022 and depreciates annually at an average of 1% until 2026.

Management has reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the Group taking into consideration the impact of COVID-19. To reflect ongoing uncertainty, the likelihood that actual performance will differ from these assumptions has been estimated at a CGU level with reference to external market forecasts and the CGU's current performance.

Based on the impairment testing, no impairment of goodwill was recognized in 2022 and 2021.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

### Service Concession Rights

Service concession arrangements entered into by the Group are as follows:

- a. On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period, in accordance with Philippine Interpretation IFRIC 12. The intangible asset with a carrying value of ₱898.6 million and ₱1.09 billion as of December 31, 2022 and 2021, respectively, was used as collateral to secure LHC's long-term debt (see Note 16).

- b. On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA for the privatization of the SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures and machineries in the Subic Bay Freeport Zone (SBFZ).



Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for 25-year period commencing on the turnover date.

For and in consideration of the services and expenditures of SEZ for it to undertake the rehabilitation, operation, management and maintenance of the Project, it shall be paid by the SBMA the service fees in such amount equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period regardless of the total amount of all earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱536.3 million and ₱594.9 million as of December 31, 2022 and 2021, respectively.

- c. The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱65.9 million and ₱71.4 million as of December 31, 2022 and 2021, respectively.

### 13. Other Noncurrent Assets

	2022	2021
Input VAT and tax credit receivable, net of impairment loss of ₱42.2 million and ₱78.6 million in 2022 and 2021, respectively (see Note 23)	₱2,506,833	₱2,307,517
Prepaid taxes	2,461,955	2,076,500
Advances to NGCP - net of current portion	560,894	1,044,846
Advances to contractors and projects	1,429,113	619,188
Refundable deposits	627,913	353,064
Prepaid expenses	195,670	311,912
Investment properties	316,301	237,701
PSALM deferred adjustment - net of current portion (see Notes 6 and 39j)	—	54,505
Others	288,798	177,768
	<b>₱8,387,477</b>	<b>₱7,183,001</b>

## 14. Trade and Other Payables

	2022	2021
Trade payables (see Note 32)	₱21,303,923	₱11,963,685
Accrued expenses:		
Interest	2,261,797	2,122,020
Taxes and fees	1,574,393	1,016,249
Insurance	59,119	25,713
Claims conversion costs	58,859	68,180
Materials and supplies cost	17,040	66,087
Output VAT	3,261,895	3,388,646
Nontrade	2,170,066	1,077,356
Amounts due to contractors and other third parties	1,102,755	949,951
Dividends payable	268,433	252,003
Unearned revenues	80,711	36,461
PSALM deferred adjustment (see Note 39j)	54,505	1,042,861
Customers' deposit (see Note 17)	39,052	129,992
Others	695,780	605,118
	<b>₱32,948,328</b>	<b>₱22,744,322</b>

Trade payables are noninterest-bearing and generally on 30-day terms.

Accrued taxes and fees represent accrual of real property tax, transfer tax and other fees.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 11).

Others include withholding taxes and other liabilities and are generally payable within 12 months from the balance sheet date.

## 15. Short-term Loans

	Interest Rate	2022	2021
Peso loans - financial institutions - unsecured	4.5% - 7% in 2022 1.9% - 4.92% in 2021	₱16,637,000	₱14,003,000
Dollar loans - financial institutions - unsecured (see Note 16)	4.50% - 7.00% in 2022 2.07% - 3.75% in 2021	4,765,715	4,581,237
Temporary advances (see Note 31)	Noninterest-bearing	—	41,309
		<b>₱21,402,715</b>	<b>₱18,625,546</b>

The Peso loans are unsecured short-term notes payable obtained from local banks. These loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

Interest expense on short-term loans amounted to ₱662.8 million in 2022, ₱741.8 million in 2021, and ₱827.7 million in 2020 (see Note 32).

## 16. Long-term Debts

	2022 Interest Rate	2021 Interest Rate	2022	2021
<b>Company:</b>				
Bonds due 2022	—%	3.13%	₱—	₱9,000,000
Bonds due 2024	—%	7.51%	—	7,700,000
Bonds due 2025	3.94%	3.94%	550,000	550,000
Bonds due 2025	4.00%	4.00%	4,800,000	4,800,000
Bonds due 2026	5.28%	5.28%	7,250,000	7,250,000
Bonds due 2026	3.82%	3.82%	8,000,000	8,000,000
Bonds due 2027	5.34%	5.34%	3,000,000	3,000,000
Bonds due 2027	5.31%	—%	3,000,000	—
Bonds due 2028	8.51%	8.51%	2,500,000	2,500,000
Bonds due 2028	5.03%	5.03%	7,200,000	7,200,000
Bonds due 2029	5.74%	—%	7,000,000	—
Financial institutions- unsecured	4.00% - 4.33%	4.00% - 4.33%	10,850,000	10,900,000
Financial institutions- unsecured	—%	LIBOR + 1.20%	—	2,804,945
<b>Subsidiaries:</b>				
<b>GMEC</b>				
Financial institutions - unsecured	LIBOR + 1.7% - 4.85%	LIBOR + 1.7% - 4.85%	32,630,156	32,260,286
<b>TMI</b>				
Financial institutions - secured	4.54% - 7.68%	4.54% - 5.86%	2,600,000	1,790,000
<b>HSAB</b>				
Financial institutions - secured	4.92%	4.92%	1,103,234	1,145,000
<b>TVI</b>				
Financial institutions - secured	5.56% to 9.00%	5.56% to 9.00%	24,479,052	26,947,493
<b>AESI</b>				
Financial institutions - unsecured	4.87%	4.87%	588,000	594,000
<b>TSI</b>				
Financial institutions - secured	4.27%	4.27%	18,117,893	18,314,624
<b>APRI</b>				
Financial institutions - secured	4.91% - 6.67%	4.48% - 5.20%	11,152,000	10,600,000
<b>Hedcor Bukidnon</b>				
Financial institutions - secured	4.29% - 5.59%	4.00% - 5.34%	8,114,434	8,714,717
<b>TPVI</b>				
Financial institutions - secured	3.32%-5.06%	3.32%-5.06%	1,500,000	1,500,000
<b>Hedcor Sibulan</b>				
Fixed rate corporate notes - unsecured	5.03% - 5.42%	4.63% - 5.42%	3,004,398	3,403,401
<b>HI</b>				
Financial institution - secured	7.41% - 7.87%	7.41% - 7.87%	1,370,000	1,500,000
<b>PVSINAG</b>				
Financial institution - secured	8.02%	—%	3,600,000	—
<b>ARI</b>				
Financial institution - unsecured	6.91%	—%	12,000,000	—
<b>VECO</b>				
Financial institution - unsecured	4.73% - 4.92%	4.73% - 4.92%	190,881	384,000
<b>HTI</b>				
Financial institutions - secured	4.92%	4.92%	693,511	752,000
<b>LHC</b>				
Financial institutions - secured	—%	LIBOR + 2.00%	—	7,650
<b>DLP</b>				
Financial institution - unsecured	4.73% - 4.92%	4.73% to 4.92%	143,250	288,000
<b>AI</b>				
AEV - unsecured	3.50%	3.50%	300,000	300,000
<b>TLI</b>				
Financial institution - unsecured	7.39%	—%	15,000,000	—
<b>CLP</b>				
Financial institution - unsecured	4.92%	4.73% to 4.92%	28,650	57,600
<b>Joint operation (see Note 9)</b>				
Financial institutions - secured	5.77% - 6.27%	5.77% - 6.27%	9,951,718	11,146,343
			200,717,177	183,410,059
Less deferred financing costs			1,265,259	1,372,085
			199,451,918	182,037,974
Less current portion - net of deferred financing costs			10,279,212	18,419,227
			<b>₱189,172,706</b>	<b>₱163,618,747</b>

\* London Interbank Offered Rate (LIBOR)

Interest expense and other financing costs on long-term debt amounted to ₱10.03 billion in 2022, ₱9.84 billion in 2021 and ₱9.98 billion in 2020 (see Note 32).

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### Company

In September 2014, the Company issued a total of ₱10.0 billion bonds, broken down into a ₱6.60 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.40 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of these bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

In July 2017, the Company issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, the Company issued a total of ₱10.20 billion bonds, broken down into a ₱7.70 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.50 billion 10-year bond due 2028 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2019, the Company issued ₱7.25 billion 7-year bond due 2026 at a fixed rate of 5.28%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2020, the Company issued the fourth and last tranche of its ₱30.00 billion debt securities program, equivalent to ₱9.55 billion in July (the "Series E and F Bonds"). The Fixed Rate "Series E and F Bonds" has an interest rate of 3.13% and 3.94% per annum maturing in 2022 and 2025, respectively. The bonds have been rated PRS Aaa by PhilRatings.

In March 2021, the Company issued the first tranche of its ₱30.00 billion debt securities program equivalent to ₱8.00 billion (the "Series A Bonds") with an annual fixed rate of 3.82% due in 2026.

In July 2021, the Company availed ₱6.00 billion 7-year fixed-rate notes due 2026 at an annual fixed rate equivalent to 4%.

In September 2021, the Company settled its 2014 Series 'B' Bonds by prepaying ₱3.40 billion twelve-year bond maturing in 2026 and paying as scheduled its ₱6.60 billion seven-year bond.

In December 2021, the Company issued a total of ₱12.00 billion bonds, broken down into a ₱4.80 billion 4-year bond due 2025 at a fixed rate equivalent to 4% p.a. and a ₱7.20 billion 7-year bond due 2028 at a fixed rate equivalent to 5.03% p.a. The bonds have been rated PRS Aaa by PhilRatings.

In March 2022, the Company issued ₱3.00 billion 5-year bond due 2027 and ₱7.00 billion 7-year bond due 2029 at an annual fixed rate equivalent to 5.31% and 5.74%, respectively, and as part of the third tranche of its ₱30.00 billion debt securities program.



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In July 2022, the Company fully paid the 2-year bond availed in 2020 amounting to ₱9.00 billion.

In October 2022, the Company prepaid the 5.25-year bond amounting to ₱7.70 billion.

In April 2019, the Company executed and availed a US\$300.0 million syndicated bridge loan facility loan agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank as lead arrangers and bookrunners to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on credit spread over applicable LIBOR plus 1.2% margin. The loan will mature on the 5th anniversary of the first utilization date.

In April and July 2021, the Company prepaid a total of \$245.0 million of the \$300.0 million syndicated bridge loan facility availed in 2019 to finance the AA Thermal, Inc. acquisition. This loan is due in 2024.

In April 2022, the Company fully paid the remaining balance amounting to \$55.0 million out of the \$300.0 million loan.

Loss on extinguishment of the above loans amounted to ₱45.0 million and ₱447.5 million included as part of the "Interest expense and other financing costs" account in the consolidated statements of income in 2022 and 2021, respectively (see Note 32).

In November 2019, the Company obtain a ₱5.00 billion 7-year long term loan from the BDO Unibank, Inc. at a fixed rate of 5.28% p.a.

In 2020, the Company amend the "Mode of Payment" for the Principal from bullet payment to partial payments equal to 1 percent (%) of total principal amount payable annually starting November 2020 and the remaining 94 percent (%) upon maturity.

On July 13, 2021, the Company reached a rate reduction agreement to amend the interest rates of the loan from fixed rate loan of 5.28% to the sum of a benchmark rate and a spread of 0.90%, divided by an applicable factor and 4.125% per annum, whichever is higher.

#### GMEC

On August 29, 2017, GMEC entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of \$800.0 million, the proceeds of which will be used to refinance GMEC's existing loan obligation and for other general corporate purposes.

On September 29, 2017, \$600.0 million was drawn from the NFA, out of which \$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of \$200.0 million was drawn from the NFA.

GMEC also has an existing facility agreement with certain banks to finance the GMEC's working capital requirements presented as part of short-term loans in the balance sheets (see Note 15).

Loans payable consist of the following dollar denominated loans:

	2022	2021	Interest Rate Per Annum	Payment Schedule
<i>NFA</i>				
Fixed Rate Loan	\$366,125	\$396,118	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	218,625	236,475	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
<i>Working Capital</i>				
BDO	30,000	30,000	LIBOR plus 4.21% applicable margin	Payable within six months
Security Bank	17,000	—	LIBOR plus 4.50% applicable margin	Payable within six months
ICBC Manila	—	5,000	LIBOR plus 1.95% applicable margin	Payable within six months
ICBC Dubai	—	25,000	LIBOR plus 1.95% applicable margin	Payable within six months
PBCOM	8,476	9,830	Fixed Rate 7.00%	Payable within one year
Chinabank	30,000	20,000	LIBOR plus 4.00% and 3.75% applicable margin	Payable within six months
	<b>85,476</b>	<b>89,830</b>		
Total borrowings	<b>670,226</b>	<b>722,423</b>		
Less unamortized portion of deferred financing costs	<b>342</b>	<b>1,438</b>		
	<b>669,884</b>	<b>720,985</b>		
Less current portion	<b>142,926</b>	<b>135,189</b>		
Loans payable - net of current portion	<b>\$526,958</b>	<b>\$585,796</b>		

### TMI

On February 23, 2021, TMI entered into a Loan Agreement with China Banking Corporation (CBC) for an aggregate principal amount of ₱2.60 billion. The loan proceeds will be utilized, among others, to finance capital expenditures for the development and integration of a Battery Energy Storage System, working capital requirements, and for other financing and corporate purposes of TMI. Total amount drawn in 2021 amounted to ₱1.79 billion. In 2022, TMI made additional drawdown totaling ₱810.0 million.

Interest is payable semiannually and is fixed at the rate shown below for the first five years, with an adjustment for inflation on the five-year period thereafter. The principal amount is payable starting September 1, 2023 in 16 equal semi-annual installments.

Loan Amount	Rate for the 1st 5 Years
₱780 million	4.54%
₱1,010 million	5.86%
₱210 million	6.26%
₱600 million	7.68%

### HSAB

On December 16, 2021, HSAB entered into an Omnibus Notes Facility and Security Agreement (Agreement) with Bank of the Philippine Islands (Lender) for a loan facility in the principal amount of ₱1.15 billion for capital expenditures and other general purposes.

Based on the loan agreement, borrowing shall be for a term of ten (10) years reckoned from initial borrowing date. HSAB shall pay the first principal amount in six months from the initial borrowing date and shall continue on every six months interval. HSAB may not re-borrow any part of the loan that has already been paid.

This loan is subject to an annual interest fixed at 4.92% for the first 5 years. For the remaining five years, interest rate will be repriced. HSAB shall pay interest on the unpaid principal amount of the loan on each interest payment date. The interest rate shall be set on an interest rate setting date, and on the interest rate resetting date, as applicable.

### TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2022 and 2021, ₱31.52 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.60 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱5.90 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 20 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱42.47 billion as of December 31, 2022, and a pledge of TVI's shares of stock held by its shareholders.

### AESI

On April 16, 2020, AESI entered into a loan agreement with BPI with a principal amount of ₱600.0 million, which was fully drawn in 2020. The term of the loan is 10 years and interest is fixed at 4.87% for 5 years subject to reset 2 days prior to the 5th anniversary. The loan is payable in equal, semi-annual amortizations of at least one percent (1.00%) of the loan amount per annum, with balloon payment at maturity date.

### TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.00 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

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The loan is secured by a mortgage of all its assets with carrying amount of ₱28.60 billion as of December 31, 2022, and a pledge of TSI's shares of stock held by the shareholders and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a prepayment penalty of 2% on the amount prepaid.

In 2021, TSI prepaid a portion of its loan amounting to ₱2.26 billion which resulted to a prepayment penalty of ₱48.4 million, including gross receipts tax.

In 2021, TSI also entered into amendments of its existing loan agreements with local banks to obtain additional financing intended to finance the prepayment of its loan, to pay costs, expenses and fees in relation to the loan prepayment and amendments and to re-leverage and optimize the capital structure of TSI. Moreover, the parties have agreed to amend certain financial terms of the existing loan agreements, including but not limited to the interest rate and final maturity date, and shall take effect after the prepayment.

The amendments resulted to the following:

- a. TSI has drawn additional loan principal in the amount of ₱2.50 billion;
- b. Interest rate for the initial 5-year period from the effective date of amendment until the 5<sup>th</sup> anniversary of the effective date will be the 3-day average of the 5-year BVAL rate plus a spread of 130 basis points (the original spread), divided by the applicable premium factor, subject to a floor rate of 4.25% per annum. For the subsequent 7-year period commencing on the date following the 5<sup>th</sup> anniversary of the effective date, interest rate will be the 3-day average of the 7-year BVAL rate plus a spread equivalent to the original spread, divided by the applicable premium factor, subject to a floor rate equivalent to the initial 5-year rate divided by the applicable premium factor; and,
- c. 58.5% of the outstanding principal amount is payable in 18 equal semi-annual installments, 16.5% of the remaining principal amount is payable in another 5 equal semi-annual installments, with the remaining 25% payable in the final maturity date of the loan in 2033.

These amendments were considered as extinguishment of the old loan, accordingly, TSI recognized a loss amounting to ₱90.5 million for the year ended December 31, 2021.

#### APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.



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The loan is available in two tranches, as follows:

- a. The Notes Facility Agreement, in the amount of ₱10.70 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments
- b. The ADB Facility Agreement, in the amount of ₱1.80 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

On December 23, 2021, APRI entered into a ₱12.00 billion loan facility agreement with Bank of the Philippine Islands (BPI) to refinance its existing term loan under the Omnibus Agreement; finance the design, development, construction, and operation of the 16 MW Binary Cycle Geothermal Plant to be developed in Tiwi, Albay (Project); and other general corporate purposes.

The loan is available in three tranches, as follows:

- a. A portion of the Facility in the amount equivalent to the total amount outstanding under the Omnibus Agreement, duly supported by a Statement of Account to be provided by the Intercreditor Agent, and to be used to finance the its payment of all outstanding obligations under the Omnibus Agreement.
- b. A portion of the Facility to be used by APRI for other general corporate purposes, in the amount equivalent to the resulting difference after deducting Tranche A and Tranche C from the maximum amount of the Facility.
- c. A portion of the Facility to be used by APRI to finance the Project up to the total amount of ₱1.40 billion. APRI has started the construction of 16 MW Binary Cycle Geothermal Plant and the construction is expected to be completed in December 2023.

Tranche A and B were drawn from the initial borrowing date on December 23, 2021 and Tranche C was drawn on July 7, 2022, with the interest rate already fixed for 5 years. Maturity of all tranches shall be up to ten (10) years from initial drawdown date. 40% of the principal amount is payable in ten equal semi-annual installments, 20% is payable in succeeding four equal semi-annual installments, 30% is payable in succeeding five equal semi-annual installments, and the 10% balance is payable in the last installment.

The loan is secured by mortgage of its assets with carrying amount of ₱28.99 billion as of December 31, 2022, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

This loan refinancing is considered as an extinguishment of the old loan, accordingly, APRI recognized a loss amounting to ₱62.1 million for the year ended December 31, 2021.

#### Hedcor Bukidnon

On April 3, 2020, Hedcor Bukidnon entered into a loan agreement with BPI, up to the maximum principal amount of ₱225.0 million which was fully drawn in 2020, for the construction of the Transformer Facility and other general corporate purposes.

The term of the loan is 8 years and the loan shall be paid as follows: (i) payment of an aggregate amount equivalent to 70% of the total principal amount of the loans, by equal semi-annual amortizations beginning on the seventh interest payment date up to and including the maturity date;

and (ii) payment of the amount equivalent to 30% of the total principal amount of the loans, on the maturity date.

On September 29, 2020, Hedcor Bukidnon entered into an omnibus agreement for a loan facility in the principal amount of ₱9.09 billion which was fully drawn in 2020 to refinance the project loan availed in 2015.

The term of the loan is 10 years and the loan shall be paid as follows: (i) payment of an aggregate amount equivalent to 70% of the total original amount of the Loan, by equal semi-annual amortizations beginning on the first interest payment date up to and including the Maturity Date; and (ii) payment of the amount equivalent to 30% of the total original amount of the loan, on the maturity date.

#### TPVI

On December 23, 2019, TPVI entered into a Loan Agreement with the Philippine National Bank (PNB) for an aggregate amount of ₱1.50 billion available in two drawdowns. The loan proceeds will be utilized, among others, in funding necessary operating and capital expenditures. Drawdowns were made on December 26, 2019 and April 27, 2020 for ₱1.30 billion and ₱200.0 million respectively. The loan is payable for 15 years, with a grace period of 3 years. The mode of repayment is sculpted with balloon payment of 70%. TPVI will pay PNB an interest of 5.0593% and 3.3235% for the first 8 years, with the rate being expected to go up to 5.25% for the rest of the term due to: (1) continued inflation, and; (2) liquidity tightness due to funds held and additional borrowings by the Bureau of Treasury. The interest is payable semi-annually, every 30<sup>th</sup> of June and 31<sup>st</sup> of December.

#### Hedcor Sibulan

On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, Hedcor Sibulan may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

## HI

On August 6, 2013, HI availed of a ten-year ₱900.0 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.39 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.87% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

## PV Sinag

On November 11, 2022, PV Sinag entered into an Omnibus Notes Facility and Security Agreement (Agreement) with Bank of the Philippine Islands (Lender) for a loan facility in the principal amount of ₱3.60 billion for capital expenditures of project.

Based on the loan agreement, the borrowing shall be for a term of ten (15) years, reckoned from initial borrowing date. PV Sinag shall pay the first principal amount at the end of twelve (12) months after the First Issue Date, seventy percent (70%) of the principal amount outstanding shall be repaid in semi-annual installments, and the balance of thirty percent (30%) of the principal amount outstanding shall be paid on Maturity Date.

All payments of interest (including default interest) shall be computed on the basis of number of actual days elapsed in three hundred sixty (360) day year basis. The interest shall:

- a. be paid on the outstanding principal amount of the Notes on each Interest Payment Date at the determines interest rates
- b. be accrued during each Interest Period applicable thereto from the relevant Issue Date until the Maturity Date at a rate per annum, which shall be equal to the higher of, on each relevant Applicable Interest Rate Determination Date: (i) the sum of the applicable Margin and applicable Benchmark rate, and (ii) the applicable Floor rate
- c. benchmark rate determination
- d. replacement of PHP BVAL Reference Rate
- e. be remitted from the Revenue and Operating Account or cause the Trustee to remit from the Trustee Collection Account through RTGS

## ARI

On December 23, 2022, ARI entered into a Notes Facility Agreement with Land bank of the Philippines as the issuer, with a principal amount of up to ₱20.00 billion worth of fixed-rate corporate notes, of which ₱12.00 billion was drawn on December 28, 2022, at an annual interest rate of 6.91%, to be repriced on the 5th anniversary of the first issue date.

Based on the facility agreement, interest is payable every six months. The principal's maturity date is 10 years after the issue date, inclusive of 12-month grace period. Ten percent (10%) of the principal amount shall be paid in equal semi-annual installments commencing after the expiration of the grace

period until maturity date. Thereafter, the remaining ninety percent (90%) of the principal amount shall be paid on maturity date.

#### VECO

On December 20, 2013, VECO availed of a ₱2.00 billion loan from the NFA it signed on December 17, 2013 with Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.92% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; 198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; 197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; 196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; 195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; 194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; 193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; 192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; 191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

#### HTI

On December 16, 2021, HTI entered into an Omnibus Notes Facility and Security Agreement (Agreement) with Bank of the Philippine Islands (Lender) for a loan facility in the principal amount of ₱752.0 million for capital expenditures and other general purposes.

Based on the loan agreement, borrowing shall be for a term of ten (10) years reckoned from initial borrowing date. HTI shall pay the first principal amount in six months from the initial borrowing date and shall continue on every six months interval. HTI may not re-borrow any part of the loan that has already been paid.

This loan is subject to an annual interest fixed at 4.92% for the first 5 years. For the remaining five years, interest rate will be repriced. HTI shall pay interest on the unpaid principal amount of the loan on each interest payment date. The interest rate shall be set on an interest rate setting date, and on the interest rate resetting date, as applicable.

#### LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US\$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually.



Intangible asset arising from service concession arrangement with carrying value of ₱898.6 million as of December 31, 2022, was used as collateral to secure LHC's long-term debt (see Note 12).

#### DLP

On December 20, 2013, DLP availed of a ₱1.50 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% to 4.92% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; 148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; 147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; 147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; 146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; 145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; 144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; 144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; 143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

#### AI

In April 2017, AI entered into a loan agreement with AEV for the principal sum of ₱300.0 million with maturity in April 2022. The loan shall be interest bearing payable on a per annum basis. The interest rate is at 3.5% per annum. On December 27, 2021, AI gave its notice of extension to extend the final maturity to April 2027 pursuant to the same terms and conditions under the note.

#### TLI

On October 21, 2022, TLI entered into a term loan agreement with a local bank intended for the settlement of monthly payments to PSALM in the amount of P15.0 billion. Interest rate is 7.39% floating rate every five years. 2% of the principal is payable on the third year in equal semi-annual installments, 8.5% is payable on the fourth year, 4.95% is payable in 11 equal semi-annual installments and the 40% is payable on the final maturity date of the loan.

December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.92% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; 148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; 147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; 147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; 146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; 145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; 144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; 144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; 143.2M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

#### Long-term debt of Joint Operation (see Note 10)

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱36.68 billion as of December 31, 2022, and a pledge of the shares of stock held by the joint operators.

#### Loan covenants

The loan agreements on long-term debt of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2022 and 2021.

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## 17. Customers' Deposits

	2022	2021
Bill and load	₱5,335,318	₱4,551,775
Lines and poles	1,406,384	1,275,934
Transformers	1,402,352	1,372,632
	<b>₱8,144,054</b>	<b>₱7,200,341</b>

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of the service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱1.2 million in 2022, ₱4.2 million in 2021, ₱4.0 million in 2020 (see Note 32).

The Group classified customers' deposit under noncurrent liabilities due to the expected long-term nature of these deposits. The portion of customers' deposit to be refunded within 12 months amounted to ₱39.1 million and ₱130.0 million as of December 31, 2022 and 2021, respectively, and are presented as part of "Trade and other payables" (see Note 14).

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## 18. Decommissioning Liability

Decommissioning liability includes the estimated costs to decommission, abandon and perform surface rehabilitation on the steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 11).

	2022	2021
Balances at beginning of year	₱5,686,224	₱5,008,033
Change in accounting estimate (see Note 11)	(331,353)	459,228
Accretion of decommissioning liability (see Note 32)	299,363	218,963
	<u>₱5,654,234</u>	<u>₱5,686,224</u>

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

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## 19. Equity

### a. Paid-in Capital (number of shares not rounded)

	2022	2021
<b>Capital Stock</b>		
Authorized - ₱1 par value		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued		
Common shares - 7,358,604,307 shares	₱7,358,604	₱7,358,604
<b>Additional Paid-in Capital</b>	<u>12,588,894</u>	<u>12,588,894</u>
	<u>₱19,947,498</u>	<u>₱19,947,498</u>

On May 25, 2007, the Company listed with the PSE its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against "Additional paid-in capital" in the consolidated balance sheet.

As of December 31, 2022, 2021 and 2020, the Company has 592, 594 and 598 shareholders, respectively.



Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred shares shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common shares.

There are no preferred shares issued and outstanding as of December 31, 2022 and 2021.

b. Retained Earnings

As of December 31, 2020, the Company has appropriated retained earnings amounting to ₱33.66 billion. This appropriation pertains to the project development and construction of power plants that was approved on March 7, 2019, November 24, 2016 and November 27, 2014, amounting ₱11.90 billion, ₱13.16 billion and ₱8.60 billion, respectively.

On March 5, 2021, the BOD approved the reversal of a total of ₱13.60 billion retained earnings appropriation for the following:

- set up in 2014 for the ₱2.60 billion equity requirements of the 68 MW Manolo Fortich Hydropower and for the ₱6.00 billion of the 400 MW Pagbilao Coal Power Plant; and
- set up in 2016 for the ₱5.00 billion equity requirements of RP Energy.

As of December 31, 2022 and 2021, total appropriated retained earnings is ₱20.06 billion.

On March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 per share (₱8.68 billion) to all stockholders of record as of March 20, 2020. These dividends were paid on April 3, 2020.

On March 5, 2021, the BOD approved the declaration of regular cash dividends of ₱0.85 per share (₱6.25 billion) to all stockholders of record as of March 19, 2021. The cash dividends were paid on March 31, 2021.

On March 4, 2022, the BOD approved the declaration of regular cash dividends of ₱1.45 per share (₱10.67 billion) to all stockholders of record as of March 18, 2022. The cash dividends were paid on March 30, 2022.

To comply with the requirements of Section 42 of the Revised Corporation Code, on March 3, 2023, the BOD approved the declaration of regular cash dividends of ₱1.87 per share (₱13.76 billion) to all stockholders of record as of March 17, 2023. The cash dividends are payable on March 30, 2023.

- c. The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangement amounting to ₱103.97 billion and ₱77.58 billion as of December 31, 2022 and 2021, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangement (see Note 9).

## 20. Sale of Power

### Sale from Distribution of Power

1. The Uniform Rate Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001, specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.
2. Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2023 to March 31, 2027	July 1, 2024 to June 30, 2028	July 1, 2024 to June 30, 2028	October 1, 2025 to September 30, 2029
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.

The Energy Regulatory Commission has issued ERC Resolution No. 10, Series of 2021 Modifying the Rules for Setting the Distribution Wheeling Rates (RDWR) for Privately-Owned Distribution Utilities Entering Performance-Based Regulation (PBR) and ERC Resolution No. 11, Series of 2021 Adopting the Regulatory Asset Base (RAB) Roll-Forward Handbook for Privately-Owned Electricity Distribution Utilities.

Based on the RDWR, the regulatory periods shall be as follows:

- (i) CLP: April 1, 2023 to March 31, 2027
- (ii) DLP and VECO: July 1, 2024 to June 30, 2028
- (iii) SEZ: October 1, 2025 to September 30, 2029

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The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱57.24 billion, ₱44.38 billion, and ₱41.87 billion in 2022, 2021 and 2020, respectively.

#### Sale from Generation of Power and Retail Electricity

##### a. Energy Trading through the Philippine Wholesale Electricity Spot Market (WESM)

Certain subsidiaries are trading participants and direct members under the generator sector of the WESM. These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per 5-minute basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱27.72 billion, ₱14.72 billion, and ₱6.37 billion in 2022, 2021 and 2020, respectively.

##### b. Power Supply Agreements

###### i. *Power Supply Contracts assumed under Asset Purchase Agreement (APA) and IPP Administration Agreement*

Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

###### ii. *Power Purchase/Supply Agreement and Energy Supply Agreement (PPA/PSA and ESA)*

Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

###### iii. *Feed-in-Tariff (FIT)*

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱70.27 billion in 2022, ₱52.58 billion in 2021 and ₱42.64 billion in 2020.

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c. Ancillary Services Procurement Agreement (ASPA)

Certain subsidiaries have ASPA with the National Grid Corporation of the Philippines. Ancillary services are support services such as frequency regulating, contingency and dispatchable reserves, reactive power support, and black start capability which are necessary to support the transmission capacity and energy that are essential in maintaining power quality and security of the grid. Total sale of power under ASPA amounted to ₱3.51 billion in 2022, ₱2.71 billion in 2021 and ₱2.74 billion in 2020.

d. Retail Electricity Supply Agreements (see Note 39i)

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱35.18 billion, ₱19.87 billion and ₱16.48 billion in 2022, 2021 and 2020, respectively.

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## 21. Purchased Power

### Distribution

The Group's distribution utilities entered into contracts with NPC/PSALM and generation companies for the purchase of electricity, and into Transmission Service Agreements with NGCP for the transmission of electricity.

To avail of opportunities in the competitive electricity market, some of the Group's distribution utilities registered as direct participants of the WESM.

Total power purchases amounted to ₱29.58 billion, ₱19.81 billion and ₱19.98 billion in 2022, 2021 and 2020, respectively.

### Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts.

The Group entered into Replacement Power Contracts with certain related parties (see Note 32). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Total purchased power amounted to ₱23.92 billion, ₱16.32 billion and ₱7.71 billion in 2022, 2021 and 2020, respectively.



### Retail Electricity Supply

The Group also purchases from WESM in order to supply its contestable customers.

Total purchased power amounted to ₱15.88 billion, ₱5.37 billion and ₱3.72 billion in 2022, 2021 and 2020, respectively.

## 22. Cost of Generated Power

	2022	2021	2020
Fuel costs (see Note 7)	₱52,189,877	₱27,484,810	₱19,650,746
Steam supply costs (see Note 35)	7,514,100	4,950,813	2,974,611
Energy fees	664,405	746,182	565,676
Wheeling expenses	185,299	148,436	44,909
Ancillary charges	65,448	169,467	225,916
	₱60,619,129	₱33,499,708	₱23,461,858

## 23. General and Administrative

	2022	2021	2020
Personnel costs (see Note 25)	₱3,917,407	₱3,014,555	₱3,078,045
Taxes and licenses	1,234,587	1,576,077	1,270,078
Outside services (see Note 31)	1,208,935	1,247,373	1,110,416
Professional fees (see Note 31)	1,021,534	730,973	832,866
Transportation and travel (see Note 31)	382,369	206,416	141,427
Repairs and maintenance	368,709	323,320	282,432
Insurance	363,324	296,221	215,833
Information technology and communication	322,564	233,912	189,720
Corporate social responsibility (CSR) (see Note 39)	273,899	190,305	231,208
Advertisements	209,706	36,147	42,294
Provision for expected credit losses of trade receivables (see Note 6)	133,735	1,089,566	719,193
Rent (see Notes 31 and 34)	84,932	54,027	72,463
Entertainment, amusement and recreation	73,389	51,026	34,143
Provision for impairment of VAT claims	42,247	78,604	20,357
Training	39,270	29,204	36,292
Guard services	26,199	20,293	18,577
Market service and administrative fees	10,061	8,741	3,397
Freight and handling	2,917	5,366	3,130
Gasoline and oil	903	510	452
Others	478,216	348,139	361,050
	₱10,194,903	₱9,540,775	₱8,663,373

“Others” include host community-related expenses, provision for probable losses, claims conversion costs and utilities expenses.

## 24. Operations and Maintenance

	2022	2021	2020
Repairs and maintenance	₱3,542,960	₱2,842,287	₱2,208,522
Insurance	2,545,162	1,862,403	1,439,804
Personnel costs (see Note 25)	1,955,070	1,788,373	1,633,451
Outside services	1,891,540	1,801,650	1,479,641
Taxes and licenses	1,764,000	1,700,188	1,818,853
Materials and supplies (see Note 7)	334,435	270,543	287,717
Transportation and travel	81,131	113,716	73,479
Rent (see Note 34)	15,876	29,424	29,338
Fuel and lube oil (see Note 7)	3,405	1,586	18,111
	<b>₱12,133,579</b>	<b>₱10,410,170</b>	<b>₱8,988,916</b>

## 25. Personnel Costs

	2022	2021	2020
Salaries and wages	₱4,551,472	₱4,027,014	₱3,969,607
Employee benefits (see Note 26)	1,321,005	775,914	741,889
	<b>₱5,872,477</b>	<b>₱4,802,928</b>	<b>₱4,711,496</b>

## 26. Pension Benefit Plans

Under the existing regulatory framework, RA 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, non-contributory, defined retirement benefit plans (“Plan”) covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund (“Fund”) of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan’s objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

*Net benefit expense* (recognized as part of personnel costs under operations and maintenance and general and administrative expenses):

	2022	2021	2020
Current service cost	P490,815	P244,801	P194,202
Net interest cost	10,791	10,345	18,731
Past service cost	11,325	22,138	18,026
	<b>P512,931</b>	<b>P277,284</b>	<b>P230,959</b>

*Remeasurement effects to be recognized in other comprehensive income:*

	2022	2021	2020
Actuarial gains (losses) due to:			
Changes in financial assumptions	P354,280	P295,714	(P235,343)
Changes in demographic assumptions	8,582	(40,067)	99,079
Return on assets excluding amount included in net interest cost	(78,561)	98,407	(278,058)
Experience adjustments	(237,509)	(79,692)	(50,244)
	<b>P46,792</b>	<b>P274,362</b>	<b>(P464,566)</b>

*Net pension assets*

	2022	2021
Fair value of plan assets	P879,457	P509,924
Present value of the defined benefit obligation	(796,019)	(422,778)
	<b>P83,438</b>	<b>P87,146</b>

*Net pension liabilities*

	2022	2021
Present value of the defined benefit obligation	P1,860,647	P2,124,351
Fair value of plan assets	(1,261,156)	(1,821,539)
	<b>P599,491</b>	<b>P302,812</b>

Changes in the present value of the defined benefit obligation are as follows:

	2022	2021
At January 1	P2,547,129	P2,628,282
Net benefit expense:		
Current service cost	490,815	244,801
Interest cost	129,343	98,486
Past service cost	11,325	22,138
	631,483	365,425
Benefits paid from retirement fund	(403,854)	(274,708)
Benefits paid from operating funds	(3,882)	(6,176)
Foreign exchange translation differences	10,449	3,145
Fund transfer from affiliates	694	7,116
Remeasurements in other comprehensive income:		
Actuarial losses (gains) due to:		
Experience adjustments	237,509	79,692
Changes in demographic assumptions	(8,582)	40,067
Changes in financial assumptions	(354,280)	(295,714)
	(125,353)	(175,955)
At December 31	P2,656,666	P2,547,129

Changes in the fair value of plan assets are as follows:

	2022	2021
At January 1	P2,331,463	P2,384,606
Contribution by employer	172,282	27,903
Interest income included in net interest cost	118,552	88,141
Fund transfer from affiliates	694	7,116
Foreign exchange translation differences	37	(2)
Return on assets excluding amount included in net interest cost	(78,561)	98,407
Benefits paid	(403,854)	(274,708)
At December 31	P2,140,613	P2,331,463

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2022	2021
At January 1	P215,666	P243,676
Retirement expense during the year	512,931	277,284
Benefits paid from operating funds	(3,882)	(6,176)
Contribution to retirement fund	(172,282)	(27,903)
Actuarial gain recognized during the year	(46,792)	(274,362)
Foreign exchange translation differences	10,412	3,147
At December 31	P516,053	P215,666



The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2022	2021
Financial assets at FVOCI	₱878,211	₱978,421
Financial assets at amortized cost	817,882	931,607
Equity instruments:		
Financial Institution	57,360	45,912
Power	114,276	105,980
Holding	134,987	125,560
Others	137,897	143,983
<b>Fair value of plan assets</b>	<b>₱2,140,613</b>	<b>₱2,331,463</b>

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets are diverse and do not have any concentration risk.

The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Retirement plan in the subsequent year.

The Company's retirement benefit fund for its employees has investments in the equity of the Company. The carrying value of these investments as of December 31, 2022 and December 31, 2021 amounted to ₱124.3 million and ₱112.4 million, respectively. The losses of Fund arising from such investments in 2022 and 2021 amounted to ₱9.8 million and ₱26.5 million, respectively.

The principal assumptions used as of December 31, 2022, 2021 and 2020 in determining pension benefit obligations for the Group's plans are shown below:

	2022	2021	2020
Discount rates	3.51%-8.55%	3.51%-6.07%	2.75%-4.87%
Salary increase rates	7.00%	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming if all other assumptions were held constant:

		2022	2021
	Increase (decrease) in basis points	Effect on defined benefit obligation	
Discount rates	100	(₱107,987)	(₱112,655)
	(100)	123,497	130,170
Future salary increases	100	₱131,779	₱135,632
	(100)	(117,198)	(119,783)

The Group's defined benefit pension plans are funded by the Company and its subsidiaries.

The Group expects to contribute ₱698.5 million to the defined benefit plans in 2023. The average durations of the defined benefit obligation as of December 31, 2022 and 2021 are 7.16 to 18.24 years and 4.90 to 21.67 years, respectively.

## 27. Other Income

	2022	2021	2020
Net foreign exchange gain (loss)	(₱1,139,785)	(₱1,062,547)	₱754,108
Provision for impairment losses on property, plant and equipment (see Note 11)	(729,255)	(340,597)	(113,683)
Surcharges	633,962	561,367	447,703
Write off of project development costs (see Note 12)	(238,021)	(298,031)	(7,240)
Rental income	200,018	131,492	31,586
Non-utility operating income	146,723	138,922	142,013
Unrealized fair valuation gain on investment property	78,600	—	115,829
Loss on disposal of property, plant and equipment	(34,843)	(214,032)	(88,227)
Others - net	1,597,931	1,296,991	3,646,474
	<b>₱515,330</b>	<b>₱213,565</b>	<b>₱4,928,563</b>

Included in "Net foreign exchange gain (loss)" are the net gains and losses relating to currency forward transactions (see Note 33).

Provision for impairment losses mainly pertains to the impairment test calculation of TPVI's property, plant and equipment which resulted to the recognition of impairment loss amounting to ₱685.0 million in 2022, and impairment loss of VECO's damaged assets due to typhoon Odette amounting to ₱143.1 million in 2021.

"Others" include derivative gains arising from TLI's commodity hedge amounting to ₱1.70 billion in 2022 and ₱240.0 million in 2021, insurance claims from GMEC, APRI and DLPC amounting to ₱384.0 million in 2021 and insurance claims from plant outages of TSI amounting to ₱1.80 billion and liquidating damages from contractor due to the delay in the completion of TVI's power plant amounting to ₱611.0 million in 2020. In August 2021, the Company received ₱324.9 million from a fund held in escrow as compensation for warranties and contingencies from its previous investment transaction. "Others" also include non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

## 28. Income Tax

The provision for income tax account consists of:

	2022	2021	2020
Current:			
Corporate income tax	₱3,419,050	₱2,637,181	₱4,622,913
Final tax	111,785	53,706	101,856
	3,530,835	2,690,887	4,724,769
Deferred	(366,630)	(580,177)	1,337,143
	₱3,164,205	₱2,110,710	₱6,061,912

Reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	30.00%
Tax effects of:			
Nontaxable share in net earnings of associates and joint ventures	(11.57%)	(9.61%)	(3.84%)
Deductible lease payments	(7.57%)	(9.50%)	(23.85%)
Income under income tax holiday (ITH)	(3.34%)	(3.30%)	(1.98%)
Unrecognized deferred income tax assets	3.70%	3.24%	16.03%
Nondeductible interest expense	1.70%	2.88%	11.53%
Nondeductible depreciation expense	0.87%	1.15%	3.12%
Interest income subjected to final tax - net	(0.37%)	(0.28%)	(0.73%)
Others	1.25%	(1.02%)	(1.25%)
	9.67%	8.56%	29.03%

Deferred income taxes of the companies in the Group that are in deferred income tax assets and liabilities position consist of the following at December 31:

	2022	2021
Net deferred income tax assets:		
Allowances for impairment and probable losses	₱462,138	₱423,176
Net income from commissioning	1,147,782	1,191,899
Difference between the carrying amount of nonmonetary assets and related tax base	(1,770,757)	(1,053,314)
Unrealized foreign exchange loss (gain)	1,185,850	(665,994)

(Forward)

	2022	2021
Net operating loss carryover (NOLCO)	₱478,977	₱1,388,619
Pension asset (liability):		
Unamortized contributions for past service	37,652	62,196
Recognized in other comprehensive income	(12,137)	16,423
Recognized in statements of income	48,959	41,969
Interest rate swap - hedge accounting	(740,140)	(234,145)
Unamortized customs duties and taxes capitalized	(31,840)	(31,787)
Net provision for rehabilitation and restoration costs	479,041	190,888
Others	57,821	111,838
<b>Net deferred income tax assets</b>	<b>₱1,343,346</b>	<b>₱1,441,768</b>

	2022	2021
Net deferred income tax liabilities:		
Unamortized franchise	₱585,223	₱604,463
Fair value adjustments of property, plant and equipment	100,523	106,304
Unrealized foreign exchange gains	2,163	2,165
Unamortized customs duties and taxes capitalized	3,884	4,197
Pension asset (liability):		
Recognized in other comprehensive income	(64,660)	(70,944)
Recognized in statements of income	58,907	47,068
Unamortized past service cost	(26,743)	(24,584)
Allowances for impairment and probable losses	(87,927)	(107,628)
Others	19,737	24,399
<b>Net deferred income tax liabilities</b>	<b>₱591,107</b>	<b>₱585,440</b>

In computing for deferred income tax assets and liabilities, the rates used were 25% and 10% as of December 31, 2022 and 2021 and 30% and 10% as of December 31, 2020, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy (RE) developers as allowed by the Renewable Energy Act of 2008 (see Note 39i).

No deferred income tax assets were recognized on the Group's NOLCO and MCIT amounting to ₱20.23 billion and ₱262.3 million, respectively, as of December 31, 2022 and ₱10.30 billion and ₱38.0 million, respectively, as of December 31, 2021, since management expects that it will not generate sufficient taxable income in the future that will be available to allow all of the deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.



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## 29. Earnings Per Common Share

Basic and diluted earnings per common share amounts were computed as follows:

	2022	2021	2020
a. Net income attributable to equity holders of the parent	₱27,535,133	₱20,837,182	₱12,577,676
b. Weighted average number of common shares issued and outstanding	7,358,604,307	7,358,604,307	7,358,604,307
Basic and diluted earnings per common share (a/b)	₱3.74	₱2.83	₱1.71

There are no dilutive potential common shares for the years ended December 31, 2022, 2021 and 2020.

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## 30. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's CODM to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, which is the Group's CODM, are as follows:

- "Power Generation" segment, which is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements and for trading in WESM;
- "Power Distribution" segment, which is engaged in the distribution and sale of electricity to the end-users; and
- "Parent Company and Others", which includes the operations of the Company, retail electricity sales to various off takers that are considered to be eligible contestable customers (see Note 39i) and electricity related services of the Group such as installation of electrical equipment.

The power generation segment's revenue from contracts with customers is mainly from power supply contracts. Set out below is the disaggregation of the Group's revenue from contracts with customers:

## 2022

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱70,268,058	₱—	₱—	₱70,268,058
Revenue from distribution services	—	57,235,327	—	57,235,327
Revenue from retail electricity sales	—	—	35,179,570	35,179,570
Revenue from non-power supply contracts	31,232,574	—	—	31,232,574
Revenue from technical and management services	—	—	78,059	78,059
	<b>₱101,500,632</b>	<b>₱57,235,327</b>	<b>₱35,257,629</b>	<b>₱193,993,588</b>

## 2021

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱52,577,596	₱—	₱—	₱52,577,596
Revenue from distribution services	—	44,375,529	—	44,375,529
Revenue from retail electricity sales	—	—	19,874,964	19,874,964
Revenue from non-power supply contracts	17,430,539	—	—	17,430,539
Revenue from technical and management services	—	—	100,593	100,593
	<b>₱70,008,135</b>	<b>₱44,375,529</b>	<b>₱19,975,557</b>	<b>₱134,359,221</b>

## 2020

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱42,639,028	₱—	₱—	₱42,639,028
Revenue from distribution services	—	41,872,331	—	41,872,331
Revenue from retail electricity sales	—	—	16,476,713	16,476,713
Revenue from non-power supply contracts	9,111,632	—	—	9,111,632
Revenue from technical and management services	—	—	276,945	276,945
	<b>₱51,750,660</b>	<b>₱41,872,331</b>	<b>₱16,753,658</b>	<b>₱110,376,649</b>

The revenue from contracts with customers is consistent with the revenue with external customers presented in Segment information.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statements of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length transaction basis.

Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue 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.

Financial information on the operations of the various business segments is summarized as follows:

## 2022

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and adjustments	Consolidated
<b>REVENUE</b>					
External	₱101,500,632	₱57,235,327	₱35,257,629	₱—	₱193,993,588
Inter-segment	35,979,166	1,716,144	1,659,555	(39,354,865)	—
<b>Total Revenue</b>	<b>₱137,479,798</b>	<b>₱58,951,471</b>	<b>₱36,917,184</b>	<b>(₱39,354,865)</b>	<b>₱193,993,588</b>
Segment Results	₱25,461,117	₱5,071,408	(₱729,551)	₱—	₱29,802,974
Unallocated corporate income - net	(702,072)	1,238,045	(20,643)	—	515,330
<b>INCOME FROM OPERATIONS</b>	<b>24,759,045</b>	<b>6,309,453</b>	<b>(750,194)</b>	<b>—</b>	<b>30,318,304</b>
Interest expense and other financing costs	(9,301,604)	(663,306)	(3,455,438)	—	(13,420,348)
Interest income	275,150	6,596	396,950	—	678,696
Share in net earnings of associates and joint ventures	14,773,385	290,130	31,861,514	(31,790,059)	15,134,970
Provision for income tax	(1,502,031)	(1,295,196)	(366,978)	—	(3,164,205)
<b>NET INCOME</b>	<b>₱29,003,945</b>	<b>₱4,647,677</b>	<b>₱27,685,854</b>	<b>(₱31,790,059)</b>	<b>₱29,547,417</b>
<b>OTHER INFORMATION</b>					
Investments	₱76,368,680	₱1,141,014	₱218,893,577	(₱218,483,623)	₱77,919,648
Capital Expenditures	₱8,844,057	₱4,049,007	₱121,002	₱—	₱13,014,066
Segment Assets	₱319,721,552	₱41,440,229	₱291,949,968	(₱175,517,868)	₱477,593,881
Segment Liabilities	₱193,988,563	₱32,329,323	₱84,514,382	(₱13,413,155)	₱297,419,113
Depreciation and Amortization	₱10,389,076	₱1,270,663	₱58,913	₱145,018	₱11,863,670

## 2021

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
<b>REVENUE</b>					
External	₱70,008,135	₱44,375,529	₱19,975,557	₱—	₱134,359,221
Inter-segment	27,329,151	1,252,529	932,611	(29,514,291)	—
<b>Total Revenue</b>	<b>₱97,337,286</b>	<b>₱45,628,058</b>	<b>₱20,908,168</b>	<b>(₱29,514,291)</b>	<b>₱134,359,221</b>
Segment Results	₱22,949,164	₱5,057,139	₱203,492	₱1	₱28,209,796
Unallocated corporate income - net	(519,603)	1,014,963	(281,795)	—	213,565
<b>INCOME FROM OPERATIONS</b>	<b>22,429,561</b>	<b>6,072,102</b>	<b>(78,303)</b>	<b>1</b>	<b>28,423,361</b>
Interest expense and other financing costs	(9,472,367)	(591,189)	(3,526,809)	—	(13,590,365)
Interest income	127,868	6,701	208,664	—	343,233
Share in net earnings of associates and joint ventures	9,236,653	242,882	25,210,136	(25,209,975)	9,479,696
Provision for income tax	(806,745)	(1,067,836)	(236,129)	—	(2,110,710)
<b>NET INCOME</b>	<b>₱21,514,970</b>	<b>₱4,662,660</b>	<b>₱21,577,559</b>	<b>(₱25,209,974)</b>	<b>₱22,545,215</b>
<b>OTHER INFORMATION</b>					
Investments	₱63,562,307	₱1,034,881	₱188,071,199	(₱187,726,581)	₱64,941,806
Capital Expenditures	₱5,918,316	₱3,228,363	₱30,858	₱—	₱8,281,980
Segment Assets	₱301,389,460	₱36,094,279	₱238,366,874	(₱148,434,994)	₱427,415,619
Segment Liabilities	₱177,496,067	₱28,554,581	₱78,702,587	(₱12,918,319)	₱271,834,916
Depreciation and Amortization	₱9,879,617	₱1,128,298	₱49,340	₱145,018	₱11,202,273

## 2020

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
<b>REVENUE</b>					
External	₱51,750,660	₱41,872,331	₱16,753,658	₱—	₱110,376,649
Inter-segment	22,896,433	1,118,499	1,031,354	(25,046,286)	—
<b>Total Revenue</b>	<b>₱74,647,093</b>	<b>₱42,990,830</b>	<b>₱17,785,012</b>	<b>(₱25,046,286)</b>	<b>₱110,376,649</b>
Segment Results	₱21,444,970	₱4,946,100	₱488,817	₱—	₱26,879,887
Unallocated corporate income - net	3,486,054	841,667	600,842	—	4,928,563
<b>INCOME FROM OPERATIONS</b>	<b>24,931,024</b>	<b>5,787,767</b>	<b>1,089,659</b>	<b>—</b>	<b>31,808,450</b>
Interest expense and other financing costs	(10,536,420)	(693,525)	(3,023,583)	—	(14,253,528)
Interest income	397,880	48,408	206,788	—	653,076
Share in net earnings of associates and joint ventures	2,454,530	198,142	15,066,479	(15,044,015)	2,675,136
Provision for income tax	(4,413,334)	(1,397,825)	(250,753)	—	(6,061,912)
<b>NET INCOME</b>	<b>₱12,833,680</b>	<b>₱3,942,967</b>	<b>₱13,088,590</b>	<b>(₱15,044,015)</b>	<b>₱14,821,222</b>
<b>OTHER INFORMATION</b>					
Investments	₱60,520,910	₱928,495	₱170,100,955	(₱169,742,086)	₱61,808,274
Capital Expenditures	₱2,821,303	₱2,628,493	₱20,706	₱—	₱5,468,687
Segment Assets	₱287,225,921	₱33,915,449	₱207,799,057	(₱131,015,309)	₱397,925,118
Segment Liabilities	₱173,334,124	₱27,599,412	₱75,498,129	(₱13,091,620)	₱263,340,045
Depreciation and Amortization	₱9,684,189	₱1,098,103	₱46,054	₱145,018	₱10,973,364

### 31. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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. Related parties may be individuals or corporate entities.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Group enters into transactions with its parent, associates, joint ventures and other related parties, principally consisting of the following:

- a. The Company provides services to certain associates and joint ventures such as technical and legal assistance for various projects and other services.
- b. Energy fees are billed by the Group to related parties and the Group also purchased power from associates and joint ventures, arising from the following:
  - PPA/PSA or ESA (see Note 20)
  - Replacement power contracts (see Note 21)
- c. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Group and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates. Service level agreements are in place to ensure quality of service. This arrangement enables the Group to maximize efficiencies and realize cost synergies. These transactions result to professional and technical fees paid by the Group to AEV (see Note 23).



- d. Aviation services are rendered by AAI, an associate, to the Group.
- e. Lease of commercial office units by the Group from Cebu Praedia Development Corporation (CPDC) and Aboitizland, Inc. and subsidiaries. CPDC and Aboitizland, Inc. are subsidiaries of AEV.
- f. Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, rendered its services to the Group for various construction projects.
- g. LEZ entered into a Concession Agreement with Lima Land, Inc. (LLI) for which it is entitled to the exclusive right to distribute and supply electricity to LLI's locators.
- h. Interest-bearing advances from AEV and subsidiaries availed by the Group. The annual interest rates are determined on arm's length basis.
- i. TLI entered into a contract for difference with SNAP-Magat to pay with respect to the difference between the strike price and the reference price for a specified electricity quantity.
- j. Cash deposits with Union Bank of the Philippines (UBP) earn interest at prevailing market rates (see Note 5). UBP is an associate of AEV.
- k. The Company obtained Standby Letter of Credit (SBLC) and is acting as surety for the benefit of certain associates and joint ventures in connection with loans and credit accommodations. The Company provided SBLC for STEAG, CEDC, and SNAP B in the amount of ₱100.2 million in 2022, ₱103.5 million in 2021 and ₱900 million in 2020.

The above transactions are settled in cash.

The consolidated balance sheets and consolidated statements of income include the following significant account balances resulting from the above transactions with related parties:

a. Revenue - Technical, management and other fees

	Revenue			Receivable		Terms	Conditions
	2022	2021	2020	2022	2021		
<i>AEV and subsidiaries</i>							
APO Agua Infraestructura, Inc.	₱15,190	₱14,948	₱13,587	₱—	₱—	30-day; interest-free	No impairment; unsecured
Aboitiz InfraCapital, Inc.	—	—	777	—	—	30-day; interest-free	No impairment; unsecured
<i>Associates and joint ventures</i>							
GNPD	43,477	39,502	39,884	9	7,575	30-day; interest-free	No impairment; unsecured
SFELAPCO	6,000	19,000	108,838	—	—	30-day; interest-free	No impairment; unsecured
SNAP M	6,696	6,696	6,696	—	—	30-day; interest-free	No impairment; unsecured
SNAP B	6,696	6,696	6,696	—	—	30-day; interest-free	No impairment; unsecured
SNAP G	—	239	—	—	—	30-day; interest-free	No impairment; unsecured
CEDC	—	—	88,445	—	—	30-day; interest-free	No impairment; unsecured
	₱78,059	₱87,081	₱264,923	₱9	₱7,575		

## b. Revenue - Sale of power

	Revenue			Receivable		Terms	Conditions
	2022	2021	2020	2022	2021		
<i>AEV and subsidiaries</i>							
Pilmico Foods Corporation	₱123,655	₱54,363	₱140,741	₱15,433	₱6,413	30-day; interest-free	No impairment; unsecured
Lima Land, Inc.	42,283	36,755	22,488	23,274	8,982	30-day; interest-free	No impairment; unsecured
Lima Water Corporation	30,372	19,425	18,772	—	—	30-day; interest-free	No impairment; unsecured
Aboitizland, Inc. and subsidiaries	21,244	20,263	14,202	—	10,949	30-day; interest-free	No impairment; unsecured
Cebu Industrial Park Developer's, Inc.	2,533	1,568	2,640	—	—	30-day; interest-free	No impairment; unsecured
<i>Associates and joint ventures</i>							
SFELAPCO	2,142,713	2,710,153	2,351,358	60,951	234,517	30-day; interest-free	No impairment; unsecured
GNPD	516,901	9,452,701	1,882,942	—	—	30-day; interest-free	No impairment; unsecured
MEC	11,738	13,867	764,862	4,803	36,038	30-day; interest-free	No impairment; unsecured
SNAP M	1,511,909	2,912	7,355	660,362	2,901	30-day; interest-free	No impairment; unsecured
<i>Other related parties</i>							
Republic Cement & Building Materials, Inc. (an associate of AEV)	2,587,557	2,464,158	1,509,512	2,114,195	180,143	30-day; interest-free	No impairment; unsecured
Tsuneishi Heavy Industries Cebu, Inc. (a joint venture of ACO and Tsuneishi Group)	174,355	—	30,662	—	—	30-day; interest-free	No impairment; unsecured
Aboitiz Construction International, Inc.	1,767	1,319,651	—	—	—	30-day; interest-free	No impairment; unsecured
	<b>₱7,167,027</b>	<b>₱16,095,816</b>	<b>₱6,745,534</b>	<b>₱2,879,018</b>	<b>₱479,943</b>		

## c. Cost of purchased power

	Purchases			Payable		Terms	Condition
	2022	2021	2020	2022	2021		
<i>Associates and Joint Ventures</i>							
CEDC	₱5,005,221	₱4,522,422	₱3,955,490	₱85,659	₱341,528	30-day; interest-free	Unsecured
SNAP M	2,815,696	73,350	94,730	8,004	103,516	30-day; interest-free	Unsecured
SFELAPCO	33,664	—	30,002	3,131	—	30-day; interest-free	Unsecured
SNAP B	1,478,492	—	—	—	—	30-day; interest-free	Unsecured
	<b>₱9,333,073</b>	<b>₱4,595,772</b>	<b>₱4,080,222</b>	<b>₱96,794</b>	<b>₱445,044</b>		

## d. Expenses

Nature	Purchases/Expenses			Payable		Terms	Condition	
	2022	2021	2020	2022	2021			
<i>Ultimate Parent</i>								
ACO	Professional fees	₱6,000	₱4,500	₱1,415	₱—	₱—	30-day; interest-free	Unsecured
<i>AEV and subsidiaries</i>								
AEV	Professional and Technical fees	693,537	622,983	526,488	11,354	12,972	30-day; interest-free	Unsecured
Lima Land, Inc.	Concession fees	95,790	88,820	77,365	7,987	6,823	30-day; interest-free	Unsecured
AAI	Aviation Services	79,876	54,814	49,416	782	579	30-day; interest-free	Unsecured
SNAP M	CFD charges	31,786	37,728	503	—	25,289	30-day; interest-free	Unsecured
RCBM	Generation fees	60,151	38,070	—	—	43,384	30-day; interest-free	Unsecured
CPDC	Rental	23,179	27,201	35,927	—	100	30-day; interest-free	Unsecured

	Nature	Purchases/Expenses			Payable		Terms	Condition
		2022	2021	2020	2022	2021		
AEV	Rental	₱—	₱—	₱411	₱—	₱—	30-day;	Unsecured
Aboitizland, Inc. and subsidiaries	Rental	319	351	306	—	—	30-day; interest-free	
		<b>₱990,638</b>	<b>₱874,467</b>	<b>₱691,831</b>	<b>₱20,123</b>	<b>₱89,147</b>		

e. Capitalized construction and rehabilitation costs

	Nature	Purchases			Payable		Terms	Condition
		2022	2021	2020	2022	2021		
<i>Other related parties</i>								
ACI		<b>₱313,249</b>	<b>₱340,286</b>	<b>₱271,383</b>	<b>₱—</b>	<b>₱—</b>	30-day; interest-free	Unsecured

f. Temporary advances

	Nature	Interest Expense			Payable		Terms	Condition
		2022	2021	2020	2022	2021		
<i>Parent</i>								
AEVI		<b>₱1,361</b>	<b>₱342</b>	<b>₱301</b>	<b>₱—</b>	<b>₱41,309</b>	Promissory note; interest-bearing	Unsecured

g. Loans payable

	Nature	Interest Expense			Payable		Terms	Conditions
		2022	2021	2020	2022	2021		
<i>Parent</i>								
AEV		<b>₱10,061</b>	<b>₱7,965</b>	<b>₱14,775</b>	<b>₱300,000</b>	<b>₱300,000</b>	Loan agreement; interest-bearing	Unsecured

h. Cash deposits and placements with UBP

	Interest Income			Outstanding Balance		Terms	Conditions
	2022	2021	2020	2022	2021		
TPI and subsidiaries	<b>₱35,786</b>	<b>₱10,407</b>	<b>₱41,833</b>	<b>₱10,019,727</b>	<b>₱4,480,783</b>	90 days or less; interest-bearing	No impairment; unsecured
Company	<b>6,787</b>	<b>11,553</b>	<b>38,983</b>	<b>772,870</b>	<b>1,432,328</b>	90 days or less; interest-bearing	No impairment; unsecured
ARI and subsidiaries	<b>27,116</b>	<b>9,985</b>	<b>24,991</b>	<b>3,774,659</b>	<b>3,197,538</b>	90 days or less; interest-bearing	No impairment; unsecured
VECO	<b>2,249</b>	<b>2,535</b>	<b>17,630</b>	<b>430,813</b>	<b>431,492</b>	90 days or less; interest-bearing	No impairment; unsecured
DLP	<b>3,095</b>	<b>2,994</b>	<b>15,401</b>	<b>509,593</b>	<b>438,578</b>	90 days or less; interest-bearing	No impairment; unsecured
CPPC	<b>1,107</b>	<b>1,737</b>	<b>5,365</b>	<b>110,163</b>	<b>392,260</b>	90 days or less; interest-bearing	No impairment; unsecured
AESI	<b>9,032</b>	<b>2,964</b>	<b>4,569</b>	<b>570,589</b>	<b>1,720,564</b>	90 days or less; interest-bearing	No impairment; unsecured
AI	<b>4,453</b>	<b>1,473</b>	<b>3,042</b>	<b>870,529</b>	<b>928,057</b>	90 days or less; interest-bearing	No impairment; unsecured
SEZ	<b>382</b>	<b>261</b>	<b>1,305</b>	<b>94,081</b>	<b>140,124</b>	90 days or less; interest-bearing	No impairment; unsecured
EAUC	<b>711</b>	<b>961</b>	<b>1,294</b>	<b>129,327</b>	<b>352,824</b>	90 days or less; interest-bearing	No impairment; unsecured
CLP	<b>177</b>	<b>158</b>	<b>1,212</b>	<b>38,484</b>	<b>33,034</b>	90 days or less; interest-bearing	No impairment; unsecured
LEZ	<b>61</b>	<b>56</b>	<b>1,049</b>	<b>14,094</b>	<b>69,536</b>	90 days or less; interest-bearing	No impairment; unsecured
PEI	<b>88</b>	<b>90</b>	<b>811</b>	<b>119,431</b>	<b>85,113</b>	90 days or less; interest-bearing	No impairment; unsecured
MEZ	<b>148</b>	<b>134</b>	<b>581</b>	<b>54,194</b>	<b>24,975</b>	90 days or less; interest-bearing	No impairment; unsecured
BEZ	<b>95</b>	<b>82</b>	<b>575</b>	<b>20,922</b>	<b>29,041</b>	90 days or less; interest-bearing	No impairment; unsecured
MVEZ	<b>43</b>	<b>44</b>	<b>416</b>	<b>20,939</b>	<b>37,982</b>	90 days or less; interest-bearing	No impairment; unsecured

	Interest Income			Outstanding Balance		Terms	Conditions
	2022	2021	2020	2022	2021		
MHSCI	₱—	₱—	₱—	₱—	₱826	90 days or less; interest-bearing	No impairment; unsecured
SACASUN	—	359	1	—	32,229	90 days or less; interest-bearing	No impairment; unsecured
APInt	—	—	—	566,910	—	90 days or less; interest-bearing	No impairment; unsecured
	<b>₱91,330</b>	<b>₱45,793</b>	<b>₱159,058</b>	<b>₱18,117,326</b>	<b>₱13,827,284</b>		

The Company's Fund is in the form of a trust being maintained and managed by AEV. In 2022 and 2021, other than contributions to the Fund, no transactions occurred between the Company or any of its direct subsidiaries and the Fund.

Compensation of BOD and key management personnel of the Group follows:

	2022	2021	2020
Short-term benefits	<b>₱236,170</b>	<b>₱346,730</b>	<b>₱385,431</b>
Post-employment benefits	<b>4,000</b>	<b>14,608</b>	<b>18,392</b>
	<b>₱240,170</b>	<b>₱361,338</b>	<b>₱403,823</b>

### 32. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as trade and other receivables, investments in equity securities, short-term loans, trade and other payables, lease liabilities, long-term obligation on power distribution system and customers' deposits, which generally arise directly from its operations.

The Group also enters into derivative transactions, particularly foreign currency forwards to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases, commodity swap contracts to hedge the price volatility of forecast coal purchases and interest rate swap agreement to hedge the variability in the interest cash flow of its LIBOR loan.

#### Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

#### *Financial risk committee*

The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

#### *Treasury service group*

The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, commodity price risk and foreign exchange risk.



### Liquidity risk

Liquidity risk is the risk of not meeting obligations as they become due because of the inability to liquidate assets or obtain adequate funding. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay any dividend declarations.

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 8.32% and 11.89% of the Group's debt will mature in less than one year as of December 31, 2022 and 2021, respectively. For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

The financial assets that will be principally used to settle the financial liabilities presented in the following table are from cash and cash equivalents amounting to ₱64.76 billion and ₱57.13 billion as of December 31, 2022 and 2021, respectively, and trade and other receivables amounting to ₱35.34 billion and ₱26.82 billion as of December 31, 2022 and 2021, respectively. Cash and cash equivalents can be withdrawn anytime while trade and other receivables are expected to be collected/realized within one year.

The following tables summarize the maturity profile of the Group's financial liabilities as of December 31, 2022 and 2021 based on contractual undiscounted payments:

### December 31, 2022

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	₱21,402,715	₱21,474,938	₱—	₱21,474,938	₱—	₱—
Trade and other payables*	28,111,037	28,111,037	5,567,573	22,543,464	—	—
Long-term debts	199,451,918	220,632,417	—	13,879,739	93,155,362	113,597,316
Customers' deposits	8,144,054	8,144,054	—	—	491,769	7,652,285
Lease liabilities	27,541,956	34,860,140	—	11,374,338	17,719,728	5,766,074
Long-term obligation on PDS	145,390	200,000	—	40,000	160,000	—
Derivative liabilities	447,264	777,856	—	116,672	661,184	—
	<b>₱285,244,334</b>	<b>₱314,200,442</b>	<b>₱5,567,573</b>	<b>₱69,429,151</b>	<b>₱112,188,043</b>	<b>₱127,015,675</b>

\*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent liabilities in the consolidated balance sheet.

### December 31, 2021

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	₱18,625,546	₱18,658,596	₱—	₱18,658,596	₱—	₱—
Trade and other payables*	18,356,838	18,356,839	3,111,065	15,191,269	54,505	—
Long-term debts	182,037,974	225,360,904	—	23,340,047	105,567,654	96,453,203
Customers' deposits	7,200,341	7,200,341	—	—	457,618	6,742,723
Lease liabilities	33,773,879	44,123,449	—	10,929,330	27,901,130	5,292,989
Long-term obligation on PDS	165,532	240,000	—	40,000	200,000	—
Derivative liabilities	393,694	393,694	—	219,030	174,664	—
	<b>₱260,553,804</b>	<b>₱314,333,823</b>	<b>₱3,111,065</b>	<b>₱68,378,272</b>	<b>₱134,355,571</b>	<b>₱108,488,915</b>

\*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent liabilities in the consolidated balance sheet.

### Market risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2022, 8% of the Group's long-term debt had annual floating interest rates ranging from 1.97% to 7.68%, and 92% have annual fixed interest rates ranging from 4.27% to 9%. As of December 31, 2021, 10% of the Group's long-term debt had annual floating interest rates ranging from 1.32% to 2.27%, and 90% have annual fixed interest rates ranging from 4% to 9%.

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

### As of December 31, 2022

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,088,172	₱5,777,095	₱9,536,945	₱16,402,212

### As of December 31, 2021

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱810,596	₱6,504,968	₱7,573,479	₱14,889,043

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk. The Group's derivative assets and liabilities are subject to fair value interest rate risk (see Note 33).

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rate borrowings):

	Increase (decrease) in basis points	Effect on income before tax
December 2022	200	(₱328,044)
	(100)	164,022
December 2021	200	(₱297,781)
	(100)	148,890

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

The interest expense and other finance charges recognized according to source are as follows:

	2022	2021	2020
Short-term loans and long-term debt (see Notes 15 and 16)	<b>₱10,651,537</b>	₱10,138,558	₱10,812,088
Lease liabilities (see Note 34)	<b>2,391,695</b>	2,750,328	3,255,809
Loss on loan extinguishment (see Note 16)	<b>44,962</b>	447,502	—
Customers' deposits (see Note 17)	<b>1,207</b>	4,180	4,027
Other long-term obligations (see Notes 12 and 18)	<b>330,947</b>	249,797	181,604
	<b>₱13,420,348</b>	₱13,590,365	₱14,253,528

#### *Commodity Price Risk*

Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Currently, the management is monitoring the development of the situation in Ukraine which indirectly impact the Group because of higher prices of fuel.

#### *Foreign exchange risk*

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 20.48% and 23.89% of total consolidated borrowings as of December 31, 2022 and 2021, respectively.

Presented below are the Group's foreign currency denominated financial assets and liabilities translated to Philippine Peso:

	December 31, 2022		December 31, 2021	
	US Dollar	Philippine Peso equivalent <sup>1</sup>	US Dollar	Philippine Peso equivalent <sup>2</sup>
<b>Financial assets:</b>				
Cash and cash equivalents	\$217,588	₱12,131,619	\$65,645	₱3,347,829
Trade and other receivables	2,467	137,548	3,414	174,111
Advances to associates	3	167	—	—
<b>Total financial assets</b>	<b>220,058</b>	<b>12,269,334</b>	<b>69,059</b>	<b>3,521,940</b>
<b>Financial liabilities:</b>				
Trade and other payables	30,076	1,676,887	29,589	1,509,010
Long-term debt	—	—	55,000	2,804,945
Lease liabilities	241,244	13,450,559	321,601	16,401,329
<b>Total financial liabilities</b>	<b>271,320</b>	<b>15,127,446</b>	<b>406,190</b>	<b>20,715,284</b>
<b>Total net financial liabilities</b>	<b>(\$51,262)</b>	<b>(₱2,858,112)</b>	<b>(\$337,131)</b>	<b>(₱17,193,344)</b>

<sup>1</sup>US\$1 = ₱55.76

<sup>2</sup>US\$1 = ₱51.00

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of December 31:

	Increase (decrease) in US Dollar	Effect on income before tax
<b>2022</b>		
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱142,906)
US Dollar denominated accounts	US Dollar weakens by 5%	142,906
<b>2021</b>		
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱861,733)
US Dollar denominated accounts	US Dollar weakens by 5%	861,733

The increase in US Dollar rate represents the depreciation of the Philippine Peso while the decrease in US Dollar rate represents appreciation of the Philippine Peso.

The following table presents LHC's and GMEC's foreign currency denominated assets and liabilities:

	2022		2021	
	Philippine Peso	US Dollar Equivalent <sup>1</sup>	Philippine Peso	US Dollar Equivalent <sup>2</sup>
<b>Financial assets:</b>				
Cash and cash equivalents	₱4,194,517	\$75,231	₱2,400,523	\$47,070
Trade and other receivables	8,398,854	150,639	4,378,060	85,846
	<b>12,593,371</b>	<b>225,870</b>	<b>6,778,583</b>	<b>132,916</b>
<b>Financial liabilities:</b>				
Trade and other payables	5,761,218	103,331	2,797,091	54,846
<b>Net foreign currency denominated assets</b>	<b>₱6,832,153</b>	<b>\$122,539</b>	<b>₱3,981,492</b>	<b>\$78,070</b>

<sup>1</sup>US\$1 = ₱55.76

<sup>2</sup>US\$1 = ₱51.00



The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax	
	2022	2021
US dollar appreciates against Philippine peso by 5.0%	<b>(\$6,127)</b>	(\$3,904)
US dollar depreciates against Philippine peso by 5.0%	<b>6,127</b>	3,904

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

#### Credit risk

For its cash investments (including restricted portion) and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

#### *Concentration risk*

Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2022 and 2021 is summarized in the following table:

	2022	2021
Power distribution:		
Industrial	<b>₱10,089,301</b>	₱4,934,502
Residential	<b>3,394,574</b>	2,566,449
Commercial	<b>1,059,520</b>	778,568
City street lighting	<b>27,372</b>	109,700
Power generation:		
Power supply contracts	<b>13,033,268</b>	11,930,242
Spot market	<b>2,745,316</b>	2,318,412
	<b>₱30,349,351</b>	₱22,637,873

The above receivables were provided with allowance for ECL amounting to ₱3.33 billion and ₱3.02 billion as of December 31, 2022 and 2021, respectively (see Note 6).

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2022 and 2021:

	2022				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	
Gross carrying amount	₱79,950,645	₱—	₱—	₱30,349,351	₱110,299,996
Loss allowance	—	—	—	3,329,397	3,329,397
Carrying amount	₱79,950,645	₱—	₱—	₱27,019,954	₱106,970,599

	2021				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	
Gross carrying amount	₱68,459,309	₱—	₱—	₱22,637,873	₱91,097,182
Loss allowance	—	—	—	3,018,981	3,018,981
Carrying amount	₱68,459,309	₱—	₱—	₱19,618,892	₱88,078,201

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

The Group evaluated its cash and cash equivalents and restricted cash as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to other receivables, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The tables below show the Group's aging analysis of financial assets:

#### December 31, 2022

	Total	Current	Less than 30 days	31 days to 60 days	Over 60 days	Impaired
<b>Cash and cash equivalents:</b>						
Cash on hand and in banks	₱26,275,516	₱26,275,516	₱—	₱—	₱—	₱—
Short-term deposits	38,488,126	38,488,126	—	—	—	—
	64,763,642	64,763,642	—	—	—	—
<b>Trade receivables:</b>						
Power supply contracts	13,033,268	10,167,005	270,892	284,740	1,140,319	1,170,312
Spot market	2,745,316	524,720	54,352	34,765	612,280	1,519,199
Industrial	10,089,301	9,025,249	366,019	109,840	267,258	320,935
Residential	3,394,574	941,799	1,305,655	211,974	688,679	246,467
Commercial	1,059,520	402,550	368,102	66,731	151,442	70,695
City street lighting	27,372	9,001	10,903	453	5,226	1,789
	30,349,351	21,070,324	2,375,923	708,503	2,865,204	3,329,397
Other receivables*	9,163,578	9,161,546	—	—	2,032	—
Restricted cash	6,023,425	6,023,425	—	—	—	—
<b>Total</b>	<b>₱110,299,996</b>	<b>₱101,018,937</b>	<b>₱2,375,923</b>	<b>₱708,503</b>	<b>₱2,867,236</b>	<b>₱3,329,397</b>

\*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.

## December 31, 2021

	Total	Current	Less than 30 days	31 days to 60 days	Over 60 days	Impaired
Cash and cash equivalents:						
Cash on hand and in banks	₱17,239,024	₱17,239,024	₱—	₱—	₱—	₱—
Short-term deposits	39,891,219	39,891,219	—	—	—	—
	57,130,243	57,130,243	—	—	—	—
Trade receivables:						
Power supply contracts	11,930,242	9,392,603	273,594	219,308	1,334,487	710,250
Spot market	2,318,412	516,969	83,213	26,850	95,718	1,595,662
Industrial	4,934,502	3,138,445	246,465	95,342	1,174,176	280,074
Residential	2,566,449	618,806	612,325	142,472	859,455	333,391
Commercial	778,568	312,444	154,468	30,902	195,177	85,577
City street lighting	109,700	20,991	5,733	7,418	61,531	14,027
	22,637,873	14,000,258	1,375,798	522,292	3,720,544	3,018,981
Other receivables*	7,255,685	7,238,330	724	464	16,167	—
Restricted cash	4,073,381	4,073,381	—	—	—	—
<b>Total</b>	<b>₱91,097,182</b>	<b>₱82,442,212</b>	<b>₱1,376,522</b>	<b>₱522,756</b>	<b>₱3,736,711</b>	<b>₱3,018,981</b>

\*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.

## Capital Management

Capital includes equity attributable to the equity holders of the parent. 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 or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below. The Group determines net debt as the sum of interest-bearing short-term loans, long-term loans, and lease liabilities less cash and short-term deposits (including restricted cash).

Gearing ratios of the Group as of December 31, 2022 and 2021 are as follows:

	2022	2021
Short-term loans	₱21,402,715	₱18,625,546
Long-term debt	199,451,918	182,037,974
Lease liabilities	27,541,956	33,773,879
Cash and cash equivalents	(64,763,642)	(57,130,243)
Restricted cash	(6,023,425)	(4,073,381)
Net debt (a)	177,609,522	173,233,775
Equity	180,174,768	155,580,703
Equity and net debt (b)	₱357,784,290	₱328,814,478
Gearing ratio (a/b)	49.64%	52.68%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2022 and 2021 (see Note 16).

Certain entities within the Group that are registered with the BOI are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2022 and 2021, these entities have complied with the requirement as applicable (see Note 36).

No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

### 33. Financial Instruments

#### Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	December 31, 2022		December 31, 2021	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Asset</b>				
PSALM deferred adjustment	<b>₱54,503</b>	<b>₱54,224</b>	₱1,097,366	₱1,032,511
<b>Financial Liabilities</b>				
Lease liabilities	<b>₱27,541,956</b>	<b>₱25,619,783</b>	₱33,773,879	₱31,893,831
Long-term debt - fixed rate	<b>183,049,706</b>	<b>170,193,814</b>	167,148,931	171,255,721
PSALM deferred adjustment	<b>54,503</b>	<b>54,224</b>	1,097,366	1,032,511
Long-term obligation on power distribution system	<b>145,390</b>	<b>143,225</b>	165,532	151,878
	<b>₱210,791,555</b>	<b>₱196,011,046</b>	₱202,185,708	₱204,333,941

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, trade and other receivables, short-term loans and trade and other payables.* The carrying amounts of cash and cash equivalents, trade and other receivables, short-term loans and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.



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*Fixed-rate borrowings.* The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 1% to 8.47% in 2022 and 1% to 6.44% in 2021.

*Floating-rate borrowings.* Since repricing of the variable-rate interest bearing loan is done on a quarterly basis, the carrying value approximates the fair value.

*Lease liabilities.* The fair value of lease liabilities was calculated by discounting future cash flows using discount rates of 9.11% for dollar payments and 5.72% to 9.75% for peso payments in 2022 and 9.11% for dollar payments and 2.86% to 9.75% for peso payments in 2021.

*Long-term obligation on PDS and PSALM deferred adjustment.* The fair value of the long-term obligations on power distribution system and PSALM deferred adjustment is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 1.66% to 4.63% in 2022 and 2021.

*Customers' deposits.* The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

*Financial assets at FVTPL.* These equity securities are carried at fair value.

*Derivative financial instruments.* The fair value of forward contracts is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The fair value of the IRS and interest rate cap are determined by generally accepted valuation techniques with reference to observable market data such as interest rates.

The Group entered into an IRS agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign-currency denominated payments.

The Group also entered into deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

The Group also entered into commodity swap contracts to hedge the price volatility of its forecasted coal purchases.

#### IRS

In August 2012, LHC entered into an IRS agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US Dollar-denominated loan. Under the IRS agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

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As of December 31, 2022, the outstanding notional amount and derivative as a result of the swap amounted to nil. As of December 31, 2021, the outstanding notional amount and derivative liability as a result of the swap amounted to \$0.15 million and ₱0.1 million, respectively.

On September 29, 2017, GMEC entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 16), which bears interest based on six-month US LIBOR. Under the swap agreement, GMEC pays a fixed rate of 2.18% and receives six-month US LIBOR, semi-annually from March 29, 2018 until September 27, 2024. The IRS settlement dates coincide with the semi-annual interest payment dates of the NFA. GMEC designated the swap as a cash flow hedge.

As of December 31, 2022, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$218.6 million and ₱542.0 million, respectively. As of December 31, 2021, the outstanding notional amount and derivative liability as a result of the swap amounted to US\$236.5 million and ₱393.7 million, respectively.

In September 2019, the Company entered into an interest rate swap agreement effective September 30, 2019 to hedge \$150 million of its floating rate exposure on its loan (see Note 16). Under the interest rate swap agreement, the Company, on a quarterly basis, pays a fixed rate of 1.4493% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to April 30, 2024. The Company designated the swap as a cash flow hedge.

As of December 31, 2021, the outstanding notional amount and fair value of the swap amounted to ₱2.80 billion and ₱34.0 million, respectively. In 2022, the IRS was unwound with the Company receiving \$1.2 million (₱61.8 million).

#### Foreign currency forward contracts

In 2020, the Company entered into foreign currency forward contracts, namely Principal-only Swap (POS) and Call Spread (CS), with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. The notional amount of the forward contract is \$25.0 million (₱1.2 billion) and \$10.0 million (₱480.8 million) for POS and CS, respectively. In 2021, the Company entered into additional POS contract with a notional amount of \$10.0 million (₱485.8 million). The Company designated these forward contracts as a cash flow hedge.

In 2022, the POS and CS was unwound with the Company receiving \$2.0 million (₱105.4 million).

TLI entered into forward contracts to hedge the foreign currency risk arising from forecasted US dollar denominated coal purchases. These forecasted transactions are highly probable, and they comprise about 20% of the TLI's total expected coal purchases. The forward contracts were designated as cash flow hedges.

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On January 1, 2020, TLI re-designated its foreign currency forwards with notional amount of \$22.5 million and average forward rate of ₱48.00 as cash flow hedges of the monthly fees due to PSALM under its IPP Administration Agreement, the settlement of which is in USD. The cash flow hedges of PSALM fees were all matured as of December 31, 2020.

As of December 31, 2022 and 2021, the aggregate notional amount of the forward contracts is ₱6.13 billion and ₱15.36 billion, respectively.

Non-deliverable forward contracts

In 2022, the Company entered into non-deliverable forward (NDF) contracts with counterparty banks to manage foreign currency risks associated with ARI's US Dollar commitments for the completion of its renewable projects. The notional amount of these contracts amounted to \$109.1 million (₱6.69 billion). The Company designated these NDF contracts as a cash flow hedge.

As of December 31, 2022, the outstanding notional amount and fair value of the NDF contracts amounted to ₱6.08 billion and ₱447.3 million, respectively.

Commodity swap contracts

In 2018, TLI entered into commodity swap contracts to hedge the price volatility of forecasted coal purchases. The commodity swaps do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal. TLI hedges approximately 30% of its expected coal purchases considered to be highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward and commodity swap contracts match the terms of the expected highly probable forecasted transactions.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ration of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique 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:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the 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 hedging instruments designated as cash flow hedges:

### December 31, 2022

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
<b>IRS - Derivative Assets</b>						
Notional amount (in PHP)	526,885	—	468,342	1,990,454	9,203,757	12,189,438
Average fixed interest rate (%)	2.18%	—%	2.18%	2.18%	2.18%	
<b>Foreign Currency Forward Contracts - Derivative Assets</b>						
Notional amount (in PHP)	615,925	645,612	1,104,329	3,768,288	—	6,134,154
Average forward rate (in PHP)	52	52	53	55	—	
<b>Commodity Swaps - Derivative Asset</b>						
Notional amount (in metric)	90,000	39,000	36,000	1,000	—	166,000
Notional amount (in PHP)	538,391	212,314	212,069	7,151	—	969,925
Average hedged rate (in PHP per metric tonne)	5,982	5,444	5,891	7,151	—	
<b>NDF - Derivative Liability</b>						
Notional amount (in PHP)	—	—	1,638,081	4,443,674	—	6,081,755
Average forward rate (in PHP)	—	—	61	61	—	
<b>Commodity Swaps - Derivative Liability</b>						
Notional amount (in metric tonnes)	5,000	9,000	18,000	—	—	32,000
Notional amount (in PHP)	96,456	165,676	318,648	—	—	580,780
Average hedged rate (in PHP per metric tonne)	19,291	18,408	17,703	—	—	

### December 31, 2021

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
<b>IRS - Derivative Assets</b>						
Notional amount (in PHP)	428,392	—	481,941	1,820,664	9,328,992	12,059,989
Average fixed interest rate (%)	2%	—%	2%	2%	2.18%	
<b>IRS - Derivative Liability</b>						
Notional amount (in PHP)	—	(7,650)	—	—	(2,805)	(10,455)
Average fixed interest rate (%)	—	—	—	—	1.45%-1.51%	
<b>Foreign Currency Forward Contracts - Derivative Assets</b>						
Notional amount (in PHP)	1,745,437	2,844,785	4,972,328	3,960,874	3,257,050	16,780,474
Average forward rate (in PHP)	50	51	51	52	55	
<b>Foreign Currency Forward Contracts - Derivative Liability</b>						
Notional amount (in PHP)	283,276	252,063	377,561	—	504,326	1,417,226
Average forward rate (in PHP)	54	55	54	—	56	
Notional amount (in metric)	273,000	191,000	304,000	105,000	—	873,000
Notional amount (in PHP)	1,410,758	946,281	1,353,512	476,921	—	4,187,472
Average hedged rate (in PHP per metric tonne)	5,168	4,954	4,452	4,542	—	
<b>Commodity Swaps - Derivative Liability</b>						
Notional amount (in metric tonnes)	76,000	103,000	164,000	59,000	—	402,000
Notional amount (in PHP)	617,606	753,062	1,105,646	390,880	—	2,867,194
Average hedged rate (in PHP per metric tonne)	8,126	7,311	6,742	6,742	—	



The impact of the hedged items and hedging instruments in the consolidated balance sheets as of December 31, 2022 and 2021, and consolidated statements of income and comprehensive income for the years ended December 31, 2022 and 2021, is as follows:

As at 31 December 2022				
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
<b>IRS</b>				
Derivative asset	₱542,024	₱542,024	₱542,024	₱—
Forward exchange currency forwards				
Derivative asset	307,011	307,011	307,011	—
NDF contracts				
Derivative liability	(447,264)	(447,264)	(447,264)	—
Commodity swaps				
Derivative asset	2,105,328	2,105,328	2,105,328	—
Derivative liability	(42,336)	(36,865)	(36,865)	(5,471)
As at 31 December 2021				
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
<b>IRS</b>				
Derivative asset	₱—	₱—	₱—	₱—
Derivative liability	(427,652)	(491,479)	(494,431)	—
Forward exchange currency forwards				
Derivative asset	263,254	263,255	263,254	—
Derivative liability	(42,124)	(42,124)	(42,124)	—
Principal only swap foreign currency forwards				
Derivative asset	64,789	64,789	64,789	—
Call spread currency foreign currency forwards				
Derivative asset	44,887	44,887	44,887	—
Commodity swaps				
Derivative asset	1,460,544	1,460,315	1,460,315	229
Derivative liability	(297,771)	(250,930)	(250,930)	(46,841)

The movements in fair value changes of all derivative instruments as of and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
At beginning of year	₱1,065,927	(₱1,788,802)
Net changes in fair value of derivatives designated as cash flow hedges	1,729,380	2,422,452
Net changes in fair value of derivatives not designated as accounting hedges	57,109	18,333
Fair value of settled instruments	(387,653)	413,944
At end of year	₱2,464,763	₱1,065,927

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included under “Net foreign exchange gain (losses)” in Note 27.

The changes in the fair value of derivatives designated as cash flow hedges were deferred in equity under “Cash flow hedge reserve.”

The net movement of changes to cash flow hedge reserve is as follows:

	2022	2021
Balance at beginning of year (net of tax)	₱862,973	(₱1,492,830)
Changes in fair value recorded in equity	614,151	4,882,566
	1,477,124	3,389,736
Changes in fair value transferred to profit or loss	448,429	(2,872,739)
Balance at end of year before deferred tax effect	1,925,553	516,997
Deferred tax effect	210,094	345,976
Balance at end of year (net of tax)	₱2,135,647	₱862,973

As of December 31, 2022 and 2021, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

#### December 31, 2022

	Total	Level 1	Level 2	Level 3
<b>Carried at fair value:</b>				
Derivative assets	₱2,912,027	₱—	₱2,912,027	₱—
Derivative liabilities	447,264	—	447,264	—
<b>Disclosed at fair value:</b>				
Lease liabilities	25,619,783	—	—	25,619,783
Long-term debt - fixed rate	170,193,814	—	—	170,193,814
Long-term obligation on PDS	143,225	—	—	143,225
PSALM deferred adjustment	54,224	—	—	54,224

#### December 31, 2021

	Total	Level 1	Level 2	Level 3
<b>Carried at fair value:</b>				
Derivative assets	₱1,459,621	₱—	₱1,459,621	₱—
Derivative liabilities	393,694	—	393,694	—
<b>Disclosed at fair value:</b>				
Lease liabilities	31,893,831	—	—	31,893,831
Long-term debt - fixed rate	171,255,721	—	—	171,255,721
Long-term obligation on PDS	151,878	—	—	151,878
PSALM deferred adjustment	1,032,511	—	—	1,032,511

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.
- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

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The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Fair value investment properties are estimated under Level 3 inputs.

During the years ended December 31, 2022 and 2021, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

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#### 34. Lease agreements

##### TLI

In 2009, TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been considered as a lease. Accordingly, TLI recognized the right-of-use asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the consolidated financial statements as "ROU - Power plant" and "Lease liabilities" accounts, respectively.

##### APRI

On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the APA is situated. The lease term is for a period of 25 years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease (see Notes 8 and 13).

##### GMEC

In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMEC, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMEC entered into another lease agreement with PGRPI for land to be used for staff house.

On January 16, 2015, GMEC and Worth Properties, Inc. executed a Lease Agreement for the lease of 276.13 square meters office space and two parking lots. The contract of lease is effective for a period of five years commencing on February 17, 2015 and was terminated effective on December 31, 2021.

##### HI, HTI, HBI, HSAB, LHC and HSI

HI, HTI, HBI, HSAB, LHC and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

### Sacasun

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 23 years renewable upon mutual agreement by the parties.

### EAUC

Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities for a period of 25 years.

### TPVI

TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. The lease term may be renewed or extended for another 5 years upon the mutual written agreement of the parties.

### TMI

TMI entered into a lease contract with the Philippine Fisheries Development Authority on April 26, 2022 for some portions of the breakwater area of the Navotas Fishport Complex for a period of 15 years. They also have a lease contract with Montgomery Real Estate Lessor for their administrative office for a period of 15 years.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the years:

#### December 31, 2022

	Right-of-use assets				Total	Lease Liability
	Land	Building	Power Plant	Equipment and Others		
At January 1	₱2,923,429	₱53,060	₱31,405,054	₱152,741	₱34,534,284	₱33,773,879
Additions	319,888	1,395	—	—	321,283	321,212
Amortization expense	(139,001)	(27,579)	(1,108,868)	(8,962)	(1,284,410)	—
Interest expense	—	—	—	—	—	2,391,695
Payments	—	—	—	—	—	(9,600,853)
Others	82,245	(475)	—	—	81,770	656,023
At December 31	₱3,186,561	₱26,401	₱30,296,186	₱143,779	₱33,652,927	₱27,541,956

#### December 31, 2021

	Right-of-use assets				Total	Lease Liability
	Land	Building	Power Plant	Equipment and Others		
At January 1	₱2,822,342	₱71,638	₱32,504,564	₱82,094	₱35,480,638	₱39,262,977
Additions	278,178	9,646	7,486	84,730	380,040	372,554
Amortization expense	(180,709)	(28,224)	(1,106,996)	(10,465)	(1,326,394)	—
Interest expense	—	—	—	—	—	2,750,328
Payments	—	—	—	—	—	(9,401,915)
Others	3,618	—	—	(3,618)	—	789,935
As at December 31	₱2,923,429	₱53,060	₱31,405,054	₱152,741	₱34,534,284	₱33,773,879

The carrying amount of the Group's right-of-use assets as of December 31, 2022 and 2021 is presented as part of "Property, plant and equipment".

The Group also has certain leases of equipment, meeting rooms and event sites with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption of these leases.



Set out below, are the amounts recognized in the consolidated statements of income:

	2022	2021	2020
Amortization expense of right-of-use assets	₱1,284,410	₱1,326,394	₱1,319,059
Interest expense on lease liabilities	2,391,695	2,750,328	3,255,809
Rent expense - short-term leases	25,116	83,451	123,329
	<b>₱3,701,221</b>	<b>₱4,160,173</b>	<b>₱4,698,197</b>

### 35. Agreements

#### Pagbilao IPP Administration Agreement

TLI and PSALM executed the IPP Administration Agreement wherein PSALM appointed TLI to manage the 700MW contracted capacity (the "Capacity") of NPC in the coal-fired power plant in Pagbilao, Quezon.

The IPP Administration Agreement includes the following obligations TLI would have to perform until the transfer date of the power plant (or the earlier termination of the IPP Administration Agreement):

- a. Supply and deliver all fuel for the power plant in accordance with the specifications of the original Energy Conservation Agreement (ECA); and
- b. Pay to PSALM the monthly payments (based on the bid) and energy fees (equivalent to the amount paid by NPC to the IPP).

TLI has the following rights, among others, under the IPP Administration Agreement:

- a. The right to receive, manage and control the Capacity of the power plant for its own account and at its own cost and risk;
- b. The right to trade, sell or otherwise deal with the Capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and its own risk and cost. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;
- c. The right to receive the transfer of the power plant at the end of the IPP Administration Agreement (which is technically the end of the ECA) for no consideration; and
- d. The right to receive an assignment of NPC's interest to existing short-term bilateral Power Supply Contract from the effective date of the IPP Administration Agreement the last of which were scheduled to end in November 2011.

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## Agreements with Contractors and Suppliers

- a. APRI total steam supply cost reported as part of “Cost of generated power” amounted to ₱7.51 billion in 2022, ₱4.95 billion in 2021 and ₱2.97 billion in 2020 (see Note 22).

On May 26, 2013, APRI’s steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government’s existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former’s privatization program. Under the GRSC, the effective steam price of APRI payable to PGPC will be a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 14, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018 and shall continue in effect until October 22, 2034, unless earlier terminated or extended by mutual agreement of the Parties.

- b. TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2022 have aggregate supply amounts of 2,748,000.00 MT (equivalent dollar value is estimated to be at \$419.2 million), which are due for delivery from January 2021 to December 2022. Outstanding coal supply agreements as of December 31, 2021 have aggregate supply amounts of 1,840,000.00 MT (equivalent dollar value is estimated to be at \$131 million), which are due for delivery from January 2021 to December 2022. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.
- c. GMEC entered into Coal Supply Agreements (CSAs) with Avra Commodities Pte. Ltd. (Avra) and PT Arutmin Indonesia (Arutmin) dated December 20, 2019 and December 23, 2019, respectively, for coal deliveries commencing on January 1, 2020. Avra shall annually deliver between a minimum of 500,000 metric tonnes to a maximum of 1,200,000 metric tonnes of coal until the CSA expires on December 31, 2024, while Arutmin shall annually deliver 1,650,000 metric tonnes of coal with an additional quantity of 160,000 metric tonnes at GMEC’s option until the CSA expires on December 31, 2029. In addition, GMEC entered into a CSA with PT. Bayan Resources TBK (Bayan) on April 8, 2020. Bayan shall annually deliver between a minimum of 500,000 metric tonnes to a maximum of 1,000,000 until the CSA expires on April 30, 2030.
- d. PEC entered into EPC with suppliers relating to the construction of the 400MW coal fired power plant on April 25, 2014. The Supply Contract with Mitsubishi Hitachi Power Systems, Ltd. and Daelim Industrial Co. Ltd. prescribes the design and engineering of the Project as well as the supply of certain material, property and equipment for the project. The Construction Contract with Desco Incorporated and Daelim Philippines Inc. prescribes the general requirements for the design, engineering, procurement, permitting, fabrication, construction, installation, commissioning, start-up, testing and safe and timely completion of the coal-fired power plant. Total EPC contract price for the complete performance of these contracts amount to US\$398.0 million and ₱7.00 billion. As of December 31, 2022 and 2021, the joint operation has a retention payable amounting to ₱192.3 million and ₱298.5 million, respectively, which is presented as part of “Trade and other payables” in the consolidated balance sheets.

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- e. TMI entered into Heavy Fuel Oil (HFO) Supply Agreement with Pilipinas Shell Petroleum Corporation (PSPC) On September 1, 2014. The said agreement provides for the supply and delivery of HFO by PSPC to TMI, subject to terms and conditions of the agreement. The actual quantities may vary from month to month and are contingent to the actual generation of the TMI's power plant. The actual aggregate HFO delivered to the TMI from PSPC as of December 31, 2022 and 2021 is 579.5 million liters and 572.7 million liters, respectively. Moreover, on December 1, 2016, TMI entered into a Lube Oil Supply Agreement with PSPC for the supply and delivery of lube oil products with an agreed aggregate volume of 3.8 million liters. The actual aggregate of lube oil products delivered to TMI from PSPC as of December 31, 2022 and 2021 is 1,605,163 liters and 1,502,796 liters, respectively.
- f. EAUC entered with Supply Agreement with suppliers. On December 1, 2016, the Lube Oil Supply Agreement with PSPC. The actual aggregate lube oil delivered to the Company from PSPC as of December 31, 2022 and 2021 are 403,432 liters and 318,167 liters, respectively. Total consumption of lube oil amounted to 11.9 million and 5.5 million in 2022 and 2021, respectively. On March 20, 2018, Heavy Fuel Oil Supply Agreement with Phoenix Petroleum Philippines Inc. (PPPI) is to supply and deliver HFO on a consignment basis. The actual quantities may vary from month to month and are contingent on the actual generation of the EAUC's power plant. As of December 31, 2022 and 2021, the actual HFO consumed from the supply agreement is 55.6 million liters and 39.2 million liters, respectively. Total consumption of HFO acquired from PPPI amounted to ₱722.6 million and ₱361.7 million in 2022 and 2021 respectively.
- g. TMO entered on April 5, 2013 into the Market Participation Agreement for Direct WESM Members with Philippine Electricity Market Corporation. Purchase of replacement power takes place during periods of power plant capacity shortfall vis-a-vis the customer's (real time) capacity demands as provided in the power supply contracts. Such capacity shortfall is a direct result of the forced outage of generating units or mission-critical plant equipment. In line with the decision of the BOD of the Company to preserve the Company's power plants, the Company have decided to de-register as a trading participant in WESM. Subsequently, the Company registered again with IEMOP as a trading participant. Total sale of power to WESM amounted to ₱120.8 million and ₱94.9 million in 2022 and 2021, respectively. Purchased power from WESM amounted to ₱0.9 million and nil in 2022 and 2021, respectively.

### 36. Registration with the Board of Investments (BOI)

Certain power generation subsidiaries in the Group have been registered with the BOI. The following are the incentives granted by the BOI:

- a. ITH for a period of four (4) to seven (7) years, as follows:

Subsidiary/Joint operation	BOI Approval Date	Start of ITH Period	ITH Period
APRI	July 25, 2016	July 25, 2016	7 years
TSI	July 15, 2011	February 1, 2016 <sup>1</sup>	4 years
TVI	August 28, 2012	January 1, 2017 <sup>1</sup>	4 years
Hedcor Tudaya	January 31, 2013	August 1, 2014 <sup>1</sup>	7 years
Hedcor, Inc. <sup>3</sup>	February 20, 2013	February 1, 2013	7 years
Hedcor Sibulan <sup>2</sup>	April 23, 2013	September 1, 2014 <sup>1</sup>	7 years
Hedcor Sabangan	October 23, 2013	February 1, 2015 <sup>1</sup>	7 years
Hedcor Bukidnon <sup>4</sup>	January 7, 2015	July 2, 2018	7 years
PEC	June 26, 2014	March 7, 2018	6 years
Sacasun	October 26, 2015	March 9, 2016	7 years

<sup>1</sup> Or actual start of commercial operations, whichever is earlier.

<sup>2</sup> For Tudaya-1 hydroelectric plant.

<sup>3</sup> For Irisan-1 hydroelectric plant.

<sup>4</sup> For Manolo-1 hydroelectric plant.

The ITH shall be limited only to sales/revenue generated from the sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits.

- a. For the first five (5) years from date of registration, the registrant shall be allowed an additional deduction from taxable income of fifty percent (50) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by BOI of US\$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH.
- b. Employment of foreign nationals may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration.
- c. Importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond.
- d. Special realty tax rates on equipment and machinery and tax credit on domestic capital equipment and services



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- e. For APRI, it may qualify to import capital requirement, spare parts and accessories at zero (0%) duty rate from the date of registration to June 16, 2011 pursuant to Executive Order No. 528 and its Implementing Rules and Regulations.

As a requirement for availment of the incentives, the registrant has to maintain a minimum equity requirement.

As of December 31, 2022 and 2021, the power generation subsidiaries referred to above, which are currently availing the incentives, have complied with the requirements.

### 37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities:

#### December 31, 2022

	January 1, 2022	Net cash flows	Dividend Declaration	Amortized deferred financing costs	Non-cash Changes				December 31, 2022
					Foreign exchange movement	Changes in fair values	Accreted interest	Others	
Current interest-bearing loans and borrowings, excluding lease obligations	₱37,044,773	(₱15,642,058)	₱—	₱—	₱—	₱—	₱—	₱10,279,212	₱31,681,927
Non-current interest-bearing loans and borrowings, excluding lease obligations	163,618,747	32,498,117	—	365,177	3,168,308	—	—	(10,477,643)	189,172,706
Current obligations under lease liabilities	8,106,781	(9,600,853)	—	—	—	—	—	10,782,364	9,288,292
Non-current obligations under lease liabilities	25,667,098	—	—	—	(277,987)	—	2,391,695	(9,527,142)	18,253,664
Dividends payable	633	(10,669,606)	10,669,976	—	—	—	—	—	1,003
Interest payable	2,122,020	(10,305,062)	—	—	—	—	—	10,444,839	2,261,797
Derivatives	393,694	—	—	—	—	53,570	—	—	447,264
<b>Total liabilities from financing activities</b>	<b>₱236,953,746</b>	<b>(₱13,719,462)</b>	<b>₱10,669,976</b>	<b>₱365,177</b>	<b>₱2,890,321</b>	<b>₱53,570</b>	<b>₱2,391,695</b>	<b>₱11,501,630</b>	<b>₱251,106,653</b>

#### December 31, 2021

	January 1, 2021	Net cash flows	Dividend Declaration	Amortized deferred financing costs	Non-cash Changes				December 31, 2021
					Foreign exchange movement	Changes in fair values	Accreted interest	Others	
Current interest-bearing loans and borrowings, excluding lease obligations	₱28,997,626	(₱14,953,317)	₱—	₱—	₱—	₱—	₱—	₱23,000,464	₱37,044,773
Non-current interest-bearing loans and borrowings, excluding lease obligations	160,067,119	22,863,367	—	426,046	1,197,092	—	—	(20,934,877)	163,618,747
Current obligations under lease liabilities	7,104,181	(9,401,915)	—	—	—	—	—	10,404,515	8,106,781
Non-current obligations under lease liabilities	32,158,796	—	—	—	1,007,764	—	2,750,328	(10,249,790)	25,667,098
Dividends payable	407	(6,254,588)	6,254,814	—	—	—	—	—	633
Interest payable	2,134,624	(9,770,209)	—	—	—	—	—	9,757,605	2,122,020
Derivatives	1,788,802	—	—	—	—	(1,395,108)	—	—	393,694
<b>Total liabilities from financing activities</b>	<b>₱232,251,555</b>	<b>(₱17,516,662)</b>	<b>₱6,254,814</b>	<b>₱426,046</b>	<b>₱2,204,856</b>	<b>(₱1,395,108)</b>	<b>₱2,750,328</b>	<b>₱11,977,917</b>	<b>₱236,953,746</b>

Others includes the effect of reclassification of noncurrent portion of interest-bearing loans and borrowings.

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## 38. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

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## 39. Other Matters

### a. Temporary Restraining Order (TRO) affecting power generation companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and MERALCO with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and Department of Energy (DOE). These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the failure of the ERC to protect consumers from high energy prices and perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The SC set the consolidated cases for oral arguments last January 21, 2014, February 4 and 11, 2014. After hearing, all parties were directed to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. In a Decision dated August 3, 2021, the Supreme Court declared that the ERC's action of allowing MERALCO to stagger its collection of pass-through generation costs for the November 2013 billing month in view of the high increase in generation costs was valid, but declared as null and void the Order of the ERC setting aside the Luzon WESM prices and imposing regulated prices for the November 2013 billing period. The Supreme Court denied with finality the motions for reconsideration filed by NASECORE, ERC, and Bayan Muna, in a Resolution dated October 11, 2022.

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b. Imposition of financial penalties on Therma Mobile by PEMC

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply periods. As a result of the MERALCO price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the “Must-Offer” rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the “Must-Offer Rule” during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule for the period covered, as it was physically impossible for Therma Mobile to transmit more than 100MW to MERALCO. Although Therma Mobile’s rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile’s engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

On February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. On February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC’s findings. PEMC filed a Motion for Reconsideration, and in compliance with a Resolution of the CA, has filed a comment on the said motion.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA’s Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO’s Comment and PEMC’s Reply. As of December 31, 2022, the petition is still pending resolution with the SC.

c. Therma Marine Cases

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC’s provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.



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On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers. In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2022, there is no resolution yet on the MRs on the Final Approvals.

d. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2022, the ERC has yet to render its decision on the Joint Motion to Dismiss.

e. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

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On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. In a decision dated February 10, 2021, the ERC ruled in favor of DLP's position that no refund from DLP to its consumers.

f. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2022.

g. EPIRA of 2001

R.A. No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The IRR were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
- ii. Creation of a WESM; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

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h. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.



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On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

i. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, which shall be known as the “Renewable Energy Act of 2008” (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country’s dependence on fossil fuels and thereby minimize the country’s exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) 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; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, income tax holiday, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

j. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)

The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association’s (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.



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In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

*Automatic Cost Recovery Mechanism (ACRM)*

On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

k. CSR Projects

The Group has several CSR projects in 2022, 2021 and 2020 which are presented as part of "General and administrative expenses" (see Note 23).

l. Application of the Provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Office of the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the consolidated financial statements of the Group as of and for the year ended December 31, 2020 because of their retroactive effect:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding 5 million and with total assets not exceeding 100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

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As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in the consolidated financial statements of the Group as of and for the year computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The Group reflected the changes in the current and deferred income taxes in its consolidated financial statements as of and for the year ended December 31, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and deferred income tax by ₱333.0 million.

m. Share Purchase Agreement entered into by STEAG GmbH and the Company

On September 15, 2022, STEAG GmbH entered into a Share Purchase Agreement with the Company for the purchase by the Company of an additional 35.4% stake in STEAG. The total purchase price for the shares is US\$36.1 billion, plus locked box interest at a simple rate of 4% per annum (on the basis of a 365-day year) from January 1, 2021 to March 31, 2022. Subject to fulfillment of applicable conditions for closing, the Company will own 69.4% of STEAG. As of December 31, 2022, the closing conditions were not yet completed.



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 ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders  
Aboitiz Power Corporation  
32<sup>nd</sup> Street, Bonifacio Global City  
Taguig City, Metro Manila  
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company'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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

Tax Identification No. 219-674-288

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 114122-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. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564628, January 3, 2023, Makati City

March 3, 2023



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

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

## INDEPENDENT AUD TOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders  
Aboitiz Power Corporation  
32<sup>nd</sup> Street, Bonifacio Global City  
Taguig City, Metro Manila  
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022. Our audits were made for the purpose of forming an opinion on the basic 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 Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) 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 financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's 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.

Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

Tax Identification No. 219-674-288

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 114122-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. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564628, January 3, 2023, Makati City

March 3, 2023



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# Aboitiz Power Corporation and Subsidiaries

Supplementary Schedules  
to the Financial Statements  
Required by the Securities and Exchange Commission  
For the Year Ended December 31, 2022

and

Independent Auditors' Report

Philippine  
Pesos

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## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### Supplementary Schedules Required By the Securities and Exchange Commission As of and for the Year Ended December 31, 2022

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NA: NOT APPLICABLE

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

## SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2022  
(Amounts in Thousands except number of shares)

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Income received and accrued
<b>CASH ON HAND AND IN BANK, INCLUDING RESTRICTED CASH</b>			
ANZ		P1,348	P-
Banco de Oro		6,750,134	55,310
Bank of Commerce		724	1
Bank of the Philippine Islands		198,381	1,490
Bank of Tokyo - Mitsubishi UFJ		100	-
China Banking Corporation		7,174	11
Citibank		138,510	69
City Savings Bank		826	-
Development Bank of the Philippines		1,094	1
EPCI Bank		51	-
Hongkong Shanghai Banking Corporation		30,739	15
Industrial and Commercial Bank of China		559	-
ING Bank N.V.		3,491	-
Land Bank of the Philippines		69,298	28
Metropolitan Bank and Trust Company		1,297,412	748
Philippine Bank of Communications		110,244	55
Philippine National Bank		8,185	26
Rizal Commercial Banking Corporation		18,526	97
Security Bank Corporation		958,110	751
Standard Chartered Bank		47,618	24
Union Bank of the Philippines		16,341,863	67,565
Cash on Hand, Cash in Vault and Revolving Fund		291,129	
<b>TOTAL</b>		<b>P26,275,516</b>	<b>P126,191</b>
<b>SHORT-TERM DEPOSITS</b>			
Banco de Oro		P1,056,515	P17,349
Bank of the Philippine Islands		-	33,525
China Trust Banking Corporation		-	1,686
City Savings Bank		14,314,677	337,111
Development Bank of the Philippines		-	40,795
Land Bank of the Philippines		11,999,900	2,667
Metropolitan Bank and Trust Company		2,135,140	31,955
Rizal Commercial Banking Corporation		11,407	13,009
Security Bank Corporation		7,105,024	50,543
Union Bank of the Philippines		1,775,463	23,765
<b>TOTAL</b>		<b>P38,488,126</b>	<b>P552,505</b>
<b>TRADE AND OTHER RECEIVABLES</b>			
Trade Receivables (net of allowance):			
Residential		P3,148,107	P-
Commercial		10,018,625	-
Industrial		790,856	-
City street lighting		25,581	-
Non-power supply contracts		1,226,117	-
Power supply contracts		11,810,665	-
Dividends receivable		792,515	-
Advances to contractors		285,501	-
Non-trade receivables		7,067,580	-
Interest receivable		122,899	-
PSALM deferred adjustment (including noncurrent portion)		54,505	-
<b>TOTAL</b>		<b>P35,342,951</b>	<b>P-</b>
<b>FINANCIAL ASSET AT FVTPL</b>			
Apo Golf & Country Club	3	P2	P-
Banco De Oro	8,050	793	-
Philippine Long Distance Telephone Co.	36,463	458	-
PICOP Resources, Inc.	164	8	-
Alta Vista Golf & Country Club	1	2,265	-
Philex Mining Corp	2,168	5	-
Others	375,000	375	-
<b>TOTAL</b>		<b>P3,906</b>	<b>P-</b>

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES  
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTSAS OF DECEMBER 31, 2022  
(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non-Current	Ending Balance
			Amounts Collected	Amounts Written-Off			
Parent Company	P-	P52,581	(P52,581)	P-	P-	P-	P-
Davao Light & Power Co., Inc.	1,085,576	10,801,204	(10,513,065)	-	1,373,715	-	1,373,715
Therma Power, Inc. and Subsidiaries	580	-	(580)	-	-	-	-
Cotabato Light & Power Company	45,216	394,162	(395,906)	-	43,472	-	43,472
Aboitiz Renewables, Inc. and Subsidiaries	174	-	(174)	-	-	-	-
Subic Enerzone Corporation	228,607	245,208	(237,052)	-	236,763	-	236,763
Visayan Electric Co., Inc.	552,605	7,534,873	(6,763,740)	-	1,323,738	-	1,323,738
Aboitiz Energy Solutions, Inc.	1,045,408	8,287,113	(7,787,505)	-	1,545,016	-	1,545,016
Mactan Enerzone Corporation	-	11,158	(8,449)	-	2,709	-	2,709
Balamban Enerzone Corporation	-	4,698	(4,115)	-	583	-	583
Cebu Private Power Corporation	4,590	37,116	(33,801)	-	7,905	-	7,905
Lima Enerzone Corporation	94,716	243,905	(244,480)	-	94,141	-	94,141
East Asia Utilities Corporation	1,585	37,622	(30,167)	-	9,040	-	9,040
Prism Energy, Inc.	101,560	1,290,992	(1,216,385)	-	176,167	-	176,167
Malvar Enerzone Corporation	-	6,091	(4,661)	-	1,430	-	1,430
Adventenergy, Inc.	884,593	8,718,699	(7,861,749)	-	1,741,543	-	1,741,543
<b>T O T A L</b>	<b>P4,045,210</b>	<b>P37,665,422</b>	<b>(P35,154,410)</b>	<b>P-</b>	<b>P6,556,222</b>	<b>P-</b>	<b>P6,556,222</b>



## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

## SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2022  
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS		Other Changes Additions (Deductions)	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
<b>A. Intangibles</b>						
Goodwill	P41,163,608	P-	P-	P-	P3,756,786	P44,920,394
Franchise	2,417,850	2	(76,962)	-	-	2,340,890
Service concession rights	1,754,392	33,007	(395,911)	-	109,339	1,500,827
Project development costs	448,995	595,816	-	-	(238,021)	806,790
Software and licenses	230,651	33,203	(61,370)	-	-	202,484
<b>Total</b>	P46,015,496	P662,028	(P534,243)	P-	P3,628,104	P49,771,385
<b>B. Other Noncurrent Assets</b>						
Input VAT and tax credit receivable	2,307,517		-	-	199,316	2,506,833
PSALM deferred adjustment - net of current portion	54,505	-	-	-	(54,505)	-
Advances to NGCP - net of current portion	1,044,846	-	-	-	(483,952)	560,894
Advances to contractors and projects	619,188	-	-	-	809,925	1,429,113
Refundable deposits	353,064	-	-	-	274,849	627,913
Investment properties	237,701		-	-	78,600	316,301
Prepaid expenses	311,912				(116,242)	195,670
Prepaid taxes	2,076,500	-	-	-	385,455	2,461,955
Others	177,768				111,030	288,798
<b>Total</b>	P7,183,001	P-	P-	P-	P1,204,476	P8,387,477
<b>Total</b>	P53,198,497	P662,028	(P534,243)	P-	P4,832,580	P58,158,862

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

## SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2022  
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent:				
Aboitiz Power Corporation	P53,693,115	P45,182	P53,647,933	
Subsidiaries:				
Aboitiz Renewables, Inc.	12,000,000	-	12,000,000	
Hedcor, Inc.	1,362,641	129,082	1,233,559	
Therma Luzon, Inc.	14,889,548	-	14,889,548	
Davao Light & Power Co., Inc.	143,250	143,250	-	
Cotabato Light & Power Company	28,650	28,650	-	
Therma South, Inc.	17,918,062	1,206,977	16,711,085	
Pagbilao Energy Corp. (Joint Operation)	9,826,887	1,227,047	8,599,840	
Visayan Electric Co., Inc.	190,881	190,881	-	
GNPower Mariveles Coal Plant Ltd. Co.	32,649,200	3,230,564	29,418,636	
Therma Visayas, Inc.	24,298,035	2,009,279	22,288,756	
Therma Power - Visayas, Inc.	1,490,566	-	1,490,566	
Therma Marine, Inc.	2,585,170	4,778	2,580,392	
AP Renewables, Inc.	11,074,838	835,311	10,239,527	
Hedcor Sibulan, Inc.	2,990,562	449,843	2,540,719	
Hedcor Bukidnon, Inc.	8,064,663	607,827	7,456,836	
Aboitiz Energy Solutions, Inc.	588,000	6,000	582,000	
Hedcor Sabangan, Inc.	1,095,975	106,809	989,166	
Hedcor Tudaya, Inc.	688,707	57,732	630,975	
PV Sinag Power, Inc.	3,573,168	-	3,573,168	
<b>Total</b>	<b>P199,151,918</b>	<b>P10,279,212</b>	<b>P188,872,706</b>	

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES****SCHEDULE F - INDEBTEDNESS TO AFFILIATES  
(LONG-TERM LOANS FROM AFFILIATED COMPANIES)****AS OF DECEMBER 31, 2022****(Amounts in Thousands)**

<b>Name of Affiliate</b>	<b>Beginning Balance</b>	<b>Ending Balance</b>
Aboitiz Equity Ventures, Inc.	P300,000	P300,000
	-	-
	-	-
<b>T o t a l</b>	<b>P300,000</b>	<b>P300,000</b>

## ABOITIZ POWER CORPORATION

## SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2022  
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	16,000,000	7,358,604	-	3,833,726	65,678	3,459,200
PREFERRED SHARES	1,000,000	-	-	-	-	-



## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES  
WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTSAS OF DECEMBER 31, 2022  
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
Parent Company	P-	P-	P-	P52,581	P-	P-	30 days
Davao Light & Power Co., Inc.	P1,373,699	P16	P1,373,715	P10,801,204	P-	P-	30 days
Therma Power, Inc. and Subsidiaries	84,324	629,354	713,678	2,574,517	-	-	30 days
Cotabato Light & Power Company	42,570	902	43,472	394,162	-	-	30 days
Aboitiz Renewables, Inc. and Subsidiaries	234,697	12,411	247,108	1,544,374	-	-	30 days
Subic Enerzone Corporation	236,757	6	236,763	245,208	-	-	30 days
Visayan Electric Co., Inc.	1,323,738	-	1,323,738	7,534,873	-	-	30 days
Aboitiz Energy Solutions, Inc.	1,541,222	3,794	1,545,016	8,287,113	-	-	30 days
Mactan Enerzone Corporation	2,699	10	2,709	11,158	-	-	30 days
Balamban Enerzone Corporation	583	-	583	4,698	-	-	30 days
Cebu Private Power Corporation	659	7,246	7,905	37,116	-	-	30 days
Lima Enerzone Corporation	94,141	-	94,141	243,905	-	-	30 days
East Asia Utilities Corporation	6,136	2,904	9,040	37,622	-	-	30 days
Prism Energy, Inc.	176,167	281	176,448	1,290,992	-	-	30 days
Malvar Enerzone Corporation	1,430	-	1,430	6,091	-	-	30 days
Adventenergy, Inc.	1,739,680	1,863	1,741,543	8,718,699	-	-	30 days
<b>TOTAL</b>	<b>P6,858,502</b>	<b>P658,787</b>	<b>P7,517,289</b>	<b>P41,784,313</b>	<b>P-</b>	<b>P-</b>	

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE J - TRADE AND OTHER PAYABLES FROM RELATED PARTIES  
WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTSAS OF DECEMBER 31, 2022  
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
Parent Company	P-	P21,880	P21,880	P1,281,635	P-	P-	30 days
Aboitiz Renewables, Inc. and Subsidiaries	1,280,071	626,942	1,907,013	9,293,048	-	-	30 days
Cebu Private Power Corporation	30,641	-	30,641	122,231	-	-	30 days
Therma Power, Inc. and Subsidiaries	4,912,327	9,964	4,922,291	28,444,587	-	-	30 days
Aboitiz Energy Solutions, Inc.	29,255	-	29,255	47,855	-	-	30 days
East Asia Utilities Corporation	120,673	-	120,673	423,471	-	-	30 days
Subic Enerzone Corporation	22,550	-	22,550	270,850	-	-	30 days
Balamban Enerzone Corporation	5,072	-	5,072	62,775	-	-	30 days
Mactan Enerzone Corporation	22,832	-	22,832	106,887	-	-	30 days
Lima Enerzone Corporation	87,906	-	87,906	617,424	-	-	30 days
Davao Light & Power Co., Inc.	524	-	524	2,464	-	-	30 days
Adventenergy, Inc.	280,345	-	280,345	436,869	-	-	30 days
Prism Energy, Inc.	482	-	482	12,065	-	-	30 days
Malvar Enerzone Corporation	-	-	-	3	-	-	30 days
Visayan Electric Co., Inc.	65,822	-	65,822	655,894	-	-	30 days
<b>TOTAL</b>	<b>P6,858,500</b>	<b>P658,786</b>	<b>P7,517,286</b>	<b>P41,778,058</b>	<b>P-</b>	<b>P-</b>	

**Aboitiz Power Corporation**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**For the Year Ended December 31, 2022**  
**(Amount in Philippine Currency)**

Unappropriated Retained Earnings, <i>beginning</i>		P35,591,527,035
<b>Net income based on face of audited financial statements</b>	P1,143,992,498	
Less: Non-actual/unrealized income (net of tax)	-	
Add: Non-actual loss (net of tax)	-	
<b>Net income actual/realized for the period</b>	1,143,992,498	1,143,992,498
Less:		
Dividend declaration during the period		(10,669,976,245)
<b>UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING</b>		<b>P26,065,543,288</b>

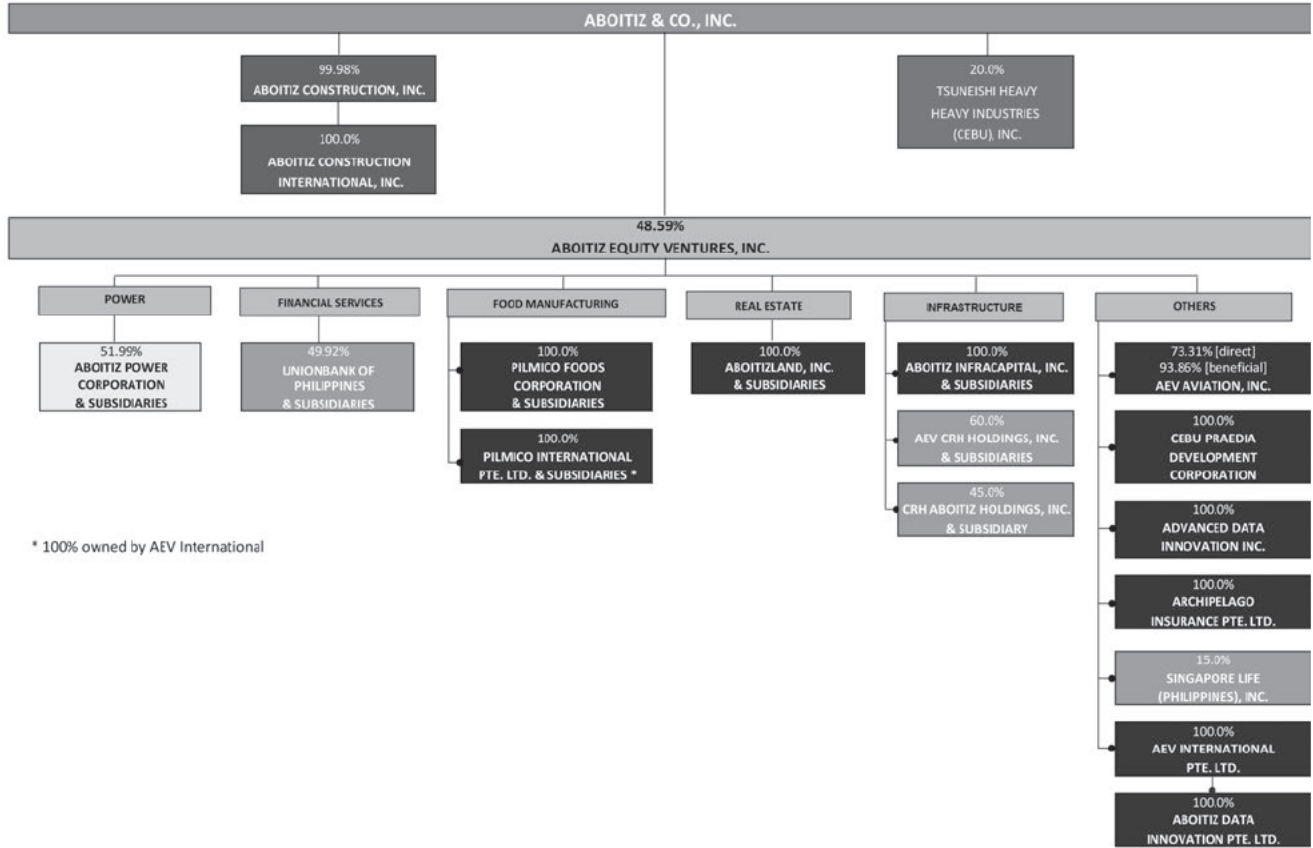
**ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**

**CONGLOMERATE MAPPING**

As of December 31, 2022

**Legend:**

- Reporting Company
- Ultimate Parent Company
- Immediate Parent Company
- Co-Subsidiary, under Ultimate Parent
- Co-Subsidiary, under Immediate Parent
- Associate or Joint Venture
- Other Related Parties



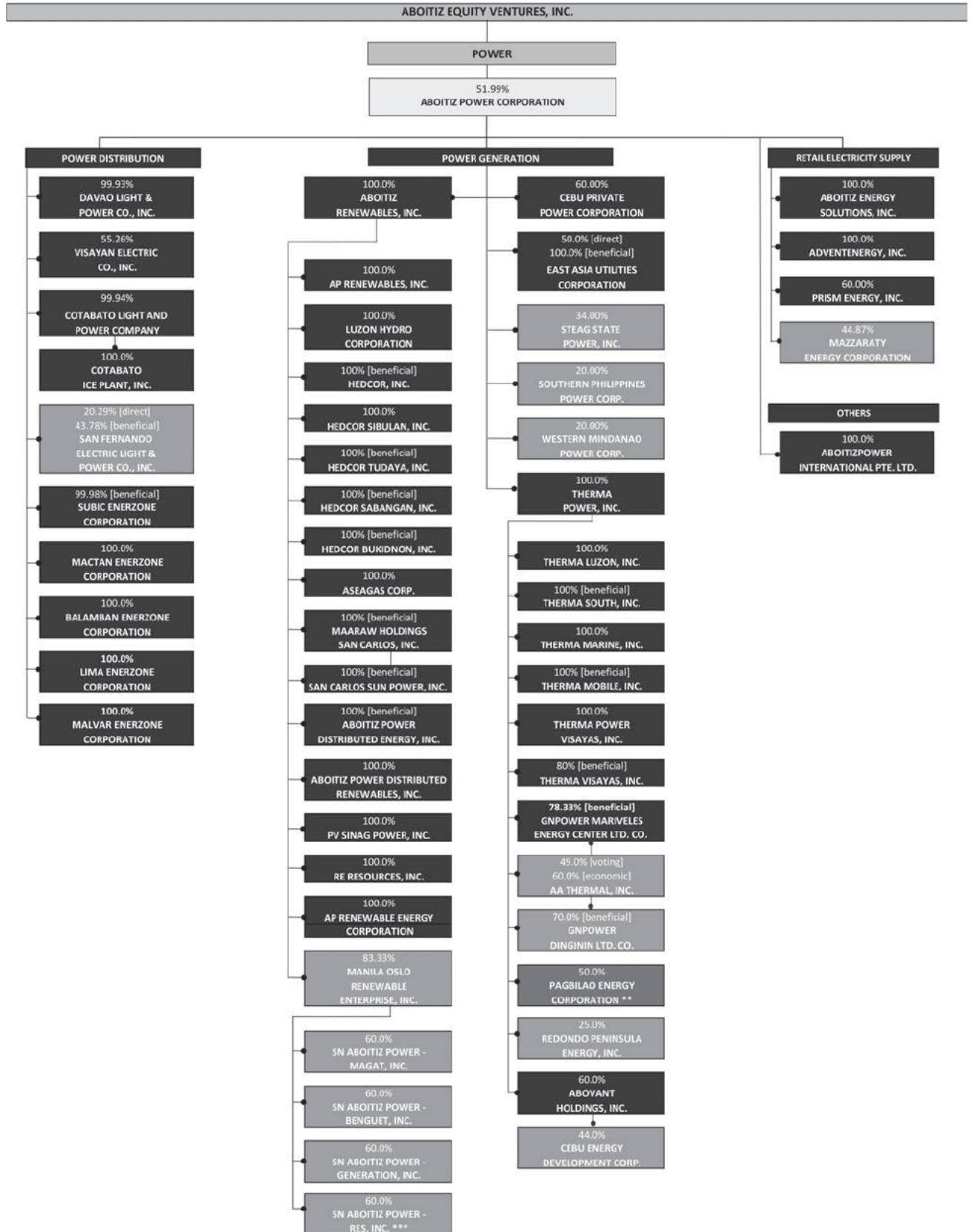
\* 100% owned by AEV International



**ABOITIZ EQUITY VENTURES, INC. - POWER**  
**CONGLOMERATE MAPPING**  
 As of December 31, 2022

**Legend:**

- Reporting Company
- Parent Company
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



\*\* Joint Operations

\*\*\* Engages in retail electricity supply business

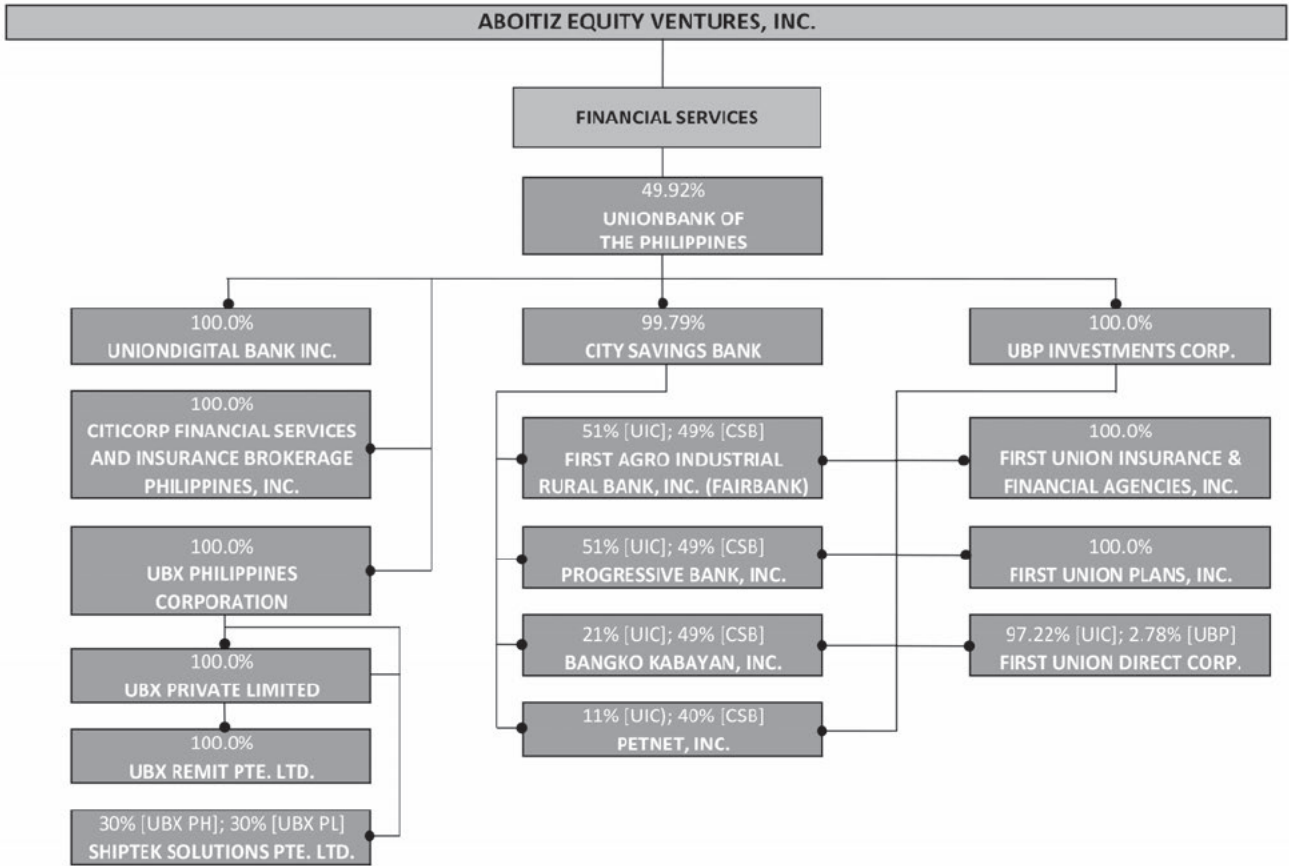
**ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES**

**CONGLOMERATE MAPPING**

As of December 31, 2022

**Legend:**

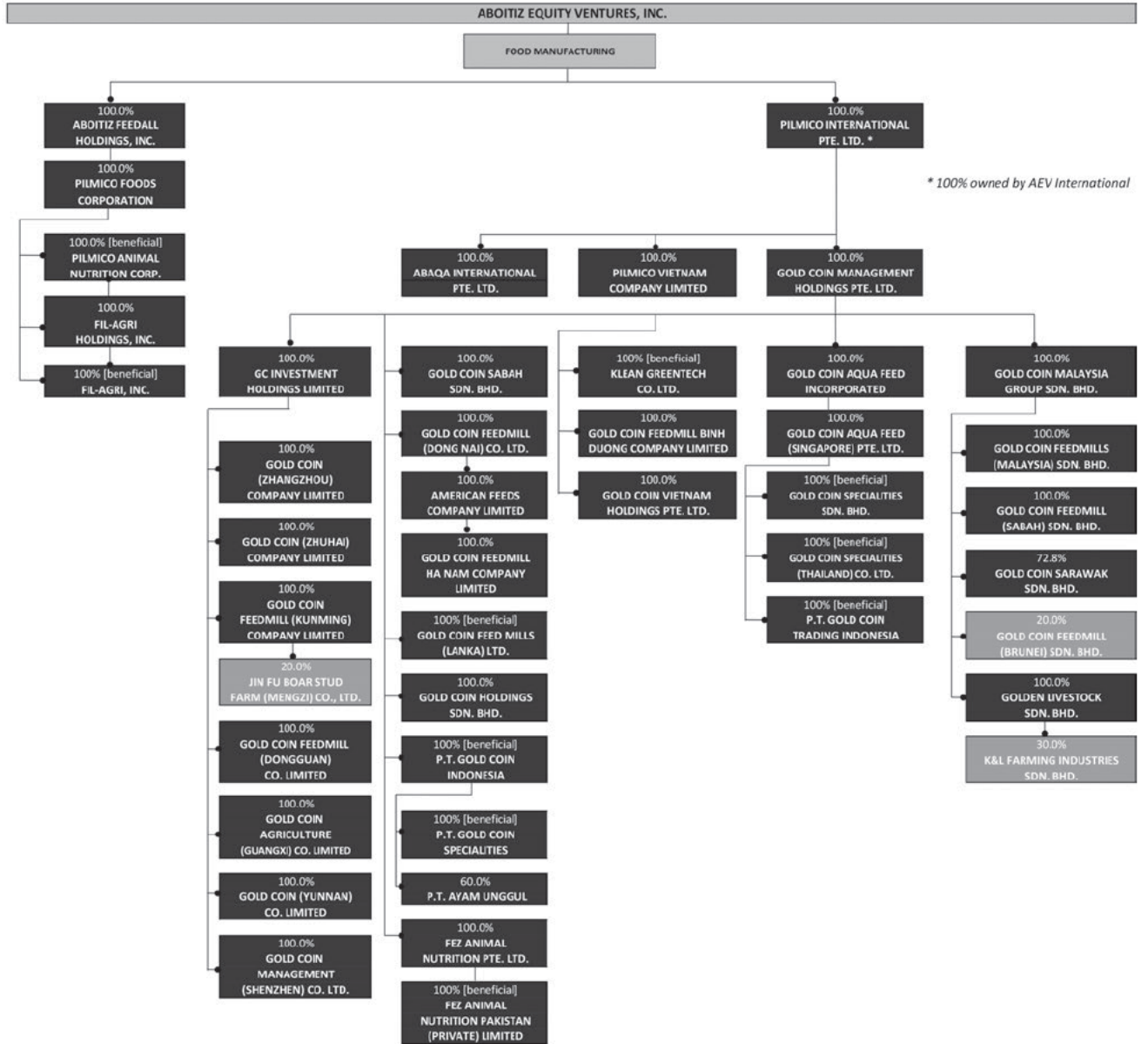
- Parent Company
- Co-Subsidiary/Subsidiary of Parent Company
- Associate or Joint Venture of Parent Company



**ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING**  
**CONGLOMERATE MAPPING**  
 As of December 31, 2022

**Legend:**

- Parent Company
- Co-Subsidiary/Subsidiary of Parent Company
- Associate or Joint Venture of Parent Company



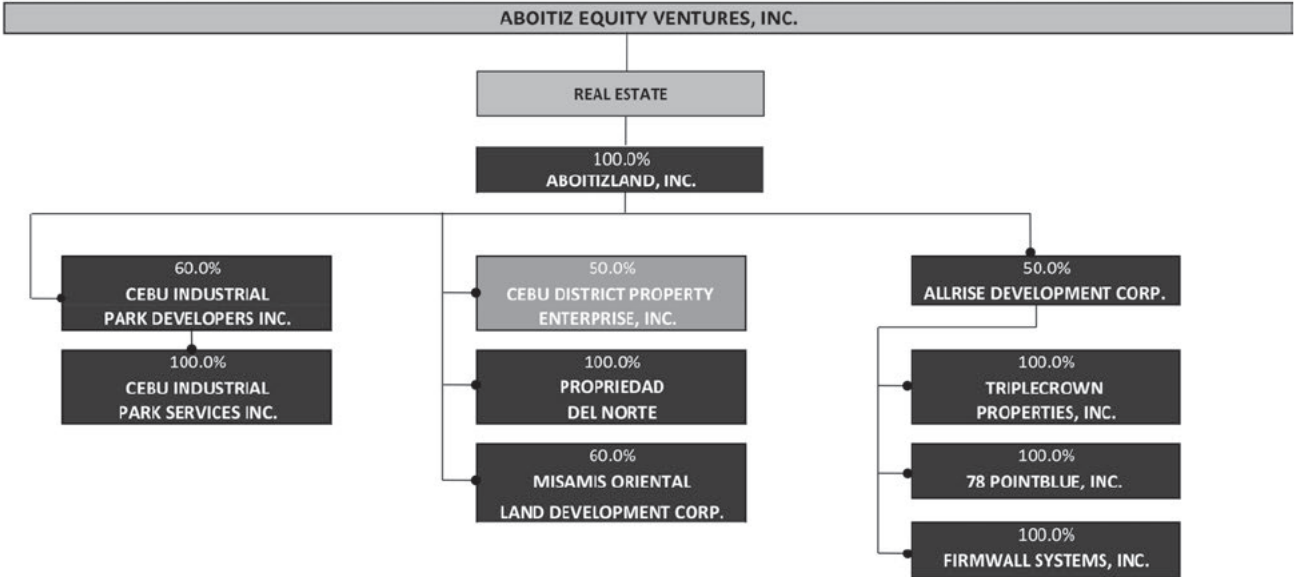
**ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE**

**CONGLOMERATE MAPPING**

As of December 31, 2022

**Legend:**

- Parent Company
- Co-Subsidiary/Subsidiary of Parent Company
- Associate or Joint Venture of Parent Company

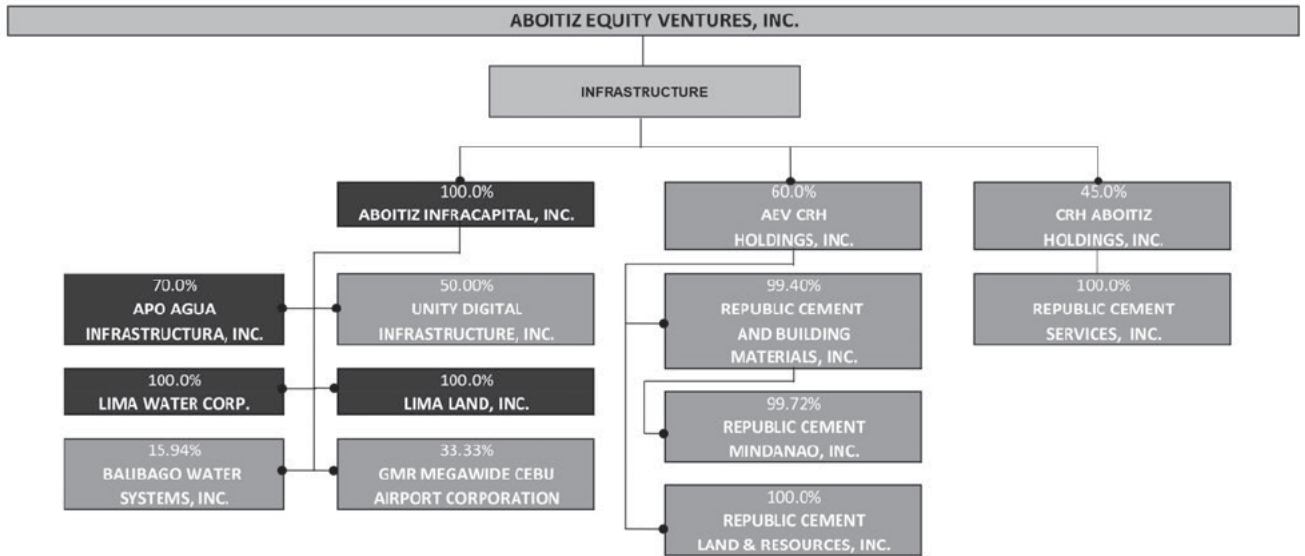




**ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE**  
**CONGLOMERATE MAPPING**  
 As of December 31, 2022

**Legend:**

- Parent Company
- Co-Subsidiary/Subsidiary of Parent Company
- Associate or Joint Venture of Parent Company



**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR**

	<b>FORMULA</b>	<b>2022</b>	<b>2021</b>
<b>LIQUIDITY RATIOS</b>			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>1.78</b>	1.53
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	<b>1.38</b>	1.25
<b>SOLVENCY RATIOS</b>			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>1.65</b>	1.75
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>2.65</b>	2.75
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	<b>0.99</b>	<b>1.11</b>
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	<b>49.64%</b>	<b>52.68%</b>
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	<b>3.57</b>	2.86
<b>PROFITABILITY RATIOS</b>			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	<b>15.4%</b>	21.0%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity adjusted for cash dividends}}$	<b>19.68%</b>	17.01%

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**

**USE OF PROCEEDS**

**For the Year Ended December 31, 2022**  
**(Amounts in Thousands)**

Series "B" and "C" of the Thirty Billion Shelf Registration issued in 2021

As of December 31, 2022, the proceeds from the 2021 bonds were utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Partially fund the equity contributions for the construction of the 74 MW Solar power plant in Pangasinan province	1,000,000	1,000,000
Refinancing of the 2020 Series E Bonds Maturing in 2022	9,000,000	9,000,000
Fund future renewable projects	1,839,849	600,783
Bond issuance costs	160,151	150,195
<b>TOTAL</b>	<b>12,000,000</b>	<b>10,750,978</b>

	Per Final Prospectus	Actual
Gross proceeds	12,000,000	12,000,000
Net proceeds	11,839,849	11,849,805

Balance of the proceeds as of December 31, 2022:

₱1,249,022

Series "D" and "E" of the Thirty Billion Shelf Registration issued in 2022

As of December 31, 2022, the proceeds from the 2022 bonds were utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Early redemption of the 2018 Series B Bonds	7,700,000	7,700,000
Fund future renewable projects	2,165,427	-
Bond issuance costs	134,573	129,875
<b>TOTAL</b>	<b>10,000,000</b>	<b>7,829,875</b>

	Per Final Prospectus	Actual
Gross proceeds	10,000,000	10,000,000
Net proceeds	9,865,427	9,870,125

Balance of the proceeds as of December 31, 2022:

₱2,170,125





# Investor Information

## Aboitiz Power Corporation

### Head Office:

NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City,  
Taguig City, Metro Manila 1634 Philippines  
Tel (632) 8886-2800 | Fax (632) 8886-2407

### Cebu Office:

Aboitiz Corporate Center,  
Gov. Manuel A. Cuenco Avenue,  
Kasambagan, Cebu City 6000 Philippines  
Tel (6332) 411-1800 | Fax (6332) 231-4037

### Common Stock

The Company's common stock is listed and traded  
in the Philippine Stock Exchange.

### Stockholders' Meeting

The Company's regular stockholders' meeting is held  
on the fourth Monday of April of every year.

### Stockholder Services and Assistance

Stock Transfer Service, Inc. (STSI) serves as the Company's stock  
transfer agent.

For matters concerning dividend payments, account status, lost or damaged  
stock certificates, change of address, please write or call:

#### STOCK TRANSFER SERVICE, INC.

Unit 34-D Rufino Pacific Tower,  
6784 Ayala Avenue, Makati City 1226, Philippines  
Telephone No.: (632) 5310-1351 | (632) 5307-5037  
Contact Person:  
Mr. Michael C. Capoy - mccapoy@stocktransfer.com.ph

AboitizPower welcomes inquiries from investors, analysts, and the  
financial community.

Please call or write:

#### Investor Relations

Aboitiz Power Corporation  
Mr. Judd Salas  
Mobile No. +63 917 301-3469

Email: [ap\\_investor@aboitiz.com](mailto:ap_investor@aboitiz.com)  
Website: [www.aboitizpower.com](http://www.aboitizpower.com)





[www.aboitzpower.com](http://www.aboitzpower.com)