

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, BUT HAS NOT YET BECOME EFFECTIVE. THESE SECURITIES MAY NEITHER BE SOLD NOR MAY OFFERS TO BUY THE SAME BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT IS RENDERED EFFECTIVE. THIS PRELIMINARY OFFER SUPPLEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.



## PRELIMINARY OFFER SUPPLEMENT

**Up to ₱6,000,000,000.00 Fixed Rate Bonds  
with an Oversubscription Option of up to ₱6,000,000,000.00  
Second Tranche under its ₱30,000,000,000.00 Debt Securities  
Program**

**Series B: [●]% 4-Year Bonds Due 2025**

**Series C: [●]% 7-Year Bonds Due 2028**

**Offer Price: 100% of Face Value**

*to be listed and traded on the  
Philippine Dealing & Exchange Corp.*

Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the **Second Tranche**:



[Co-Lead Underwriter/Selling Agent]

[·]

The date of this Preliminary Offer Supplement is 28 September 2021

**A REGISTRATION STATEMENT RELATING TO THESE SECURITIES WAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") AND WAS RENDERED EFFECTIVE COVERING ₱30.0 BILLION OF SECURITIES. OF SUCH AMOUNT, ₱8.0 BILLION OF SECURITIES WERE ISSUED ON 16 MARCH 2021. THIS REGISTRATION STATEMENT IS ACCESSIBLE AT [HTTPS://ABOITIZPOWER.COM/WP-CONTENT/UPLOADS/ABOITIZPOWER-REGISTRATION-STATEMENT-FOR-THE-FIRST-TRANCHE-OF-BONDS.PDF](https://aboitizpower.com/wp-content/uploads/aboitizpower-registration-statement-for-the-first-tranche-of-bonds.pdf).**

**THE SEC HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PRELIMINARY OFFER SUPPLEMENT IS ACCURATE OR COMPLETE. THE COMPANY TAKES FULL RESPONSIBILITY FOR THE ACCURACY, COMPLETENESS AND TIMELINESS OF THE INFORMATION CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SEC.**

## Preliminary Offer Supplement



(A corporation duly organized and existing under Philippine laws)

ABOITIZ POWER CORPORATION  
32<sup>nd</sup> STREET, BONIFACIO GLOBAL CITY  
1634 TAGUIG CITY, METRO MANILA, PHILIPPINES  
TELEPHONE NUMBER: (632) 8886-2800

This Preliminary Offer Supplement (this “**Offer Supplement**”) relates to the offer by Aboitiz Power Corporation (“**AboitizPower**”, the “**Issuer**”, or the “**Company**”) of bonds in the principal amount of up to ₱6,000,000,000.00 (the “**Base Offer**”), with an oversubscription option of up to ₱6,000,000,000.00 (the “**Oversubscription Option**” together with the Base Offer, the “**Offer**” or the “**Second Tranche Bonds**”) to be issued as the second tranche of the Issuer’s ₱30,000,000,000.00 Debt Securities Program (the “**Debt Securities Program**”). In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period (as defined below), the Second Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under the Debt Securities Program and may be issued in tranches within three years from the date of the effectivity of the registration statement covering the Debt Securities Program (the “**Shelf Period**”), subject to any extension as may be granted by the SEC.

The Debt Securities Program was authorized by a resolution of the Board of Directors of the Company dated 14 December 2020. A registration statement covering the Debt Securities Program was filed by the Company on 18 December 2020 and was rendered effective by the Securities and Exchange Commission (“**SEC**”) through an Order of Registration and Certificate of Permit to Offer Securities for Sale, SEC MSRD Order No. 3, Series of 2021, dated 1 March 2021 (the “**Shelf Registration**”). The first tranche under the Debt Securities Program in the aggregate principal amount ₱8,000,000,000.00 maturing on 16 March 2026, covered by a prospectus dated 26 February 2021 (the “**Prospectus**”) and a permit to sell issued by the SEC on 1 March 2021, was issued on 16 March 2021 with a fixed interest rate of 3.8224% per annum.

The Series B Second Tranche Bonds shall have a term of four (4) years from the Issue Date, or on [•] 2025, with a fixed interest rate of [•] per annum [and an early redemption on the 2<sup>nd</sup> and 3<sup>rd</sup> anniversary of such Series B Second Tranche Bonds, and in each case, the immediately succeeding Banking Day if such date is not a Banking Day] (the “**Series B Bonds**”). The Series C Second Tranche Bonds shall have a term of seven (7) years from the Issue Date, or on [•] 2028, with a fixed interest rate of [•] per annum [and an optional redemption on the 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> anniversary of such Series C Second Tranche Bonds, and in each case, the immediately succeeding Banking Day if such date is not a Banking Day] (the “**Series C Bonds**”). Interest on the Second Tranche Bonds shall be payable quarterly in arrear on [•], [•], [•], and [•] of each year while such Second Tranche Bonds are outstanding, or the subsequent Banking Day without adjustment if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the relevant Maturity Dates of the Second Tranche Bonds (see “Description of the Offer” – “**Interest**” on page [65] of this Offer Supplement).

The Second Tranche Bonds shall be repaid at maturity at par (or 100% of face value) on the relevant Maturity Dates[, unless the Company exercises its early redemption option in accordance with the conditions therefor (see “Description of the Offer” – “**Redemption and Purchase**” on page [63] of this Offer Supplement)].

Upon issuance, the Second Tranche Bonds shall constitute the direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all

other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by law, (ii) any obligation incurred by the Issuer pursuant to [Section 4.1(k)] of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Second Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AboitizPower's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds (see "Description of the Offer" – "Ranking" on page [62] of this Offer Supplement).

The Second Tranche Bonds will be rated by Philippine Rating Services Corporation ("PhilRatings"). [The Second Tranche Bonds have been rated [●], with a [●] Outlook by PhilRatings on [●]. [●] is [●]. Obligations rated [●] are [●]

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The Second Tranche Bonds are offered to the public at face value through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners named below with the Philippine Depository & Trust Corp. ("PDTTC") as the Registrar of the Second Tranche Bonds. The Second Tranche Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter. The Second Tranche Bonds shall be traded in denominations of ₱10,000.00 in the secondary market.

AboitizPower intends to list the Second Tranche Bonds on a securities exchange licensed with the Securities and Exchange Commission ("SEC") and has initiated discussions with the Philippine Dealing & Exchange Corporation ("PDEX") for this purpose. However, there is no assurance that such a listing will actually be achieved either before or after the Issue Date or whether such a listing will materially affect the liquidity of the Second Tranche Bonds on the secondary market. Such listing would be subject to the Company's execution of a listing agreement with PDEX that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

AboitizPower expects to raise gross proceeds of ₱6,000,000,000.00 from the Base Offer and ₱12,000,000,000.00 assuming the full exercise of the Oversubscription Option. The net proceeds from the Base Offer is estimated to be ₱5,915,239,500.00, or ₱11,839,848,600.00 assuming the full exercise of the Oversubscription Option, after deducting fees, commissions, and expenses relating to the issuance. Proceeds of the Offer shall be used by the Issuer to refinance the 2020 Series E Bonds maturing in 2022, partially fund the equity contributions for the construction of the 74-MW solar power plant in Pangasinan province, general corporate purposes, and other future renewable projects, which are discussed further in the section entitled "Use of Proceeds" on page [48] of this Offer Supplement. The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall receive an aggregate fee of up to 0.45% inclusive of gross receipts tax ("GRT") on the final aggregate nominal principal amount of the Second Tranche Bonds issued, which is inclusive of underwriting fees and selling commissions to be paid.

After the close of the Offer and within three (3) years following the date on which the Debt Securities Program is rendered effective, the Company may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of Bonds covered by the Debt Securities Program, in one or more subsequent tranches under Rule 8.1.2 of the Implementing Rules and Regulations of the SRC.

However, there can be no assurance in respect of: (i) whether AboitizPower would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by AboitizPower to offer such Bonds will depend on a number of factors at the relevant time, many of which are not within AboitizPower's control, including but not limited to: prevailing interest rates, the financing requirements of AboitizPower's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

All disclosures, reports, and filings of the Company and submitted to the SEC, PSE, and the PDEX pursuant to the Revised Corporation Code, the Securities Regulation Code, and the Revised Disclosure Rules of the

PSE and the Disclosure Rules of the PDEX (“Company Disclosures”), and information contained in the Prospectus are deemed incorporated by reference in this Offer Supplement. Copies of the Company Disclosures may be viewed at the website of the Company at: <https://aboitizpower.com/wp-content/uploads/AboitizPower-Registration-Statement-for-the-First-Tranche-of-Bonds.pdf>. Investors should review all information contained in the Prospectus, this Offer Supplement, and the Company Disclosures.

AboitizPower confirms that this Offer Supplement contains all material information relating to the Company, its Subsidiaries and Affiliates, as well as all material information on the issue, offering of, and the Second Tranche Bonds as may be required by Applicable Law. No facts have been omitted that would make any statement in this Offer Supplement misleading in any material respect. AboitizPower confirms that it has made all reasonable inquiries with respect to any information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Offer Supplement. AboitizPower, however, has not independently verified any or all such publicly available information, data or analysis.

The prices of securities can and do fluctuate. Any individual security may experience upward or downward movements, and may lose all or part of its value over time. The future performance of a security may defy the trends of its past performance, and there may be a significant difference between the buying price and the selling price of any security. As such, there is an inherent risk that losses may be incurred, rather than profit made, as a result of buying and selling securities. Thus, an investment in the Second Tranche Bonds described in this Offer Supplement involves a certain degree of risk.

In deciding whether to invest in the Second Tranche Bonds, a prospective purchaser of the Second Tranche Bonds (a “**Prospective Bondholder**”) should, therefore, carefully consider all the information contained in this Offer Supplement, including but not limited to, several factors inherent to the Company, which includes significant competition, exposure to risks relating to the performance of the economies of other countries, and other risks relating to customer default (detailed in “*Risk Factors and Other Considerations*” section on page [35] of this Offer Supplement), and those risks relevant to the Philippines vis-à-vis risks inherent to the Second Tranche Bonds.

Neither the delivery of this Offer Supplement nor any sale made pursuant to the Offer shall, under any circumstances, constitute a representation or create any implication that the information contained or referred to in this Offer Supplement is accurate, complete or correct as of any time subsequent to the date hereof or that there has been no change in the affairs of AboitizPower since the date of this Offer Supplement.

The contents of this Offer Supplement are not to be considered as definitive legal, business or tax advice. Each Prospective Bondholder receiving a copy of this Offer Supplement acknowledges that it/he/she has not relied on the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners or any person affiliated therewith in its/his/her investigation of the accuracy of any information found in this Offer Supplement or in its/his/her investment decision. Prospective Bondholders should consult their own counsel, accountants, or other advisors as to legal, tax, business, financial, and related aspects of the purchase of the Second Tranche Bonds, among others. It bears emphasis that investing in the Second Tranche Bonds involves certain risks. It is best to refer again to the section on “*Risk Factors and Other Considerations*” on page [35] of this Offer Supplement for a discussion of certain considerations with respect to an investment in the Second Tranche Bonds.

No person nor group of persons has been authorized by AboitizPower or the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners to give any information or to make any representation concerning AboitizPower or the Second Tranche Bonds other than as contained in this Offer Supplement and, if given or made, any such other information or representation should not be relied upon as having been authorized by AboitizPower or the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

AboitizPower is organized under the laws of the Philippines. Its principal office is at 32<sup>nd</sup> Street, Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines with telephone number (+632) 8886-2800.

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.**

ABOITIZ POWER CORPORATION

By:

EMMANUEL V. RUBIO

President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ affiant exhibiting to me his Philippine  
Passport No. P3162364B issued in DFA Manila on 13 September 2019.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2021.

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## FORWARD LOOKING STATEMENTS

This Offer Supplement contains certain “forward-looking statements” that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements can generally be identified by use of statements that include words or phrases such as AboitizPower or its management “believes”, “expects”, “anticipates”, “intends”, “plans”, “foresees”, or other words or phrases of similar import. Similarly, statements that describe AboitizPower’s objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations of AboitizPower include, among others:

- General economic and business conditions in the Philippines;
- The Company’s management’s expectations and estimates concerning its future financial performance;
- The Company’s capital expenditure program and other liquidity and capital resources requirements;
- The Company’s level of indebtedness;
- Increasing competition in the industry in which the Company, its Subsidiaries and its Affiliates operate;
- Industry risk, including price and regulatory risk in the areas in which the Company, its Subsidiaries, and its Affiliates operate;
- Changes in laws and regulations that apply to the segments or industry in which the Company, its Subsidiaries, and its Affiliates operate;
- Changes in political conditions in the Philippines;
- Inflation in the Philippines and any devaluation of the Philippine Peso; and
- The risk factors discussed in this Offer Supplement as well as other factors beyond the Company’s control.

For further discussion of such risks, uncertainties and assumptions, see “*Risk Factors and Other Considerations*” on page [36] of this Offer Supplement. Prospective Bondholders are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Offer Supplement, and AboitizPower undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

None of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners take any responsibility for, or gives any representation, warranty or undertaking in relation to, any such forward-looking statement.



## DEFINITION OF TERMS

2020 Bonds	Fixed-rate bonds issued by AboitizPower on 6 July 2020 in two series: (a) 3.125% Series E Bonds, with a term of two (2) years from issue date and in the aggregate amount of ₱9,000,000,000.00 (the “2020 Series E Bonds”); and (b) 3.935% Series F Bonds, with a term of five (5) years from issue date in the aggregate amount of ₱550,000,000.00 (the “2020 Series F Bonds”)
AA Thermal	AA Thermal, Inc.
Aboitiz Group	ACO and the companies or entities in which ACO has a beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, and their respective Subsidiaries and Affiliates
AboitizLand	Aboitiz Land, Inc.
AboitizPower	Aboitiz Power Corporation also referred to as the “Company”, the “Parent Company” or the “Issuer”
AboitizPower Group or the Group	AboitizPower and its Subsidiaries
Abovant	Abovant Holdings, Inc.
AC Energy	AC Energy and Infrastructure Corporation
ACI	Aboitiz Construction, Inc. (Formerly: Aboitiz Construction Group, Inc.)
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV	Aboitiz Equity Ventures Inc.
AEV Group	AEV and its Subsidiaries
Affiliate	With respect to any Person, any other Person directly or indirectly Controlled, or is under common Control by such Person
Aggregator	Refers to a person or entity, engaged in consolidating electric power demand of end-users in the contestable market, for the purpose of purchasing and reselling electricity on a group basis
AFS	Available-for-Sale
Ambuklao-Binga Hydroelectric Power Plant Complex	Refers to SNAP-Benguet’s 105-MW Ambuklao HEPP located in Bokod, Benguet and 140-MW Binga HEPP in Itogon, Benguet

Anti-Money Laundering Laws of the Philippines	RA No. 9160, as amended by RA No. 9194, RA No. 10167, and RA No. 11521, and BSP Circular Nos. 251, 253, 279, 527, 564, 608, 612, and 706, and all other amendatory and implementing law, regulation, jurisprudence, notice, or order of any Government Authority body relating thereto
Applicable Law	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Government Authority
Applicant	A Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners in accordance with the Issue Management and Underwriting Agreement
Application or Application to Purchase	The form actually accomplished and submitted by the Applicant for the purchase of the Second Tranche Bonds
APX1	Aboitiz Power Distributed Energy, Inc.
APX2	Aboitiz Power Distributed Renewables Inc.
APRI	AP Renewables, Inc.
ARI	Aboitiz Renewables, Inc.
Articles of Incorporation	Document filed with the SEC by all corporations organized under the laws of the Philippines which contains the name of the corporation, its specific purpose, its principal place of business, its corporate term, details of incorporators and directors and the amounts of its authorized capital stock, amount of subscribed capital and paid-up capital stock
AS	Ancillary Services
Aseagas	Aseagas, Inc.
ASEAN	Association of Southeast Asian Nations
ASPA	Ancillary Services Purchase 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 Plant	The 74.8-MW Bakun run-of-river HEPP of LHC located in Ilocos Sur
Banking Day	Any day other than Saturday, Sunday and public holidays, on which commercial banks in Taguig City and Makati City and the Philippine Clearing House Corporation are generally open for the transaction of business; provided, that all other days otherwise specified herein shall mean calendar

	days which shall be construed as successive periods of twenty-four (24) hours each
BCM	Business Continuity Management
BCQ	Bilateral Contract Quantity
BDO	BDO Unibank, Inc.
BDO Capital	BDO Capital & Investment Corporation
Balamban Enerzone	Balamban Enerzone Corporation
Binga Plant	The 140-MW Binga HEPP of SNAP-Benguet located in Itogon, Benguet
BIR	Bureau of Internal Revenue
bn	Billion
Board	The Board of Directors of AboitizPower, unless context clearly provides otherwise
Bondholder	A Person whose name appears, at the relevant time, Second Tranche Bonds in the Register of Bondholders as the registered owner of the Second Tranche Bonds
Bonds	The unsecured fixed-rate Peso-denominated retail bonds in the aggregate principal amount of ₱30,000,000,000.00 to be issued in several tranches under the Debt Securities Program
BOT	Build-Operate-Transfer
BPI	Bank of the Philippine Islands
BPI Capital	BPI Capital Corporation
Brownfield	Power generation projects undertaken to expand, rehabilitate, and/or maintain existing assets
BSP	Bangko Sentral ng Pilipinas
Bunker C	A term used to designate the thickest of the residual fuels that is produced by blending oil remaining at the end of the oil-refining process with lighter oil
BCP	Refers to business continuity plans which are plans formulated in order to address newly identified scenarios triggered by changing risks and issues that the Company faces
Business Unit	A Subsidiary or an Affiliate of AboitizPower
Bylaws	Document which contains the rules governing the internal management of a corporation

CA	Court of Appeals
CBA	Collective Bargaining Agreement
CBAA	Central Board of Assessment Appeals
CEDC or Cebu Energy	Cebu Energy Development Corporation
CFB	Circulating-Fluidized-Bed
China Bank Capital	China Bank Capital Corporation
CIPDI	Cebu Industrial Park Developers, Inc.
Cleanergy	Cleanergy, Inc., formerly the Northern Mini Hydro Corporation
COC	Certificate of Compliance
Consolidated Equity	The total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements and quarter-end unaudited consolidated financial statements, as may be applicable and available in accordance with Applicable Law, both in conformity with PFRS
Contestable Customer	An electricity end-user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with RA No. 9136 or the EPIRA
Control	The 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 fifty percent (50.0%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and "Controlling" and "Controlled" have corresponding meanings
COVID-19	Novel coronavirus disease 2019
Corporation	As defined in the Revised Corporation Code, an artificial being created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence
CORTT	Certificate of Tax Residence for Tax Treaty Relief
Cotabato Light	Cotabato Light and Power Company
CPCN	Certificate of Public Convenience and Necessity
CPPC	Cebu Private Power Corporation
CREATE Law	Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act

CSA	Corporate Sustainability Assessment
CSEE	Contract for the Supply of Electric Energy
CSP	Competitive Selection Process
CSR	Corporate Social Responsibility
Current Ratio	The ratio of total current assets over total current liabilities of the Issuer
Davao Light	Davao Light & Power Company, Inc.
Debt Securities Program or the Program	The shelf registration of AboitizPower in the aggregate principal amount of up to ₱30,000,000,000.00 filed on 18 December 2021 and rendered effective by the SEC on March 01, 2021
DENR	Department of Environment and Natural Resources
Distribution Companies or Distribution Utilities	Balamban Enerzone, Cotabato Light, Davao Light, Lima Enerzone, Malvar Enerzone, Mactan Enerzone, Subic Enerzone, SFELAPCO, and Visayan Electric
DOE	Department of Energy
DSOAR	Distribution Services and Open Access Rules
DST	Documentary Stamp Tax
DTL	Deferred Income Tax Liabilities
Early Redemption Premium	The additional amount the Issuer will pay if it prepays the Second Tranche Bonds and computed as the following amount multiplied by the outstanding amount of the Second Tranche Bonds being redeemed:

<b>Series B Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of early redemption premium)</b>
2 <sup>nd</sup> year from Issue Date and every Interest Payment Date thereafter before the 3 <sup>rd</sup> anniversary of the Issue Date	[101.00]%
3 <sup>rd</sup> year from Issue Date and every Interest Payment Date thereafter before Maturity Date	[100.25]%

<b>Series C Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of early redemption premium)</b>
4 <sup>th</sup> year from Issue Date and every Interest Payment Date	[102.00]%

thereafter before the 5th anniversary of the Issue Date	
5 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before the 6th anniversary of the Issue Date	[101.00]%
6 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before Maturity Date	[100.25]%

EAUC	East Asia Utilities Corporation
EBITDA	Represents net income after adding provisions for income tax, depreciation, amortization, and net financial expense, and netting out extraordinary items such as foreign exchange differential and one-off gains or losses on disposal of major assets. EBITDA is not required by, and is not a measure of performance under, PFRS. Because there are various EBITDA calculation methods, the Group's presentation of these measures may not be comparable to similarly titled measures used by other companies
ECC	Environmental Compliance Certificate
El Paso Philippines	El Paso Philippines Energy Company, Inc.
EMB	Environmental Management Bureau
Enerzone Companies	A term collectively referring to Balamban Enerzone, Lima Enerzone, Malvar Enerzone, Mactan Enerzone, and Subic Enerzone, the Distribution Utilities operating within special economic zones
EO	Executive Order
EPC	Engineering, Procurement, and Construction
EPIRA	RA No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, as may be amended from time to time, and including the rules and regulations issued thereunder
EPPA	Energy Power Purchase Agreement
ERB	Energy Regulatory Board
ERC	Energy Regulatory Commission
ERC-IU or IU	Investigation Unit of the ERC
ESA	Energy Supply Agreement
ESG	Environment, social, and governance
Events of Default	Those events defined as such under the Trust Agreement

Evonik Steag	Evonik Steag GmbH
Forex	Foreign exchange
First Metro	First Metro Investment Corporation
FIT	Feed-in-Tariff
FIT-All	FIT-Allowance
GCGI	Green Core Geothermal Incorporated
GDP	Gross Domestic Product
Generation Companies or Generation Group	APRI, CEDC, CPPC, EAUC, GMEC, Hedcor, Hedcor Sibulan, Hedcor Sabangan, Hedcor Tudaya, Hedcor Bukidnon, LHC, PEC, SNAP-Benguet, SNAP-Magat, SPPC, STEAG Power, TSI, TVI, and WMPC
Global Formosa	Global Formosa Power Holdings, Inc.
Global Power	Global Business Power Corporation
GMEC	GNPower Mariveles Energy Center Ltd. Co. (formerly GMCP)
GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GNPD or GNPower Dinginin	GNPower Dinginin Ltd. Co.
Government	The Government of the Republic of the Philippines
Government Authority	The Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the Government, and any national agency or body vested with jurisdiction or authority over any Person
GOCC	Government-owned-or-controlled corporations
Greenfield	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
GWh	Gigawatt-hour, or one mn kilowatt-hours
HEDC	Hydro Electric Development Corporation

Hedcor	Hedcor, Inc.
Hedcor Bukidnon or HBI	Hedcor Bukidnon, Inc.
Hedcor Group	Luzon Hydro Corporation, Hedcor, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Sibulan, and Hedcor Tudaya
Hedcor Sabangan	Hedcor Sabangan, Inc.
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
HEPP	Hydroelectric Power Plant
IAR	Industrial All Risks insurance
IEMOP	Independent Electricity Market Operation of the Philippines, Inc.
IMEM	Interim Mindanao Electricity Market
Indebtedness	<p>(1) All indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements;</p> <p>(2) All indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and</p> <p>(3) Capitalized lease obligations of the Issuer</p>
IPO	Initial Public Offering
IPP	Independent Power Producer
IPPA	Independent Power Producer Administrator
IRR	Implementing Rules and Regulations
ISMS	Information Security Management System
ISO	International Organization for Standardization
Issue Management and Underwriting Agreement	Issue Management and Underwriting Agreement dated [●] 2021 entered into between the Company and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners in relation to Second Tranche Bonds



Issue Date	[●], or the immediately succeeding Banking Day if such Issue Date is not a Banking Day, or such later date as may be mutually determined by the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the issuance of the Second Tranche Bonds. In the event that the original Issue Date is moved to the succeeding Banking Day, the interest accruing for the first Interest Period shall accrue from (and including) such adjusted Issue Date, without adjustment to the Interest Payment Date
Issue Price	At par, which is equal to the face value of the Second Tranche Bonds
ITH	Income tax holiday
Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners	BDO Capital, China Bank Capital, First Metro, and SB Capital
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
LBAA	Local Board of Assessment Appeals
Lima Enerzone	Lima Enerzone Corporation
LISP	Light & Industry Science Park
LGC	RA No. 7160, otherwise known as the Local Government Code, as may be amended from time to time, and including the rules and regulations issued thereunder
LGU	Local Government Unit
LHC	Luzon Hydro Corporation
Lien	With respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance or other security or preferential arrangement on or with respect to any asset or revenue of such Person
Lima Land	Lima Land, Inc.
LTC	Lima Technology Center

Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Magat Plant	The Magat HEPP of SNAP-Magat located at the border of Isabela and Ifugao provinces
Majority Bondholders	At any time, the relevant Bondholders of the Second Tranche Bonds who hold, represent or account for at least fifty percent (50%) plus one peso (₱1.00) of the aggregate outstanding principal amount thereof; provided that, in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series B Bonds, holders of Series B Bonds, exclusively, will be considered for quorum and approval purposes and in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series C Bonds, holders of Series C Bonds, exclusively, will be considered for quorum and approval purposes
Malvar Enerzone	Malvar Enerzone Corporation
Master Certificates of Indebtedness	Refers to the certificates representing the Series B Bonds and Series C Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders
Maturity Date	The date at which the Series B Bonds and Series C Bonds shall be redeemed by the Issuer by paying the principal amount thereof, and which date is, for the Series B Bonds, [4] years from the Issue Date or on [2025] and, for the Series C Bonds, [7] years from Issue Date or on [2028]; provided that, in the event that the Maturity Date falls on a day that is not a Banking Day, the Maturity Date shall be the immediately succeeding Banking Day, without adjustment to the amount of interest to be paid
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
Mactan Enerzone	Mactan Enerzone Corporation
MCIAA	Mactan Cebu International Airport Authority
MERALCO	Manila Electric Company
MGen	Meralco PowerGen Corporation
mn	Million
MOA	Memorandum of Agreement
MORE	Manila-Oslo Renewable Enterprise, Inc.
MSK	Matuwid na Singil sa Kuryente Consumer Alliance, Inc.
MW	Megawatt, or one mn watts
MWh or MW-h	Megawatt-hour

MWp	Megawatt-peak
MVA	Megavolt Ampere
NCR	National Capital Region of the Philippines
NEA	National Electrification Administration
Net Debt	The interest-bearing debt less cash, cash equivalents, and short-term investments of the Issuer
Net Debt to Consolidated Equity Ratio	The ratio of Net Debt to Consolidated Equity
NGCP	National Grid Corporation of the Philippines
NPC	National Power Corporation
NPPC	Naga Power Plant Complex
NREB	National Renewable Energy Board
NWRB	National Water Resources Board
Offer Period	Shall refer to the period commencing at 9:00 a.m. on [·] and ending at 5:00 p.m. on [·] or on such other dates as the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners may agree upon
Offer Supplement	This Offer Supplement relating to the takedown of the Second Tranche Bonds and the public offer for sale, distribution, and issuance by AboitizPower
Open Access or RCOA	Retail Competition and Open Access and as defined in EPIRA, refers to the provision of allowing any qualified user the use of transmission, and/or distribution system and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates duly approved by the ERC
OT	Operational Technology
Pagbilao Plant or Pag1 and Pag2	Refers to the 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon
Pag 3	Refers to a third generating unit with a net capacity of 420 MW within the Pagbilao Plant facilities
PANC	Pilmico Animal Nutrition Corporation
PAO	Provisional Authority to Operate
PBR	Performance-based rate-setting regulation

PCC	Philippine Competition Commission
PCRM	Pricing and Cost Recovery Mechanism
PDEX	Philippine Dealing & Exchange Corp.
PDEX Rules	PDEX Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, as well as all other related rules, guidelines, and procedures that may be issued by PDEX
PDS	Power Distribution System
PDTC	Philippine Depository & Trust Corp.
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
PEMC Board	PEMC Board of Directors
PEMC-ECO	Enforcement and Compliance Office of the Philippines Electricity Market Corporation
PERA	Personal Equity and Retirement Account
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
PFRS	Philippine Financial Reporting Standards
PGC	Philippine Grid Code; promulgated by the ERC under the EPIRA, it establishes basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the high-voltage backbone Transmission System in the Philippines
PGPC	Philippine Geothermal Production Company
Philippine Pesos or ₱	The lawful currency of the Philippines
PhilRatings	Philippine Ratings Services Corporation
PIPPA	Philippine Independent Power Producers Association, Inc.
PIS	Performance Incentive Scheme
PLC	Publicly Listed Company
Pmax	Maximum power point

Power Partners	Power Partners Ltd. Co.
PPA	Power Purchase Agreement
PPE	Property, Plant, Equipment
PRISM	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSC	Power Supply Contract
PSE	The Philippine Stock Exchange, Inc.
Public Offering	Refers to the random or indiscriminate offering of securities in general to anyone who will buy, whether solicited or unsolicited as per the SRC IRR
RA	Republic Act
RDWR	Rules for Setting Distribution Wheeling Rates
RE	Renewable Energy
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
Record Date	The cut-off date in determining Bondholders entitled to receive interest or principal amount due, as used with respect to any Payment Date shall mean the day which is two (2) Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the Banking Day immediately preceding said date
Register of Bondholders	The electronic register which shows the legal title to the Second Tranche Bonds, maintained by the Registrar, pursuant to and under the terms of the Registry and Paying Agency Agreement
Registrar and Paying Agent or the Registrar	Philippine Depository & Trust Corp.
Registration Statement	The Registration Statement covering the Debt Securities Program filed with the SEC on 18 December 2020 and rendered effective on 1 March 2021.
Registry and Paying Agency Agreement	Agreement dated [•] entered into between the Company and the Registrar and Paying Agent in relation to the Second Tranche Bonds

Relevant Period	A period of 12 calendar months ending on the last day of any quarter of any of the Issuer's fiscal years for which financial statements have been disclosed in accordance with SEC regulations
Renewable Energy Act or RE Law	RA No. 9513, otherwise known as the Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESA	Retail Electricity Supply Agreement
RORB	Return-on-Rate Base
RP Energy	Redondo Peninsula Energy, Inc.
RPS	Renewable Portfolio Standard
RPT	Real Property Tax
RTC	Regional Trial Court
Run-of-river hydroelectric plant	Hydroelectric power plant that generates electricity from the natural flow and elevation drop of a river
Sacasun	San Carlos Sun Power, Inc.
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SAIFI	System Average Interruption Duration Index
SAIDI	System Average Interruption Frequency Index
SB Capital	SB Capital Investment Corporation
SBU	Strategic Business Unit of the Aboitiz Group
SC	Supreme Court
SEC	The Securities and Exchange Commission of the Philippines
Second Tranche Bonds	Peso-denominated fixed-rate, Series B Bonds and Series C Bonds, comprising the second tranche of the Company's ₱30,000,000,000.00 Debt Securities Program and consisting of an aggregate principal amount of up to ₱6,000,000,000.00, with an Oversubscription Option of up to ₱6,000,000,000.00

Selling Agents	Institutions who are authorized under Philippine law to act as such and whose role is to help facilitate the sale and distribution of the Second Tranche Bonds. The Selling Agents for this Offer are each of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners and [●],
Series B Bonds	The fixed rate bonds having a term ending four (4) years from the Issue Date, or on [●] 2025, with a fixed interest rate of [●]% per annum
Series C Bonds	The fixed rate bonds having a term ending seven (7) years from the Issue Date, or on [●] 2028, with a fixed interest rate of [●]% per annum
Subic Enerzone	Subic Enerzone Corporation
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
SHAPES	Safety and Health Association of the Philippines Energy Sector Inc.
Shelf Period	A period of three years from the date of effectivity of the Registration Statement, subject to any extension as may be granted by the SEC, within which securities under the Debt Securities Program may be offered
SHES	Safety, Health, Environment and Security
Sibulan Project	Two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
SLA	Service Level Agreements
SN Power	SN Power Philippines, Inc.
SNAP – Benguet	SN Aboitiz Power – Benguet, Inc. (formerly, SN Aboitiz Power Hydro, Inc.)
SNAP – Magat	SN Aboitiz Power – Magat, Inc.
SN Aboitiz Power Group	Refers to the group of companies formed out of the strategic partnership between AboitizPower and SN Power; particularly, MORE and its Subsidiaries, including, SNAP-Benguet, SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SNAP-Magat
SPC	SPC Power Corporation
Spot Market Price	Price of electricity in the WESM, determined per hourly trading interval
SPPC	Southern Philippines Power Corporation
SPPC Plant	A 55- MW Bunker C-fired power plant owned and operated by SPPC
SRC	RA No. 8799, otherwise known as the Securities Regulation Code of the Philippines, as amended and may be amended from time to time, including the rules and regulations issued thereunder
SRC IRR	2015 Implementing Rules and Regulations of the SRC

STEAG Power	STEAG State Power, Inc.
Stranded Costs	As defined in the EPIRA, the excess of the contracted costs of electricity under eligible contracts over the actual selling price of the contracted energy output under such contracts. Eligible contracts are those approved by the ERB from 31 December 2000 onwards
Stranded Debt	As defined in the EPIRA, refers to any unpaid financial obligations of the National Power Corporation that have not been liquidated by the proceeds from the sale and privatization of its assets.
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
Tax Code	Presidential Decree No. 1158, otherwise known as the National Internal Revenue Code, as amended and may be further amended from time to time, including the rules and regulations issued thereunder
TCIC	Taiwan Cogeneration International Corporation
TCFD	Task Force on Climate-Related Financial Disclosures
TeaM Energy	TeaM Energy Corporation
TeaM Philippines	TeaM Philippines Industrial Power II Corporation (formerly Mirant (Phils.) Industrial Power II Corp.)
THC	Tsuneishi Holdings (Cebu), Inc.
Tiwi-MakBan	Tiwi-MakBan Geothermal Complex, composed of twelve (12) geothermal plants and one (1) binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TPI	Therma Power, Inc.
TPVI	Therma Power-Visayas, Inc.
Transaction Date	with respect the incurrence of any loan obligation with a maturity of more than one (1) year, the date such loan obligation is incurred
Transco	National Transmission Corporation and, as applicable, NGCP, which is the Transco concessionaire



Treasury Transaction	any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer’s treasury management
Trust Agreement	Trust Agreement dated [•] entered into between the Company and the Trustee in relation to the Second Tranche Bonds
Trustee	BDO Unibank, Inc. – Trust and Investments Group
TRO	Temporary Restraining Order
TSI	Therma South, Inc.
TVI	Therma Visayas, Inc.
TWh	Terawatt-hour
ULGPP	Unified Leyte Geothermal Power Plant
US\$ or USD or U.S. dollar	The lawful currency of the United States of America
VAT	Value Added Tax
VIGC	Vivant Integrated Generation Corporation
Visayan Electric	Visayan Electric Company, Inc.
Vivant	Vivant Energy Corporation
Vivant Group	Vivant and its Subsidiaries
WESM	Philippine Wholesale Electricity Spot Market
WESM Rules	Basic rules, requirements, and procedures that govern the operation of the Philippine electricity market that are promulgated by the DOE
WMPC	Western Mindanao Power Corporation
WMPC Plant	A 100-MW Bunker C-fired power station in Zamboanga City owned and operated by WMPC
YoY	Year-on-Year

## EXECUTIVE SUMMARY

*The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a Prospective Bondholder should consider before investing. Prospective Bondholders should read the entire Offer Supplement carefully, including the section entitled "Risk Factors and Other Considerations", and the financial statements and the related notes to those statements included in this Offer Supplement, and disclosures made available to the general public in accordance with the relevant rules of the SEC and PSE.*

### **The Offering**

AboitizPower is offering the Second Tranche Bonds in an aggregate principal amount of up to ₱6,000,000,000.00, with an Oversubscription Option of up to ₱6,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Second Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under Shelf Registration and may be issued in tranches within the Shelf Period. The Oversubscription Option is exercisable by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of the Issuer.

### **Investment Thesis**

AboitizPower is a diversified, and experienced industry leader, with a strong financial position. These competitive strengths allow it to pursue its robust growth initiatives to meet the country's energy needs. Its mission is to provide reliable power, at a reasonable price, with the least possible adverse effects on its environment and host communities.

### **The Company**

AboitizPower is a publicly listed holding company. Its controlling shareholder, Aboitiz Equity Ventures Inc. ("AEV"), is a diversified conglomerate that is listed on the PSE and has interests in power, banking and financial services, food, infrastructure, and real estate. This relationship with AEV allows the Company to draw on the extensive business networks, local business knowledge, relationships and expertise of AEV's and the Aboitiz Group's senior managers to identify growth opportunities at an early stage and to capitalize on such opportunities more decisively.

The power generation business of AboitizPower is among the leaders in the Philippines in terms of attributable installed capacity.<sup>1</sup> Moreover, AboitizPower has the second largest distribution utility, in terms of captive customer connections and energy sales<sup>2</sup>, the second largest (in terms of number of customers) and third largest (in terms of share in total retail market demand) RES company.<sup>3</sup> AboitizPower is a pioneer in building and 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>4</sup>

For a full discussion, please refer to the section on "The Company" on page [79] of this Offer Supplement.

### **History**

Incorporated in 1998, AboitizPower has grown to become a leader in the Philippine power industry with interests in a number of privately-owned generation companies and distribution utilities. AEV owns 76.88% of the outstanding capital stock of AboitizPower as of 31 August 2021.

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<sup>1</sup> Based on ERC Resolution No. 5-2021, dated 11 March 2021

<sup>2</sup> Based on DOE's Distribution Development Plan 2016-2025

<sup>3</sup> ERC Competitive Retail Electricity Market Monthly Statistical Data as of November 2020

<sup>4</sup> Based on ERC Resolution No. 5-2021, dated 11 March 2021

Ownership in AboitizPower was opened to the public through an initial public offering (“IPO”) of its common shares in July 2007. Its common shares were officially listed in the PSE on 16 July 2007. As of 31 August 2021, the Company’s market capitalization was at ₱206.04 bn.

For a full discussion, please refer to the section on “*The Company*” on page [79] of this Offer Supplement.

### **Summary of Financial Information**

The summary of financial and operating information presented below as at 31 December 2020, 2019, 2018, and 2017 and for each of the four years in the period ended 31 December 2020 were derived from the consolidated financial statements of AboitizPower, audited by SyCip Gorres Velayo & Co. (“SGV”) and prepared in accordance with Philippine Financial Reporting Standards (“PFRS”). The financial and operating information presented below as of 30 June 2021 and for the six (6)-month periods ended 30 June 2021 and 2020 were derived from the unaudited interim condensed consolidated financial statements of AboitizPower prepared in compliance with Philippine Accounting Standards (“PAS”) 34, “Interim Financial Reporting”.

The Group adopted PFRS 16, *Leases*, using the modified retrospective approach with the initial date of application of 01 January 2019. Amounts presented in the balance sheets and statements of income as of, and for the years ended, 31 December 2018 and 2017 are based on PAS 17, *Leases*; IFRIC 4, *Determining whether an Arrangement contains a Lease*; SIC-15, *Operating Leases-Incentives*; and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The comparative financial information for accounts affected by the adoption of PFRS 16 may not be comparable to the information presented as of, and for the years ended, 31 December 2019 and 2020. Please refer to Note 2 of the Group’s audited consolidated financial statements, which are included as an Annex to this Offer Supplement, for the effect of the adoption of PFRS 16.

Prospective Bondholders should read the summary financial information below together with AboitizPower’s audited consolidated financial statements and unaudited interim condensed consolidated financial statements, including the Notes thereto, presented as an Annex and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page [154] of this Offer Supplement. The information is not necessarily indicative of the results of the future operations.

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	31 December 2019 (Audited)	31 December 2018 (Audited)	31 December 2017 (Audited)
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	₱41,594,818	₱38,699,545	₱37,433,929	₱46,343,041	₱35,699,631
Trade and other receivables	24,969,345	22,017,309	21,747,422	21,721,776	17,359,828
Derivative assets	1,253,963	0	–	71,583	228,644
Inventories	7,588,846	6,308,200	6,632,029	6,690,453	5,643,607
Property held for sale	–	–	–	675,819	–
Other current assets	10,100,689	10,479,648	11,083,405	13,205,935	9,029,886
<b>Total Current Assets</b>	<b>85,507,661</b>	<b>77,504,702</b>	<b>76,896,785</b>	<b>88,708,607</b>	<b>67,961,596</b>
Noncurrent Assets					
Investments and advances	₱63,391,862	₱61,828,801	₱60,878,541	₱34,334,126	₱31,248,595
Property, plant and equipment	201,038,310	203,451,243	209,521,466	207,110,412	204,025,303
Intangible assets	44,800,144	44,279,386	46,712,501	46,165,494	46,344,658
Derivative assets – net of current portion	0	0	82,327	221,245	113,297
Available for sale investments	0	0	–	–	102,999
Financial assets at fair value through profit or loss (FVTPL)	3,906	3,906	3,906	101,441	–
Net pension assets	50,410	50,410	68,209	126,977	56,400
Deferred income tax assets	1,406,993	1,539,020	2,786,310	2,233,695	1,406,796
Other noncurrent assets	8,778,826	9,271,556	13,519,312	10,660,179	10,217,355
<b>Total Noncurrent Assets</b>	<b>319,466,545</b>	<b>320,420,416</b>	<b>333,572,572</b>	<b>300,953,569</b>	<b>293,515,403</b>
<b>TOTAL ASSETS</b>	<b>₱404,974,206</b>	<b>₱397,925,118</b>	<b>₱410,469,357</b>	<b>₱389,662,176</b>	<b>₱361,476,999</b>

#### LIABILITIES AND EQUITY

##### Current Liabilities

Short-term loans	₱11,503,528	₱11,743,413	₱10,335,420	₱11,546,560	₱4,717,300
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##### Current portions of:

Long-term debts	25,571,412	17,254,213	10,386,311	8,697,404	20,692,751
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Lease liabilities	7,501,571	7,104,181	5,486,745	4,131,059	3,316,165
Long-term obligation on power distribution system	40,000	40,000	40,000	40,000	40,000
Derivative liabilities	233,004	787,273	2,255,736	159,926	47,577
Trade and other payables	21,595,733	18,371,798	22,376,120	21,801,288	19,852,383
Income tax payable	525,150	722,715	510,137	438,783	646,115
<b>Total Current Liabilities</b>	<b>₱66,970,398</b>	<b>₱56,023,593</b>	<b>₱51,390,469</b>	<b>₱46,815,020</b>	<b>₱49,312,291</b>

#### Noncurrent Liabilities

##### Noncurrent portions of:

Long-term debts	₱153,294,779	₱160,067,119	₱167,585,311	₱149,360,287	₱131,360,749
Lease liabilities	28,982,139	32,158,796	39,302,899	42,763,296	45,909,089
Long-term obligation on power distribution system	154,484	143,436	159,350	173,496	186,071
Derivative liabilities – net of current portion	654,021	1,001,529	212,588	–	–
Customers' deposits	7,036,471	6,798,845	6,521,469	6,008,364	6,094,690
Decommissioning liability	5,112,476	5,008,033	3,567,492	3,678,810	2,959,060
Deferred income tax liabilities	601,948	745,214	848,471	858,290	912,601
Net pension liabilities	294,086	294,086	426,047	244,857	361,228
Other noncurrent liabilities	577,129	1,099,394	6,812,250	3,183,089	402,756
<b>Total Noncurrent Liabilities</b>	<b>₱196,707,533</b>	<b>₱207,316,452</b>	<b>₱225,435,877</b>	<b>₱206,270,489</b>	<b>₱188,186,244</b>
<b>Total Liabilities</b>	<b>₱263,677,931</b>	<b>₱263,340,045</b>	<b>₱276,826,346</b>	<b>₱253,085,509</b>	<b>₱237,498,535</b>

#### Equity Attributable to Equity Holders of the Parent

Paid-in capital	₱19,947,498	₱19,947,498	₱19,947,498	₱19,947,498	₱19,947,498
Net unrealized loss on AFS investments	–	–	–	–	-625
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI) of an associate	98,602	98,602	101,727	101,727	124,121
Cumulative translation adjustments	466,041	-2,446,773	-994,253	525,916	113,637
Share in cumulative translation adjustments of associates and joint ventures	-348,316	-684,042	-153,485	321,139	-144,507
Actuarial losses on defined benefit plans	-1,239,184	-1,239,612	-923,833	-587,267	-601,461

Share in actuarial gain (loss) on defined benefit plans of associates and joint ventures	7,676	8,748	-14,299	29,729	4,963
Acquisition of non-controlling interests	-6,321,325	-6,321,325	-6,321,325	-259,147	-259,147
Excess of cost of investments over net assets	-421,260	-421,260	-421,260	-421,260	-421,260
Loss on dilution	-433,157	-433,157	-433,157	-433,157	-433,157
Retained earnings					
Appropriated	20,060,000	33,660,000	33,660,000	34,060,000	34,060,000
Unappropriated	102,468,835	84,989,900	81,095,377	74,427,738	63,006,308
	<b>₱134,285,410</b>	<b>₱127,158,579</b>	<b>₱125,542,990</b>	<b>₱127,712,916</b>	<b>₱115,396,370</b>
Non-controlling Interests	7,010,865	7,426,494	8,100,021	8,863,751	8,582,094
Total Equity	141,296,275	134,585,073	133,643,011	136,576,667	123,978,464
TOTAL LIABILITIES AND EQUITY	<b>₱404,974,206</b>	<b>₱397,925,118</b>	<b>₱410,469,357</b>	<b>₱389,662,176</b>	<b>₱361,476,999</b>

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Six Months Ended June 30		Years Ended December 31			
	(Unaudited)		(Audited)			
	2Q 2021	2Q 2020	2020	2019	2018	2017
OPERATING REVENUES	₱60,351,117	₱53,031,854	₱110,376,649	₱125,635,157	₱131,572,084	₱119,391,303
OPERATING EXPENSES	₱47,270,654	₱41,996,330	₱83,496,762	₱96,779,283	₱95,075,402	₱85,217,574
FINANCIAL INCOME (EXPENSES)						
Interest income	191,675	405,295	653,076	1,291,703	880,085	927,012
Interest expense and other financing costs	-7,112,742	-7,197,123	-14,253,528	-14,047,646	-12,082,158	-11,247,780
	<b>-₱6,921,067</b>	<b>-₱6,791,828</b>	<b>-₱13,600,452</b>	<b>-₱12,755,943</b>	<b>-₱11,202,073</b>	<b>-₱10,320,768</b>
OTHER INCOME (EXPENSES)						
Share in net earnings of associates and joint ventures	5,229,505	979,818	2,675,136	3,813,962	4,356,825	4,697,864
Other income (expenses) – net	450,658	1,427,716	4,928,563	3,483,387	-1,292,311	-1,704,000
	<b>₱5,680,163</b>	<b>₱2,407,534</b>	<b>₱7,603,699</b>	<b>₱7,297,349</b>	<b>₱3,064,514</b>	<b>₱2,993,864</b>

INCOME BEFORE INCOME TAX	11,839,559	6,651,230	20,883,134	23,397,280	28,359,123	26,846,825
PROVISION FOR INCOME TAX	901,973	1,882,509	6,061,912	3,215,498	2,925,623	3,858,398
<b>NET INCOME</b>	<b>₱10,937,586</b>	<b>₱4,768,721</b>	<b>₱14,821,222</b>	<b>₱20,181,782</b>	<b>₱25,433,500</b>	<b>₱22,988,427</b>
ATTRIBUTABLE TO:						
Equity holders of the parent	₱10,133,749	₱3,736,940	₱12,577,676	₱17,322,677	₱21,707,603	₱20,416,442
Non-controlling interests	803,837	1,031,781	2,243,546	2,859,105	3,725,897	2,571,985
	<b>₱10,937,586</b>	<b>₱4,768,721</b>	<b>₱14,821,222</b>	<b>₱20,181,782</b>	<b>₱25,433,500</b>	<b>₱22,988,427</b>
EARNINGS PER COMMON SHARE						
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	₱1.38	₱0.51	₱1.71	₱2.35	₱2.95	₱2.77

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Six Months Ended June 30		Years Ended December 31			
	(Unaudited)		(Audited)			
	2Q 2021	2Q 2020	2020	2019	2018	2017
NET INCOME						
ATTRIBUTABLE TO:						
Equity holders of the parent	₱10,133,749	₱3,736,940	₱12,577,676	₱17,322,677	₱21,707,603	₱20,416,442
Non-controlling interests	803,837	1,031,781	2,243,546	2,859,105	3,725,897	2,571,985
	₱10,937,586	₱4,768,721	₱14,821,222	₱20,181,782	₱25,433,500	₱22,988,427
OTHER COMPREHENSIVE INCOME (LOSS)	3,366,494	-1,530,841	-2,823,607	-2,615,179	1,060,998	378,492
TOTAL COMPREHENSIVE INCOME	₱14,304,080	₱3,237,880	₱11,997,615	₱17,566,603	₱26,494,498	₱23,366,919
ATTRIBUTABLE TO:						
Equity holders of the parent	₱13,381,645	₱2,601,801	₱10,298,742	₱14,947,290	₱22,602,094	₱20,617,187
Non-controlling interests	922,435	636,079	1,698,873	2,619,313	3,892,404	2,749,732
	₱14,304,080	₱3,237,880	₱11,997,615	₱17,566,603	₱26,494,498	₱23,366,919

For a full discussion, please refer to the section on “Financial and Other Information” beginning on page [21] of this Offer Supplement.



## **Competitive Strengths**

The Company believes that its principal strengths are the following:

- Strong track record in both power generation and distribution
- Ability to take advantage of expected strong power market fundamentals
- Power generation contracts that provide steady and predictable cash flow
- Benefits from renewable energy sources
- Dependable and growing sources of income from its power distribution businesses
- Strong financial position and the ability to obtain limited recourse and corporate level financing
- Established relationships with strategic partners
- Strong and experienced management team

For a full discussion, please refer to the section on “*Competitive Strengths*” on page 84 of this Offer Supplement.

## **Business Strategy**

The Company’s business strategy is to increase shareholder value by developing new generation projects, selectively acquiring existing generating facilities, expanding its electricity-related services and continuing to improve the operational efficiency of its existing generation and distribution facilities. More specifically, the Company’s strategy includes the following:

- Expand the Company’s generation portfolio
- Contract the bulk of the Company’s attributable net sellable capacity and leverage the generating portfolio mix
- Expand the scope of the Company’s distribution business and continue to improve the operational efficiency of its existing distribution assets
- Maintain a high level of social responsibility in the communities in which the Company operates

For a full discussion, please refer to the section on “*Business Strategy*” beginning on page 86 of this Offer Supplement.

## **Risks of Investing**

An investment in the Second Tranche Bonds involves a certain degree of risk. A Prospective Bondholder should carefully consider the following factors, in addition to the other information contained in this Offer Supplement, in deciding whether to invest in the Second Tranche Bonds.

Risks related to the Company’s business:

- Project Risk
- Regulatory Risk
- Reputation Risk
- Information Security Risk
- Business Interruption Due to Force Majeure, Natural Calamities, and Critical Equipment Breakdown
- Financial Risk
- Competition Risk
- Talent Risk
- Pandemic Risk
- Stranded Asset Risk
- Emerging Risk

Risks Related to the Philippines:

- A slowdown in the Philippines’ economic growth could adversely affect the Company
- Any political instability in the Philippines may adversely affect the Company

- Territorial disputes involving the Philippines and its neighboring countries may adversely affect its economy and business development

Risks Related to the Offer:

- Liquidity Risk
- Reinvestment Risk
- Pricing Risk
- Retention of Ratings Risk
- Suitability of Investment
- Bonds have no preference under Article 2244(14) of the Civil Code

For a full discussion, please refer to the section on “*Risk Factors and Other Considerations*” on page [36] of this Offer Supplement.

This Offer Supplement contains forward-looking statements that involve risks and uncertainties. AboitizPower adopts what it considers conservative financial and operational controls and policies to manage its business risks. AboitizPower’s actual results may differ significantly from the results discussed in the forward-looking statements. See section “*Forward-Looking Statements*” on page [2] of this Offer Supplement. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of AboitizPower, in particular, and those that pertain to the overall political, economic, and business environment, in general.

## CAPITALIZATION

The table below presents a summary of the short-term debts, long-term debts, and capitalization of the Group as of 30 June 2021 and as adjusted to reflect the issue of the Second Tranche Bonds. The net proceeds from the Offer are estimated to be ₱5,915,239,500.00, or ₱11,839,848,600.00 assuming the full exercise of the Oversubscription Option, after deducting fees, commissions, and expenses relating to the issuance. The proceeds of the Offer will be used by the Issuer to refinance the 2020 Series E Bonds maturing in 2022, partially fund the equity contributions for the construction of the 74-MW solar power plant in Pangasinan province, general corporate purposes, and other future renewable projects.

	As of 30-Jun-21	As adjusted for the Base Offer of ₱6 bn	As adjusted for the Base Offer and the Oversubscription Option in the aggregate amount of ₱12 bn
	(in ₱ mns)		
Short-term debt			
Short-term loans	11,504	11,504	11,504
Current portions of:			
Long-term debt	25,571	25,571	25,571
Lease liabilities	7,502	7,502	7,502
Total short-term debts	44,577	44,577	44,577
Long-term debts – net of current portion			
Non-current portions of:			
Long-term debt	153,295	153,295	153,295
Lease liabilities	28,982	28,982	28,982
The issue of Second Tranche Bonds	–	5,915	11,840
Total long-term debts	182,277	188,192	194,117
Equity			
Equity attributable to equity holders of the parent	134,285	134,285	134,285
Non-controlling interests	7,011	7,011	7,011
Total Equity	141,296	141,296	141,296

Total Capitalization	368,150	374,065	379,990
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## SUMMARY OF THE OFFERING

This Offer Supplement and the Offer relate to the second tranche of the Bonds under the Debt Securities Program with an Offer of up to ₱6,000,000,000.00 with an Oversubscription Option of up to ₱6,000,000,000.00 (the “Second Tranche Bonds”). The following summary offer does not purport to be complete, is taken from, qualified in its entirety by, and should be read in conjunction with the more detailed information appearing elsewhere in the Offer Supplement to which it relates. The Second Tranche Bonds will be issued as the second tranche under the Debt Securities Program of the Issuer.

Issuer	: Aboitiz Power Corporation
Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners	: BDO Capital & Investment Corporation China Bank Capital Corporation First Metro Investment Corporation SB Capital Investment Corporation
Trustee	: BDO Unibank, Inc. – Trust and Investments Group
Registrar and Paying Agent	: Philippine Depository & Trust Corp.
Issue / Issue Amount	: SEC-registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Issuer in the amount of up to ₱6,000,000,000.00 (the “Base Offer”) with an oversubscription option of up to ₱6,000,000,000.00 (the “Oversubscription Option”), under the Issuer’s Debt Securities Program.  In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Second Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under the Shelf Registration and may be issued in tranches within Shelf Period.  The Oversubscription Option is exercisable by the Joint Lead Underwriters with the consent of the Issuer.  The Issuer has the discretion to allocate the Issue Amount between the Series B Bonds and Series C Bonds, or depending on prevailing market conditions, to fully allocate the entire Issue Amount to just one series, or not to allocate the Base Offer to any of these series, based on bids received from the book building process of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.
Use of Proceeds	: Refinance the 2020 Series E Bonds maturing in 2022, partially fund the equity contributions for the construction of the 74-MW solar power plant in Pangasinan province, general corporate purposes, and other future renewable projects, as more described in the section entitled “Use of Proceeds” on page [48] of this Offer Supplement.
Issue Price	: 100% of face value
Manner of Distribution	: Public Offering

Offer Period	: The Offer shall commence at 9:00 a.m. on [·] and end at 5:00 p.m. on [·], or on such other date as the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners may agree upon.
Issue Date	: [●], or the immediately succeeding Banking Day if such Issue Date is not a Banking Day, or such later date as may be mutually determined by the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the issuance of the Second Tranche Bonds. In the event that the original Issue Date is moved to the succeeding Banking Day, the interest accruing for the first Interest Period shall accrue from (and including) such adjusted Issue Date, without adjustment to the Interest Payment Date.
Maturity Date or Redemption Date	: Series B Bonds: 4 years from Issue Date or [·]2025. Series C Bonds: 7 years from Issue Date or [·] 2028.  provided that, in the event that such Maturity Date falls on a day that is not a Banking Day, the Maturity Date shall be the immediately succeeding Banking Day, without adjustment to the amount of interest to be paid.  Except when the Early Redemption Option (as defined below) is exercised, the Second Tranche Bonds will be redeemed at par (or 100% of face value) on the relevant Maturity Date.
Interest Rate	: Series B Bonds: [●]% per annum Series C Bonds: [●]% per annum
Interest Payment Date	: The Interest shall be paid quarterly in arrear on [·], [·], [·], and [·] of each year commencing on [·], until and including the relevant Maturity Date (each, an “Interest Payment Date”), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed. The last Interest Payment Date shall fall on the relevant Maturity Date, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment to the amount due.  Interest on the Second Tranche Bonds shall be calculated on a 30/360-day basis.
Form and Denomination	: The Second Tranche Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00 each, and in multiples of ₱10,000.00 thereafter.
Early Redemption	: The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), the outstanding Second Tranche Bonds (the “Early Redemption Option”), on any of Interest Payment Dates specified below (any such date, the “Early Redemption Date”) or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer (“Early Redemption Price”) shall be calculated based on the principal amount of the Second Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to

the relevant Early Redemption Date; and (ii) the product of the principal amount (total outstanding principal amount of the relevant Second Tranche Bonds) and the applicable Early Redemption Price (as set out below) in accordance with the following schedule:

<b>Series B Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of early redemption premium)</b>
2 <sup>nd</sup> year from Issue Date and every Interest Payment Date thereafter before the 3 <sup>rd</sup> anniversary of the Issue Date	[101.00]%
3 <sup>rd</sup> year from Issue Date and every Interest Payment Date thereafter before Maturity Date	[100.25]%

<b>Series C Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of early redemption premium)</b>
4 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before the 5 <sup>th</sup> anniversary of the Issue Date	[102.00]%
5 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before the 6 <sup>th</sup> anniversary of the Issue Date	[101.00]%
6 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before Maturity Date	[100.25]%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice to the Bondholders through the Trustee of its intention to redeem the Second Tranche Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption on the Early Redemption Date stated in such notice. For the avoidance of doubt, notice to the Trustee shall be considered notice to the Bondholders.

Redemption for Taxation Reasons : The Issuer may redeem any series of the Second Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Second Tranche Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

Negative Pledge : The Second Tranche Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under Section [5.2 (a)] of the Trust Agreement.

Purchase and Cancellation : The Issuer may at any time purchase any of the Second Tranche Bonds at any price in the open market or by tender or by contract, in accordance with PDEX Rules, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Second Tranche Bonds pro-rata from all Bondholders. The Second Tranche Bonds so purchased will be redeemed and cancelled, and may no longer be reissued.

Upon listing of the Second Tranche Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Status of the Second Tranche Bonds : The Second Tranche Bonds shall constitute the direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank pari passu and rateably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by law; (ii) any obligation incurred by the Issuer pursuant to Section 5.2 (a) of the Trust Agreement or as may be allowed by the Trust Agreement; and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Second Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AboitizPower's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the Second Tranche Bonds.

Rating : The Second Tranche Bonds are rated [●] by PhilRatings.

Listing : The Issuer intends to list the Second Tranche Bonds in the PDEX on Issue Date.

Non-Reliance : Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.



Own Risk : Bondholders understand and acknowledge that investment in the Second Tranche Bonds is not covered by the Philippine Deposit Insurance Corporation (“PDIC”) and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Second Tranche Bonds and the regular conduct of the Trustee’s trust business shall be for the account of the Bondholder.

Contact Details of the Trustee : BDO Unibank, Inc. – Trust and Investments Group  
Attention: [●]  
Subject: Aboitiz Power Corporation Bonds Due [●]  
Address: 15th Floor, South Tower BDO Corporate Center.  
7899 Makati Avenue, Makati City  
Facsimile: (632) 8840-7040  
E-mail: [●]

## RISK FACTORS AND OTHER CONSIDERATIONS

*An investment in the Second Tranche Bonds described in this Offer Supplement involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Offer Supplement, including the risk factors described below before deciding to invest in the Second Tranche Bonds.*

*This section entitled “Risk Factors and Other Considerations” does not purport to disclose all the risks and other significant aspects of investing in these securities. This section discusses additional risks to those stated in the Prospectus. The following section is qualified in its entirety by, and should be read in conjunction with, the more detailed information found in the Prospectus. Investors should undertake independent research and study the trading of these securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those high-risk securities. Investors may request publicly available information on the Second Tranche Bonds and the Company from the SEC.*

*The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.*

### RISKS RELATED TO THE COMPANY’S BUSINESS

An integral part of AboitizPower’s Enterprise Risk Management process is to anticipate, understand, and mitigate the risks that the Company may encounter in its generation, distribution, and retail electricity supply businesses.

#### **Project Risk**

AboitizPower has identified project risks as a top risk as it continues to grow its power generation portfolio. Project risks are largely driven by delays in commissioning and testing, commercial operations, as well as late completion and delivery of the government-owned transmission assets that will enable full dispatch of the plants in the pipeline. COVID-19-related travel restrictions, mandatory quarantine protocols, and on-site infections have also significantly affected the project milestones in 2020 and are anticipated to persist given the more virulent COVID-19 variants. The Company’s External Relations team and the Compliance teams of AboitizPower’s Business Units have all been closely coordinating with the Department of Foreign Affairs, the COVID-19 Inter-Agency Task Force (IATF), and airport authorities, among others, to ensure unhampered movement of services and goods.

Project risk management plans are thoroughly defined and regularly reviewed for each project to track issues related to quality, safety, compliance, schedule, and resources. These plans ensure 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.

To further mitigate project risks, delivery of transmission assets is closely coordinated with the NGCP. Operational readiness reviews are performed to ensure that new generating units are ready for commercial operations prior to going on-line. Project post-mortem reviews are also conducted to determine key learnings that can be applied to ongoing and future projects.

To address challenges in land procurement, conversion, permitting, right-of-way, and other land-related issues, project stakeholder management plans are also developed to ensure that partners, contractors, regulatory agencies, host communities, LGUs, and other key stakeholders are aligned with project execution timelines.

The COVID-19 pandemic also affected the construction of the GNPower Dinginin project. It is now in the initial stages of commissioning but continues to face challenges due to the COVID-19 pandemic. Construction has slowed down because of the preventive measures taken to ensure the safety of workers on-site. Due to said circumstances, the AboitizPower Group is constantly evaluating the timing of the project's commercial operations date. A team of commissioning experts is taking an active role in the commissioning of the units to avoid further delays in the project delivery.

### **Regulatory Risk**

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 regulatory schemes, including any inability or delay in obtaining expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, or any inability or delay in obtaining or renewing permits for any facilities, could adversely impact 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;
- (b) changes in the timing of tariff increases or in the calculation of tariff incentives;
- (c) change in existing subsidies or incentive schemes and other changes in the regulatory determinations under the relevant concessions;
- (d) other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business; or
- (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.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect the Group's results of operations.

For renewable assets, pricing is fixed by regulatory arrangements which operate instead of, or in addition to, contractual arrangements. Business Units that are subject to regulated tariffs bear the risk. 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.

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.

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. AboitizPower has also implemented the Aboitiz Unified Compliance Management System, an Aboitiz Group-wide initiative that is based on the Governance, Risk and Compliance framework.

### **Reputation Risk**

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 6 April 2020 rationalized the utilization by host LGUs of ER 1-94 funds for COVID-19 response instead. As of mid-November 2020, over 80% of the total available ER 1-94 funds have been released by DOE and AboitizPower to around 90% of the Company's host beneficiaries.

For the past four years, AboitizPower has been recognized as a constituent company in the FTSE4Good Index Series. This Index Series was created by global index provider FTSE Russell and measures the performance of companies demonstrating strong ESG practices. The Company's recent Corporate Sustainability Assessment by the highly regarded Robeco SAM group, now part of S&P Global, showed marked improvements in its ESG performance. The absolute score of AboitizPower improved the company's score in this year's FTSE4Good Index Series climbed by 24% to 3.1 from 2.5 due to improvements in its health and safety initiatives, and its campaigns on diversity, equity, and inclusion, among others. Meanwhile, the Company retained its rating of BB from the MSCI ESG Rating.

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.

### **Information Security Risks**

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 2019, AboitizPower further strengthened its protection protocols against security threats with the implementation of the ISMS following the ISO 27001:2015 standard. For 2020, the Company's Generation and Distribution Business Groups have rolled out 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: People, Process, and Technology.

In efforts to achieve the desired Level 4 in Cyber Security Maturity and build an information security risk-aware culture within the Company, business continuity plans (BCP) 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.

### **Loss due to Force Majeure, Natural Calamities, and Critical Equipment Breakdown**

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 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 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.

### **Financial Risk**

In the course of its operations, AboitizPower and its Subsidiaries are exposed to the following financial risks:

- (a) 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:

- i) Financing and refinancing risks in terms of the Company's inability to borrow money to fund future coal projects. While banks are still willing to lend, the cost of project financing tends to be more expensive;
  - ii) 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; and
  - iii) Regulatory pressure, which is increasing with the recent DOE Memorandum dated 22 December 2020 re: *"Advisory on the Moratorium on Endorsements for Greenfield Coal-Fired Power Projects in line with Improving the Sustainability of the Philippines' Electric Power Industry"*, effective 27 October 2020;
- (b) Refinancing and liquidity risks arising from balloon / bullet payments for existing loans;
  - (c) Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and
  - (d) 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 COVID-19 crisis, given the impact it has on general currency markets; and the amount of natural hedge flows which may decline.

Aside from the negative impact to the Group's net income, these risks would also 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 the following actions:

- (a) Regular monitoring of the Company's cash position;
- (b) Maintaining good relationships with the banks;
- (c) Exploring alternative risk transfer strategies and operationalizing self-retention strategies to develop a more cost-effective loss indemnity cover; and
- (d) 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.

### **Competition Risk**

Increasingly competitive market conditions create downward pressure on contract rates and increasing levels of commercial risk, to wit: (a) generation companies are 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.

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.

### **Talent Risk**

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 2019, the Company integrated 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. In 2020, key human capital initiatives to holistically address talent management risks including employer branding; building targeted talent communities; succession management and talent mapping, blended development programs linked to competency and performance requirements (i.e., critical position understudy program, leadership and technical development and career pathing); purposive employee engagement programs; and a mental wellness initiative as part of the Company's COVID-19 business continuity plan were implemented.

### **Pandemic Risk**

In December 2019, the COVID-19 outbreak began in China and spread to other countries, including the Philippines. On 10 March 2020 the World Health Organization characterized COVID-19 as a pandemic. As of 25 September 2021, the Department of Health ("DOH") reported 2,470,175 COVID-19 cases nationwide with 37,405 deaths.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact on the AboitizPower Group's suppliers' ability to deliver, which could delay the construction of certain projects.

In a move to contain the COVID-19 outbreak, the Office of the President issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective 15 March 2020. Presidential Proclamation No. 929 was issued the next day, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until 12 April 2020. On 24 March 2020, Congress passed Republic Act No. 11469, known as the Bayanihan to Heal as One Act (the "Bayanihan Act") into law, which conferred emergency powers on the President. On 25 June 2020, measures under the Bayanihan Act were implemented to address the pandemic in the Philippines that expired without extension or replacement.

On 11 September 2020, the Bayanihan 2 Act was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the Government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until 19 December 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy, and water, and ensure adequate supply of the same."

Since President Duterte's declaration of the State of Public Health Emergency and, consequently, the various community quarantine guidelines on public transportation, social distancing, international travel bans, health protocols, and mandatory quarantines, the Company has been implementing flexible work arrangements, including: (a) maximizing work-from-home set-up for support employees and selected essential employees; (b) 14-day-cycle of facility lockdown duty of generation facilities; and (c) special protocols for distribution line gangs and customer centers. This is to primarily ensure the health and safety of its sites and employees while continuing to serve its customers and other stakeholders, as well as to address any constrained mobility of employees brought about by the community quarantines.

For the AboitizPower Group, the primary impact of the COVID-19 pandemic 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 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 workshifts, 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 COVID-19 pandemic also impacted the construction of the GNPowder Dinginin project. Construction has slowed down because of the preventive measures taken to ensure the safety of workers on-site. GNPowder started the construction of Unit 1 in September 2016, the commissioning and testing of which is currently on-going, with delivery thereof targeted to take place by the fourth quarter of 2021. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017 with expected target delivery thereof around the third quarter of 2022. Both units are in the final stages of construction but continue to face challenges due to the COVID-19 pandemic and travel restrictions. Due to said circumstances, the AboitizPower Group is constantly evaluating the timing of the project's commercial operations date.

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. 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, IATF, and the LGUs. Covid-19 vaccination of employees and contractors are at a high rate due to company initiated vaccination programs.

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 Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty. It further provides that payments may be settled on a staggered basis in no fewer than three monthly installments. The Company is compliant with DOE circulars and ERC advisories on the grant of extension of payment to electricity consumers for bills falling due in the original and extended community quarantines, and the amortization of the cumulative amount of such electricity bills in four equal installments payable in the four succeeding billing months following the end of the community quarantines. The resulting increase in credit and collection risks have posed a challenge to the Company's cash flows.

The said circulars also provide that all private and public corporations in the power sector shall be given a similar grace period for their obligations without interest, penalties, fees and charges, as well as the same four-month amortized payment arrangement for all unpaid balances on obligations within the same period. This directive has eased the impact and helped manage the cash flow of AboitizPower Subsidiaries, with respect to payments due to NGCP, PSALM, IEMOP, IPPs, and suppliers of oil and steam.

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.

Several operational areas have been seriously impacted by the COVID-19 pandemic, and may continue to do so until a vaccine reaches the Philippines. The Company continues to enable the organization to anticipate and respond accordingly as the COVID-19 situation may require, including defining the New Normal and the changes in management processes around transitioning and adapting to it.



## **Stranded Asset Risk**

Stranded assets are investments that are not able to sustain a viable economic return and/or which are likely to see their economic life curtailed due to a combination of technology, regulatory and/or market changes. There can be no assurance that the adoption of new safety, health, mining and environmental laws and regulations, new interpretations of existing laws, increased governmental scrutiny of safety, health, mining and environmental laws or other developments in the future will not result in the Company and its Subsidiaries from being required to upgrade, supplement or relocate its facilities and having to incur additional capital expenditures or operating expenses to address the risk of potential stranded generation assets. In the event that future laws 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.

The Philippines is a party to the 2015 Paris Agreement signed by almost 200 nations, which aims to keep the increase in global average of 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 competitive selection processes (“CSP”) 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).

The Company 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. The Company’s 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 1,544 MW in installed capacity.

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 73% thermal (which are conventional or combustion power plants such as coal or fuel fired plants), and 27% renewable (which do not rely on fossil fuels).

Further, to properly assess the potential and extent of the above-mentioned risks, AboitizPower, through its holding company, AEV, signed up to become the first Philippine supporter 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.

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.

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.

## **RISKS RELATED TO THE PHILIPPINES**

### **A slowdown in the Philippines' economic growth could adversely affect the Company**

Historically, results of operations have been influenced, and will continue to be influenced, to a significant degree by the general state of the Philippine economy, with demand for power historically being tied to the level of economic activity in the Philippines. As a result, the Company's income and results of operations depend, to a significant extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso, and the imposition of exchange controls.

From mid-1997 to 1999, the economic crisis in Asia adversely affected the Philippine economy, causing a significant depreciation of the Philippine Peso, increases in interest rates, increased volatility and the downgrading of the Philippine local currency rating and the ratings outlook for the Philippine banking sector. These factors had a material adverse impact on the ability of many Philippine companies to meet their debt-servicing obligations. Over the last several years, the Government instituted several reforms in the fiscal and banking sectors, among others, that strengthened the country's economic fundamentals.

In 2018 and 2019, the Philippine GDP grew by 6.2% and 5.9%, respectively. As identified in the Philippine Development Plan 2017-2022, Philippine GDP growth is expected to strengthen at 7% to 8% in the medium term, making the Philippines one of the faster growing economies of the ASEAN region. However, the Philippines is currently experiencing an economic downturn following the Taal volcano eruption in January and the COVID-19 pandemic and the resultant quarantine restrictions. The country's GDP contracted 0.2% in the first quarter of 2020 and dropped by 11.5% in the third quarter when quarantine restrictions continued in many areas and economic activities were constrained. A global recession is ongoing as the economic effects of COVID-19 pandemic are felt in other countries, which also adversely affect the Philippine economy.

Any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products. There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

The sovereign credit ratings of the Philippines also directly affect companies that are residents in the Philippines, including AboitizPower. The Philippines enjoys investment grade credit ratings from the following major agencies:

- Fitch Ratings - BBB (negative) on 12 July 2021, to reflect the increasing risks to the credit profile from the impact of the COVID-19 pandemic and its aftermath on policy-making
- Standard & Poor's - BBB (positive) which was granted April 2018 and affirmed last 27 May 2021
- Moody's Investors Service - Baa2 (stable), which was affirmed last July 2021

There is no assurance that Fitch Ratings, Standard & Poor's, or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine

companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including AboitizPower, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Historically, the demand for power for the past 10 years, has shown an increasing trend. This has been the case despite the volatility in the economic, financial, and political conditions of the country. It may be attributable to the inelasticity of electricity at certain levels wherein essential appliances and industries need to operate. The rising population and remittances from overseas workers will likewise contribute to the growth in the demand for power.

The foregoing notwithstanding, and as mentioned in the previous section on Pandemic Risk, a series of quarantine measures have been implemented throughout the Philippines to contain the spread of COVID-19. While the outbreak has had a negative impact on the Philippine economy, the Government has implemented certain monetary and fiscal tools to counter potential adverse economic fallout.

### **Any political instability in the Philippines may adversely affect the Company**

The Philippines has from time to time experienced political, social, and military instability. In the past decade, there has been political instability in the Philippines, including alleged extrajudicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, the removal of two chief justices of the Supreme Court of the Philippines, hearings on graft and corruption issues against various officials of the Government, and public and military protests arising from alleged misconduct by previous administrations. An unstable political environment may also arise from the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. Likewise, no assurance can be given that the future political or social environment in the Philippines will be stable.

In May 2016, the Philippines elected Rodrigo M. Duterte as its new president, winning 38.5% of the votes cast. Mr. Duterte's term of office is until June 2022. The Duterte administration unveiled its "10-point plan" where it committed, among others, to "continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies." The Government continues to advocate for its reform agenda, including the shift to a federal form of government. As of January 2020, the House of Representatives, the committee on constitutional amendments of the House of Representatives had included in its proposed amendments to the 1987 Constitution of the Philippines the shift to a federal form of government.

On 27 July 2018, President Rodrigo Duterte signed RA No. 11054, approving the Bangsamoro Basic Law which was renamed to Bangsamoro Organic Law. The Bangsamoro Organic Law established an autonomous political entity known as the Bangsamoro Autonomous Region in Muslim Mindanao ("Bangsamoro Autonomous Region"), replacing the Autonomous Region in Muslim Mindanao ("ARMM") created under RA No. 6734. A plebiscite was held on 21 January 2019 and 6 February 2019, with the majority of the residents in ARMM and Cotabato City voting in favor of the Bangsamoro Organic Law. As such, the law was deemed ratified and the Bangsamoro Autonomous Region was formally created.

There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

In May 2019, the Philippine legislative and local elections were held. Majority of the senatorial candidates endorsed by the administration won the 2019 elections. The senators elected in the 2019 elections joined the senators elected in the 2016 elections. There were allegations of fraud and voter disenfranchisement in the conduct of the 2019 elections. The next Philippine Presidential elections will be held in May 2022.

In July 2020, the application for franchise renewal of ABS-CBN was denied by the House Committee on Legislative Franchises. ABS-CBN repeatedly applied for the renewal of their congressional franchise since 2014 but these remained pending in the House of Representatives until its congressional franchise expired in May 2020 and the network was ordered to cease and desist from operating all of its free TV and radio broadcasting. Various

advocacy groups and the international press have labeled the franchise denial as a direct attack to press freedom and Philippine democracy. The franchise denial has resulted in the closure of some of ABS-CBN's business operations and the retrenchment of thousands of workers. There is no assurance that any political instability will affect any governmental and regulatory processes and that opposition from public officials will not affect the Company and its operations.

In general, political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Company. The Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or Government policies in the Philippines. In addition, perceptions over human rights and geopolitical issues may affect the overall sentiment on the Philippines and the business environment.

### **Territorial disputes involving the Philippines and its neighboring countries may adversely affect its economy and business environment**

Competing and overlapping territorial claims by the Philippines, China, and several Southeast Asian nations (such as Vietnam, Brunei, Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. The West Philippine Sea covers more than three million square kilometers in terms of area and is home to some of the biggest coral reefs of the world. It is also believed that under the seabed lies vast unexploited oil and natural gas deposits. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at The Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("UNCLOS"). In July 2016, the tribunal rendered a decision stating that "as between the Philippines and China, Mischief Reef and Second Thomas Shoal (in the West Philippine Sea/South China Sea) form part of the exclusive economic zone and continental shelf of the Philippines" and that the "nine-dash line" claim of China is invalid. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. China was reported to conduct land reclamation activities in the disputed territories, which was completed in 2016. News reports indicate increased Chinese activity in the contested waters, including the installation of missile systems and the deployment of bomber planes. Several countries have conducted Freedom of Navigation operations in the contested waters to challenge China's militarization of artificial features in the West Philippine Sea. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Company's business, financial position and results of operations.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has repeatedly announced that it will not honor said ruling. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

## **RISKS RELATED TO THE OFFER**

### **Liquidity Risk**

The Philippine securities markets are substantially smaller, less liquid, and more concentrated than major global securities markets. As such, the Company cannot guarantee that the market for the Second Tranche Bonds will always be active or liquid. Even if the Second Tranche Bonds are listed on the PDEX, trading in securities such as the Second Tranche Bonds, may sometimes be subject to extreme volatility in response to interest rates, developments in local and international capital markets and the overall market for debt securities and other factors. There is no assurance that the Second Tranche Bonds may be disposed at prices, volumes, or at times deemed appropriate by the Bondholders.

### **Reinvestment Risk**

Prior to the relevant Maturity Dates, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Second Tranche Bonds on the relevant Early Redemption Dates (see “*Description of The Offer – Early Redemption*” on page [63] of this Offer Supplement). In the event that the Company exercises this early redemption option, the relevant series of the Second Tranche Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed Second Tranche Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

### **Pricing Risk**

The market value of bonds moves (either up or down) depending on the change in interest rates. The Second Tranche Bonds when sold in the secondary market are worth more if interest rates decrease since the Second Tranche Bonds have a higher interest rate relative to the market. Conversely, if the prevailing interest rate increases, the Second Tranche Bonds are worth less when sold in the secondary market. Therefore, an investor faces possible loss if he decides to sell when the prevailing interest rate has increased.

### **Retention of Ratings Risk**

There is no assurance that the rating of the Second Tranche Bonds will be retained throughout the life of the Second Tranche Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigned rating organization.

### **Suitability of Investment**

Each Prospective Bondholder of the Second Tranche Bonds must determine the suitability of that investment in the context of its own distinct circumstances. In particular, each Prospective Bondholder should: (i) have sufficient knowledge and experience to make a satisfactory evaluation of the Second Tranche Bonds, the merits and risks of investing in the Second Tranche Bonds, and the information contained in this Offer Supplement; (ii) have access to, and knowledge of, relevant analytical tools to evaluate, in the context of its particular financial situation, an investment in the Second Tranche Bonds and the impact the Second Tranche Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Second Tranche Bonds, including where the currency for principal or interest payments is different from the potential investor’s currency; (iv) understand thoroughly the terms of the Second Tranche Bonds and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, forex rate, and other factors that may affect its investment and its ability to bear the applicable risks.

### **The Second Tranche Bonds have no preference under Article 2244 (14) of the Civil Code**

The Master Certificates of Indebtedness, which represent the Second Tranche Bonds, shall not be notarized and, thus, will not be deemed a public instrument under Article 2244 (14) of the Civil Code. As such, the Second Tranche Bonds shall not enjoy preference under Article 2244 (14) of the Civil Code, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extends such preference to the Second Tranche Bonds. This is consistent with the status of the Second Tranche Bonds as being direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer.

## RECENT DEVELOPMENTS

On September 27, 2021, JERA Asia Pte. Ltd. (“Jera”) entered into Share Purchase Agreements with each of AEV and ACO for the purchase of approximately 25.01% and 1.99% respectively, or a total of 27% stake in Aboitiz Power Corporation. The total cash consideration for the 25.01% stake is USD 1,463,196,136.00. The transaction is subject to customary closing conditions including, among others: (i) approval by the PSE of a special block sale application to allow the crossing of the sale shares on the PSE trading platform; (ii) completion of any applicable PCC process; and (iii) approval and ratification by the AEV shareholders.

Jera is Japan’s largest power generation company that was established in 2015 as a joint venture between two Japanese electric power companies namely TEPCO Fuel & Power Incorporated and Chubu Electric Power Company. Jera provides energy solutions in large-scale renewable energy centered on offshore wind power generation and LNG value chains.

AboitizPower and Jera expect that following completion of the transaction, the potential areas for collaboration may cover multiple fronts including; joint development of LNG-to-Power projects; the fuel sourcing and management of LNG; potential participation in aspects of plant O&M; and exploration of the use of new generation technologies.

## USE OF PROCEEDS

The Issue Price shall be at par, which is equal to the face value of the Second Tranche Bonds. AboitizPower expects that the net proceeds of the Second Tranche Bonds shall amount to approximately ₱5,915,239,500.00 for a ₱6,000,000,000.00 Issue Size or ₱ 11,839,848,600.00 for an Issue Size of ₱12,000,000,000.00, and after deducting fees, commissions and expenses.

*Based on an Issue Size of ₱6,000,000,000.00*

<b>Documentary Stamp Tax</b>	45,000,000
<b>Issue Management and Underwriting fees</b>	27,000,000
<b>Other Professional Fees</b>	9,408,000
<b>SEC Registration Fee (remaining payable)</b>	1,612,500
<b>Credit Rating Fees</b>	1,350,000
<b>Other Expenses (e.g. Trustee Fee, Listing fee, etc.)</b>	390,000
<b>Estimated net proceeds:</b>	5,915,239,500

*Based on an Issue Size of ₱12,000,000,000.00 (assuming the full exercise of the Oversubscription Option)*

<b>Documentary Stamp Tax</b>	90,000,000
<b>Issue Management and Underwriting fees</b>	54,000,000
<b>Other Professional Fees</b>	9,836,400
<b>SEC Registration Fee</b>	3,225,000
<b>Credit Rating Fees</b>	2,700,000
<b>Other Expenses (e.g. Trustee Fee, Listing Fee, etc.)</b>	390,000
<b>Estimated net proceeds</b>	11,839,848,600

Aside from the foregoing one-time costs, AboitizPower expects the following annual expenses related to the Second Tranche Bonds:

1. Aside from the Listing Application Fee, the Issuer will be charged by PDEX with an annual maintenance fee of ₱150,000.00, with the first payment to be paid in advance upon the approval of the Listing;
2. The Issuer will pay a yearly retainer fee to the Trustee amounting to ₱180,000.00 per annum;
3. After the Issue, a Paying Agency fee equivalent to 5 basis points of the amount to be paid with a maximum of ₱100,000.00 is payable every Interest Payment Date. The Registrar will charge a monthly maintenance fee based on the face value of the Second Tranche Bonds and the number of Bondholders; and
4. The Issuer will pay an annual monitoring fee to Philratings amounting to ₱280,000.00 (VAT inclusive). Philratings charges the annual monitoring fee to the Company in relation to all of its outstanding bonds.



The allocation of the proceeds of the Base Offer, in the order of priority, and the schedule of disbursements shall be as follows:

Timing of Disbursement		
Refinancing of the 2020 Series E Bonds Maturing in 2022	5.0 bn	July 2022
Partially fund the equity contributions for the construction of the 74 MW Solar power plant in Pangasinan province	0.9 bn	2022
Total*	5.9 bn	

The allocation of the proceeds of the Offer, assuming the full exercise of the Oversubscription Option, in the order of priority, and the schedule of disbursements shall be as follows:

Timing of Disbursement		
Refinancing of the 2020 Series E Bonds Maturing in 2022	9.0 bn	July 2022
Partially fund the equity contributions for the construction of the 74 MW Solar power plant in Pangasinan province	1.0 bn	2022
General Corporate Purpose and/or for other future renewable projects	1.8 bn	2022
Total*	11.8 bn	

\* Sum figures will differ due to rounding effect

#### Redemption of the 2020 Series E Bonds Maturing in 2022

On 6 July 2020, AboitizPower issued fixed-rate bonds (the “2020 Bonds”), Series “E” and Series “F” bonds, with a base amount of ₱6 bn and an oversubscription option ₱3.55 bn which was fully exercised. The Series “E” bonds in the aggregate amount of ₱9 bn have an interest rate of 3.125% per annum, and will mature in 2022, while the Series “F” bonds in the aggregate amount of ₱0.55 bn have an interest rate of 3.935% per annum, and will mature in 2025. The net proceeds of the 2020 Series E and F bonds were used by the Issuer to partially fund its equity contributions to GNPowr Dinginin Ltd. Co. in relation to the construction of its 2x668 MW supercritical coal-fired power plant located in Mariveles, Bataan and for general corporate purposes.

#### Partially fund the equity contributions for the construction of PV Sinag Power, Inc.’s 74-MW Solar power plant in Pangasinan province

AboitizPower is proceeding with the construction of the 74MW Cayanga solar project located in Cayanga, Bugallon, Pangasinan through its PV Sinag Power, Inc. entity. The notice to proceed (“NTP”) for the access roads was issued on 15 September 2021, while the NTP to the EPC contractor for the power plant and transmission will be issued in November 2021. The project is expected to commence commercial operations by December 2022.

#### General Corporate Purposes and/or for other future renewable projects

Net proceeds amounting to approximately ₱1.8 bn will be used to partially finance the Issuer’s general corporate requirements and/or for such specific purposes, as may be determined from time to time, including but not limited to the following capital expenditures corresponding indicative details relating to renewable projects:

General description	Entity	Est. Project Cost	Target NTP	Target COD
Solar project	ARI subsidiary	₱7.3 bn	Q1 2022	Q3 2023
Run of river hydro project	ARI subsidiary	₱5.1 bn	Q1 2022	Q2 2024

These projects are housed under and are being undertaken by the Issuer itself.

The Company plans to use existing cash balances to fund the remaining amount needed to complete the early redemption of the 2020 Series C Bonds.



The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event there is any change in the Company's current plans, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds at the discretion of Management. In the event of any material deviation or adjustment in the planned use of proceeds, the Company shall inform the Bondholders, file an amended prospectus and seek approval of the SEC before its implementation.

Pending the above use of proceeds, the Company shall invest the net proceeds from the Offer in short-term liquid investments including but not limited to short-term government securities, bank deposits, and money market placements which are expected to earn at prevailing market rates.

In the event that the Company is not able to raise the full amount of the Offer, the Company shall use internally generated funds and/or available bank lines to the extent the proceeds of the Offer are insufficient to fund the aforementioned use of proceeds.

No amount of proceeds shall be used to reimburse any officer, director, employee, or stockholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise. Except for the underwriting fees, issue management fees and expenses related to the Second Tranche Bonds, no amount of the proceeds will be utilized to pay any outstanding financial obligation to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

## **DETERMINATION OF THE OFFERING PRICE**

The Series B Bonds and the Series C Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

The interest rate of the **Series B Bonds** will be based on the simple average of the 4-year ₱ BVAL Reference Rate as published on the website of the Philippine Dealing System Group (or its successor) for the three (3) consecutive Banking Days immediately preceding and ending on the interest rate setting date, and a spread of [50-90] basis points, as determined via a book building process.

The interest rate of the **Series C Bonds** will be based on the simple average of the 7-year ₱ BVAL Reference Rate as published on the website of the Philippine Dealing System Group (or its successor) for the three (3) consecutive Banking Days immediately preceding and ending on the interest rate setting date, and a spread of [50-110] basis points, as determined via a book building process.

## PLAN OF DISTRIBUTION

### The Offer

The Second Tranche Bonds are offered by the Company as the Second Tranche of the Bonds under the Company's ₱30,000,000,000.00 Debt Securities Program. The Company shall issue the Second Tranche Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. The Offer does not include an international offering.

Pursuant to the Registration Statement rendered effective on 1 March 2021 and the corresponding certificate of permit to offer securities for sale to be issued by the SEC, the Offer will consist of the primary offer of an aggregate principal amount of up to ₱6,000,000,000.00 with an Oversubscription Option of up to ₱6,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Second Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period. The Oversubscription Option is exercisable by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of the Issuer.

The Issuer has the discretion to allocate the Bonds between the Series B Bonds and Series C Bonds, or depending on prevailing market conditions, to fully allocate the Bonds in just one series, based on the book building process conducted by the Joint Lead Underwriters.

### Shelf Registration of Securities Not Covered by the Offer

After the close of the Offer and within the Shelf Period, AboitizPower may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of the Bonds in subsequent tranches, including any amount remaining if the Oversubscription Option is partly exercised or not exercised at all. Any such subsequent offering requires the submission by AboitizPower of the relevant updates and amendments to the Registration Statement and the issuance of the corresponding permit to sell by the SEC. As a listed company, AboitizPower regularly disseminates such updates and information in its disclosures to the SEC, PDEX, and PSE.

However, there can be no assurance in respect of: (i) whether AboitizPower would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of such issuance. Any decision by AboitizPower to offer such debt securities will depend on a number of factors at the relevant time, many of which are not within AboitizPower's control, including but not limited to: prevailing interest rates, the financing requirements of AboitizPower's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

### Underwriting Obligations of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners

BDO Capital, China Bank Capital, First Metro, and SB Capital pursuant to the Issue Management and Underwriting Agreement with AboitizPower dated [·], have agreed to act as Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the Offer and as such, distribute and sell the Second Tranche Bonds at the Issue Price. Subject to the satisfaction of certain conditions provided in the Issue Management and Underwriting Agreement and in consideration for certain fees and expenses, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners have committed jointly and not solidarily, to underwrite the following amounts on a firm basis:

<b>Joint Issue Managers and Joint Lead Underwriters</b>	<b>Commitment</b>
BDO Capital	₱1,500,000,000.00
China Bank Capital	₱1,500,000,000.00
First Metro	₱1,500,000,000.00
SB Capital	₱1,500,000,000.00

<b>Total</b>	<b>₱6,000,000,000.00</b>
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The Oversubscription Option is exercisable by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of the Issuer.

The Issue Management and Underwriting Agreement may be terminated in certain circumstances prior to payment being made to AboitizPower of the net proceeds of the Offer. In case the Issue Management and Underwriting Agreement is terminated, the Company shall notify SEC of the termination and its subsequent course of action.

BDO Capital & Investment Corporation, China Bank Capital Corporation, First Metro Investment Corporation, and SB Capital Investment Corporation are the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the Offer.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall receive an aggregate fee of up to 0.45% inclusive of GRT on the final aggregate nominal principal amount of the Series B and Series C Bonds issued, which is inclusive of underwriting fees, issue management fees and selling commissions to be paid to the Selling Agents. There are no other discounts and commissions to be paid to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners in connection with the Offer.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners are duly licensed by the SEC to engage in underwriting or distribution of securities. The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of its business for AboitizPower.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners have no direct relations with AboitizPower in terms of ownership by either of their respective majority shareholder/s and have no right to designate or nominate any member of the Board.

BDO Capital, one of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners is a subsidiary of BDO Unibank, Inc. which serves as the Trustee.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners have no contract or other arrangement with the Company by which it may return to the Company any unsold Second Tranche Bonds.

BDO Capital is a leading investment bank in the Philippines and was incorporated in the Philippines on 8 September 1998 as a wholly owned subsidiary of BDO Unibank, Inc. BDO Capital presently conducts business as a full-service investment house with the following functions, among others: securities underwriting and trading; loan syndication; financial advisory; and private placement of debt and equity. As of 30 June 2021, on an unaudited basis, it had total assets of ₱3.5 bn, total liabilities of ₱3.0 bn and total equity of ₱0.5 bn.

China Bank Capital Corporation is the wholly-owned investment banking a subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions, which include arranging, managing, and underwriting bond offerings corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as structuring, valuation, and execution of M&A deals, joint ventures and other corporate transactions.

First Metro is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has established itself as a leading bond house with key strengths in origination, structuring,

and execution. As of 30 June 2021, it had total consolidated assets of ₱[●] bn, and its capital base amounted to ₱[●] bn.

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues.

### **Sale and Distribution**

The distribution and sale of the Second Tranche Bonds shall be undertaken by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners who shall sell and distribute the Second Tranche Bonds to third party buyers/investors. The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners are authorized to organize a syndicate of soliciting dealers, co-lead underwriters, and/or selling agents for the purpose of the Offer; provided, however, that the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall remain severally, but not jointly responsible to the Issuer in respect of its obligations under the Issue Management and Underwriting Agreement entered into by them with the Issuer and the Issuer shall not be bound by any of the terms and conditions of any agreement entered into by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners with such other parties. Nothing herein shall limit the rights of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners from purchasing the Second Tranche Bonds for its respective accounts.

There are no persons to whom the Second Tranche Bonds are allocated or designated. The Second Tranche Bonds shall be offered to the public at large and without preference.

### **Term of Appointment**

The engagement of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall subsist so long as the SEC permit to sell remains valid, unless otherwise terminated pursuant to the Issue Management and Underwriting Agreement.

### **Manner of Distribution**

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall, at its discretion but with written notice to AboitizPower, determine the manner by which proposals for applications for purchase and issuances of the Second Tranche Bonds shall be solicited, with the primary sale of the Second Tranche Bonds to be effected only through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of the Issuer, shall agree on the process for allocating the Second Tranche Bonds and the manner of accepting the Applications to Purchase (the "Allocation Plan"). Consistent with bank procedures (if applicable) and the Allocation Plan, each of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall be responsible for determining who are eligible Bondholders from the Applicants and for establishing the *bona fide* identity of each in accordance with the Anti-Money Laundering Laws of the Philippines, as well as its own internal policies and arrangements under acceptable standards and policies regarding "know-your-customer" and anti-money laundering.

### **Offer Period**

The Offer Period shall commence on [●] and end on [●] or such other date as may be mutually agreed by the Company and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

All applications for the purchase of the Second Tranche Bonds shall be evidenced by a duly completed and signed Application to Purchase, together with two (2) fully executed specimen signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the corresponding purchase price of the Second Tranche Bonds applied for, by check or by appropriate payment instruction, and the required documents which must be submitted to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

Corporate and institutional purchasers must also submit a certified true copy of its SEC Certificate of Registration, its latest Articles of Incorporation and By-laws, or such other relevant organizational or charter documents, and the duly notarized certificate of the Corporate Secretary attesting to the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Second Tranche Bonds and designating the authorized signatory/ies therefore, including his or her specimen signature. Individual Applicants must also submit a photocopy of any one of the following identification cards (ID): passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank, which must be valid as of the date of the Application.

An Applicant who is exempt from or is not subject to withholding tax, or who claims preferential tax treaty rates shall, in addition, be required to submit the following requirements to the relevant Selling Agent (together with their applications) who shall then forward the same to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:

a. Proof of Tax Exemption or Entitlement to Preferential Tax Rates

- i. For (a) tax-exempt corporations and associations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;
- ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336);
- iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) GOCC; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; and
- iv. For entities claiming tax treaty relief – original or certified true copies of the following documents:

General requirements:

- 1) Original Tax Residency Certificate (TRC) duly issued by the tax authority of the foreign country in which the Bondholder is a resident;
- 2) Original and duly notarized Special Power of Attorney (SPA) issued by the Bondholder to the Issuer, expressly stating the Issuer's authority to sign the Application Form for Treaty Purposes (BIR Form No. 0901-I) and to file a request for confirmation with the BIR on behalf of the Bondholder;

Additional requirements for legal persons and arrangements, and individuals:

- 3) Authenticated copy of the Bondholder's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language;
- 4) For legal persons and arrangements – original Certificate of Non-Registration or certified true copy of License to Do Business in the Philippines duly issued by the Securities and Exchange Commission (SEC) to the Bondholder;
- 5) For individuals – original Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry (DTI) to the Bondholder;

Additional requirements for entities:

- 6) Certified true copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the Bondholder;
- 7) List of owners/beneficiaries of the Bondholder;
- 8) Proof of ownership of the Bondholder; and
- 9) TRC duly issued by the concerned foreign tax authority to the owners or beneficiaries of the Bondholder.

All documents executed in a foreign country must either be authenticated by the Philippine Embassy stationed therein or apostilled if the said foreign country is a signatory to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (HCCH 1961 Apostille Convention) in order to be acceptable to the Issuer.

In addition, for subsequent interests due and subject to the requirements of new or amendatory regulations, the Bondholder shall submit to the Issuer an updated Application Form, a new TRC (if the validity period of the previously submitted TRC has already lapsed), and other relevant documents no later than the last day of the first month of the year when such subsequent interest payment/s shall fall due.

- b. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and
- c. Such other documentary requirements as may be reasonably required by the Issuer or the Registrar and Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Failure to submit any of the documents provided under (a), (b) and (c) above, as may be applicable, will result in the application of the regular income tax rate provided under the Tax Code.

Completed Applications to Purchase and corresponding payments must reach the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners prior to the end of the Offer Period, or such earlier date as may be specified by the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. Acceptance by each Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners of the completed Application to Purchase shall be subject to the availability of the Second Tranche Bonds and the approval by AboitizPower and the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically cancelled and any prior acceptance of the Application to Purchase is deemed revoked.

### **Minimum Purchase**

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

### **Allotment of the Second Tranche Bonds**

If the Second Tranche Bonds are insufficient to satisfy all Applications to Purchase, the available Second Tranche Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice subject to AboitizPower's exercise of its right of rejection.

### **Acceptance of Applications**

AboitizPower and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners reserve the right to accept or reject applications to subscribe in the Second Tranche Bonds, and in case of oversubscription, allocate the Second Tranche Bonds available to the applicants in a manner they deem appropriate. If any Application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner.

### **Refunds**

In the event an Application is rejected or the amount of the Second Tranche Bonds applied for is scaled down, the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner, upon receipt of such rejected and/or scaled down applications, shall notify the Applicant concerned that his application has been rejected or the amount of Second Tranche Bonds applied for is scaled down, and refund the amount paid by the Applicant with no interest thereon. With respect to an Applicant whose application was rejected, refund shall be made without interest by the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose application has been scaled down, refund shall be made without interest by the issuance by the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner of its own check payable to the order of the Applicant and crossed "Payees' Account Only" corresponding to the amount in excess of the accepted Application. All checks shall be made available for pick up by the Applicant concerned at the office of the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner to whom the rejected or scaled down Application was submitted within ten (10) Banking Days after the last day of the Offer Period. The Issuer shall not be liable in any manner to the Applicant for any check payment corresponding to any rejected or scaled-down application which is not returned by the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner; in which case, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall be responsible directly to the Applicant for the return of the check or otherwise the refund of the payment.

### **Secondary Market**

AboitizPower intends to list the Second Tranche Bonds at the PDEX. AboitizPower may purchase the Second Tranche Bonds at any time, in the open market or by tender or by contract, in accordance with PDEX Rules, which may be amended from time to time, without any obligation to make pro rata purchases of Bonds from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Second Tranche Bonds on the PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

### **Register of Bondholders**

The Second Tranche Bonds shall be issued in scripless form and will be eligible for trading under the scripless book-entry system of PDTC. Master Certificates of Indebtedness representing the Series B Bonds and Series C Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.



Legal title to the Second Tranche Bonds shall be shown in the register of bondholders (“Register of Bondholders”) to be maintained by the Registrar. Second Tranche AboitizPower will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Second Tranche Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders.

Initial placement of the Second Tranche Bonds and subsequent transfers of interests in the Second Tranche Bonds shall be subject to applicable prevailing Philippine selling restrictions.

## DESCRIPTION OF THE OFFER

*The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Second Tranche Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective Bondholders are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of the Company, the information contained in the Offer Supplement, the Trust Agreement, the Issue Management and Underwriting Agreement, the Registry and Paying Agency Agreement and other agreements relevant to the Offer.*

A registration statement covering the Thirty Billion Pesos (₱30,000,000,000.00) aggregate principal amount of debt securities (the “Debt Securities Program”) was filed by Aboitiz Power Corporation (“AboitizPower”, the “Issuer”, or the “Company”) on 14 December 2020 and rendered effective by the Securities and Exchange Commission (“SEC”) by its order dated 1 March 2021 (the “Shelf Registration”). The first tranche of the Debt Securities Program with a principal amount of Eight Billion Pesos (₱8,000,000,000.00) of fixed-rate bonds was issued on 16 March 2021 under a Prospectus dated 26 February 2021. Pursuant to the confirmation and certificate of permit to offer securities for sale to be issued by the SEC, the Second Tranche Bonds will be in the form of fixed-rate bonds, with an aggregate principal amount of up to Six Billion Pesos (₱6,000,000,000.00) with an oversubscription option of up to Six Billion Pesos (₱6,000,000,000.00) (the “Second Tranche Bonds” or the “Offer”) under the Prospectus and this Offer Supplement. The Oversubscription Option is exercisable by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of the Issuer.

The Second Tranche Bonds shall be constituted by a Trust Agreement executed on [●] (the “Trust Agreement”) entered into between the Issuer and BDO Unibank Inc. - Trust and Investments Group (the “Trustee”), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the Second Tranche Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

A registry and paying agency agreement executed on [●] (the “Registry and Paying Agency Agreement”) in relation to the Second Tranche Bonds among the Issuer, Philippine Depository & Trust Corporation as paying agent (the “Paying Agent”) and as registrar (the “Registrar”).

The Second Tranche Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (₱50,000.00) and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

The Series B Bonds shall mature on [\_\_\_\_\_, 2025], while the Series C Bonds shall mature on [\_\_\_\_\_, 2028] unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment below.

The Registrar and Paying Agent has no interest in or relation to AboitizPower which may conflict with its role as Registrar for the Offer. The Trustee has no interest in or relation to AboitizPower which may conflict with the performance of its functions as Trustee.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Second Tranche Bonds (the “Bondholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

## **FORM AND DENOMINATION**

The Second Tranche Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (₱50,000.00) each as a minimum and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

## **TITLE**

Legal title to the Second Tranche Bonds shall be shown in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Second Tranche Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Second Tranche Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Second Tranche Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

## **BOND RATING**

[The Second Tranche Bonds have been rated PRS Aaa with a Stable Outlook by Philratings. PRS Aaa is the highest rating assigned by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. A Stable Outlook means that the rating is likely to be maintained or to remain unchanged in the next twelve months.

The rating and Outlook were assigned given the following key considerations: (1) significant levels of cash flows and financial flexibility in relation to debt service requirements; (2) adequate capital structure, supported by the healthy increase in retained earnings; (3) diversified portfolio, with good growth prospects; (4) experienced management team; and (5) given that electricity is an essential need, the power industry is seen to be relatively more stable amidst increasing economic uncertainty caused by the COVID-19 pandemic.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.]

## **TRANSFER OF BONDS**

### **Register of Bondholders**

The Issuer shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Second Tranche Bonds held by them and of all transfers of Second Tranche Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder, in the mode elected by such Bondholder in the Application to Purchase or the Registration Form, a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Second Tranche Bonds that is effected in the Registrar's system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Second Tranche Bonds may be made during the period intervening between and commencing on the Record Date as defined in the section on "*Interest Payment Date*."

### **Transfers: Tax Status**

The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Second Tranche Bonds, including the settlement of any documentary stamp taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a Banking Day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g., 20%, 25%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax rate to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to Registrar. Transfers taking place in the Register of Bondholders after the Second Tranche Bonds are listed on PDEX shall be allowed between tax-exempt and non-tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEX and PDTC.

### **Secondary Trading of the Second Tranche Bonds**

The Issuer intends to list the Second Tranche Bonds at PDEX for secondary market trading or such other securities exchange as may be licensed as such by the SEC. Secondary market trading in PDEX shall follow the applicable PDEX rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEX and PDTC. Upon listing of the Second Tranche Bonds with PDEX, investors shall course their secondary market trades through PDEX Brokering Participants for execution in the PDEX Trading Platform in accordance with PDEX Trading Rules, Conventions and Guidelines, and shall settle such trades on a Delivery versus Payment (“DvP”) basis in accordance with PDEX Settlement Rules and Guidelines. The PDEX rules and conventions are available in the PDEX website ([www.pds.com.ph](http://www.pds.com.ph)). An Investor Frequently Asked Questions (“FAQ”) discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEX website.

### **Market Information on Other Debt Securities**

While there are already listed debt securities of AboitizPower on PDEX, these securities have maturities that may be different from the Second Tranche Bonds, and were priced at a time when benchmark rates were likely different. As such, the listed price of the said securities may not necessarily be directly comparable with the Second Tranche Bonds.

### **RANKING**

The Second Tranche Bonds shall constitute the direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably in priority of payment without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Second Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AboitizPower’s secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244 (14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the Second Tranche Bonds.

## **INTEREST**

### **Interest Payment Dates**

The Second Tranche Bonds bear interest on its principal amount from and including Issue Date at the rate of [●] % per annum for the Series B Bonds, and [●] % per annum for the Series C Bonds, payable quarterly in arrear starting on [●] 2021 for the first interest payment date, and [●], [●], [●], and [●] of each year while the Second Tranche Bonds are outstanding (each an “Interest Payment Date”), or the immediately succeeding Banking Day, if such Interest Payment Date is not a Banking Day, without any adjustment in the amount due. The last Interest Payment Date shall fall on the relevant Maturity Date, or the immediately succeeding Banking Day if such day is not a Banking Day, without any adjustment to the amount due.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Banking Days prior to the relevant Interest Payment Date (the “Record Date”), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Second Tranche Bonds; provided, that if such day falls on a non-Banking Day, the Record Date shall be the Banking Day immediately preceding said date. No transfers of the Second Tranche Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

### **Interest Accrual**

The Series B and Series C Bonds shall cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on “*Final Redemption*,” unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Penalty Interest*”) shall apply.

### **Determination of Interest Amount**

The interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

## **REDEMPTION AND PURCHASE**

### **Final Redemption**

Unless previously purchased and cancelled, the Second Tranche Bonds shall be redeemed at par or 100% of face value on the relevant Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Banking Day if the Maturity Date is not a Banking Day.

### **Early Redemption**

Prior to the relevant Maturity Dates of the Series B and Series C Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding the Series B and Series C Bonds on the Early Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day (the “Early Redemption Date”), without any adjustment on the principal or interest accruing.

The amount payable to the Bondholders in respect of the Early Redemption exercise (the “Early Redemption Price”) shall be calculated based on the principal amount of the Series B and Series C Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Date; and (ii) the product of the principal amount and the applicable Early Redemption Price in accordance with the following schedule:

<b>Series B Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of early redemption premium)</b>
2 <sup>nd</sup> year from Issue Date and every Interest Payment Date thereafter before the 3 <sup>rd</sup> anniversary of the Issue Date	[101.00]%
3 <sup>rd</sup> year from Issue Date and every Interest Payment Date thereafter before Maturity Date	[100.25]%

<b>Series C Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of early redemption premium)</b>
4 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before the 5 <sup>th</sup> anniversary of the Issue Date	[102.00]%
5 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before the 6 <sup>th</sup> anniversary of the Issue Date	[101.00]%
6 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before Maturity Date	[100.25]%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice to the Bondholders through the Trustee of its intention to redeem the Series B and Series C Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series B and Series C Bonds on the Early Redemption Date stated in such notice. For the avoidance of doubt, notice to the Trustee shall be considered notice to the Bondholders.

### **Redemption for Taxation Reasons**

The Issuer may redeem any series of the Second Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under any series of the Second Tranche Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Series B and Series C Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an optional redemption, anything in the Trust Agreement or in the Series B and Series C Bonds contained to the contrary notwithstanding.

### **Mandatory Redemption**

If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Second Tranche Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

- a. Any law, Government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Second Tranche Bonds which shall be modified in a manner which, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
- b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;
- c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and
- d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer, may declare the principal of the Second Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an Early Redemption, anything in the Trust Agreement or in the Second Tranche Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.2 of the Trust Agreement, provided that, such notice shall not be deemed either caused by a default under Section 9.1, or a notice of default under Section 10.2 under the same Trust Agreement.

### **Purchase**

The Issuer may at any time purchase any of the Second Tranche Bonds at any price in the open market or by tender or by contract in accordance with PDEX Rules, which may be amended from time to time, without any obligation to purchase Second Tranche Bonds pro-rata from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Second Tranche Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

### **Payments**

The principal of, interest on, and all other amounts payable on the Second Tranche Bonds shall be paid to the Bondholders by crediting the settlement accounts designated by each of the Bondholders. The principal of, and



interest on, the Second Tranche Bonds shall be payable in Philippine Pesos, net of final taxes and fees (if any). AboitizPower shall ensure that so long as any of the Second Tranche Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Second Tranche Bonds. AboitizPower may terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, AboitizPower shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

### **Payment of Additional Amounts - Taxation**

Interest income on the Second Tranche Bonds is subject to final withholding tax at rates depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided below or in the Trust Agreement, and without prejudice to the right of the Issuer to exercise its option to redeem the Series B and Series C Bonds for taxation reasons, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

1. The applicable final withholding tax applicable on interest earned on the Series B and Series C Bonds prescribed under the Tax Code, as amended and its implementing rules and regulations as may be in effect from time to time. Without prejudice to any new or additional requirements as may be required under new or amendatory regulations, an investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:
  - a. Proof of Tax Exemption or Entitlement to Preferential Tax Rates
    - i. For (a) tax-exempt corporations and associations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30 (H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than three (3) years since the date of issuance thereof;
    - ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336);
    - iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) GOCC; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; and
    - iv. For entities claiming tax treaty relief – original or certified true copies of the following documents:

General requirements:

- 1) Original Tax Residency Certificate (TRC) duly issued by the tax authority of the foreign country in which the Bondholder is a resident;
- 2) Original duly notarized Special Power of Attorney (SPA) issued by the Bondholder to the Issuer, expressly stating the Issuer’s authority to sign the Application Form for



Treaty Purposes (BIR Form No. 0901-I) and to file a request for confirmation with the BIR on behalf of the Bondholder;

Additional requirements for legal persons and arrangements, and individuals:

- 3) Authenticated copy of the Bondholder's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language;
- 4) For legal persons and arrangements – original Certificate of Non-Registration or certified true copy of License to Do Business in the Philippines duly issued by the Securities and Exchange Commission (SEC) to the Bondholder;
- 5) For individuals – original Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry (DTI) to the Bondholder;

Additional requirements for entities:

- 6) Certified true copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the Bondholder;
- 7) List of owners/beneficiaries of the Bondholder;
- 8) Proof of ownership of the Bondholder; and
- 9) TRC duly issued by the concerned foreign tax authority to the owners or beneficiaries of the Bondholder.

All documents executed in a foreign country must either be authenticated by the Philippine Embassy stationed therein or apostilled if the said foreign country is a signatory to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (HCCH 1961 Apostille Convention) in order to be acceptable to the Issuer.

In addition, for subsequent interests due and subject to the requirements of new or amendatory regulations, the Bondholder shall submit to the Issuer an updated Application Form, a new TRC (if the validity period of the previously submitted TRC has already lapsed), and other relevant documents no later than the last day of the first month of the year when such subsequent interest payment/s shall fall due.

- b. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and
- c. Such other documentary requirements as may be reasonably required by the Issuer or the Registrar and Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Failure to submit any of the documents provided under (a), (b), and (c) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

2. Any applicable taxes on other income due to any Bondholder arising from the Series B and Series C Bonds, including but not limited to the Early Redemption Premium, if and when applicable;
3. Gross Receipts Tax under the Tax Code;

4. Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
5. Value Added Tax (“VAT”) under the Tax Code, as amended.

Documentary stamp tax for the primary issue of the Second Tranche Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer’s account.

## FINANCIAL RATIOS

The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation, and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt, as at the last day of the Relevant Period immediately preceding the Transaction Date, to Consolidated Equity, in respect of the Relevant Period immediately preceding the Transaction Date, will exceed 3:1.

There are no other regulatory ratios that the Issuer is required to comply with.

For the schedule of the Issuer’s relevant consolidated financial ratios as of 30 June 2021, 31 December 2020, 31 December 2019, 31 December 2018, and 31 December 2017, please refer to the table below as well as the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section beginning on page [154].

	30 June 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Interest Coverage Ratio <sup>5</sup>	Not measured on an interim basis	2.54	2.83	3.53	3.60
Return on Common Equity <sup>6</sup>	Not measured on an interim basis	11%	14.50%	20.20%	21.00%
Current Ratio <sup>7</sup>	1.28	1.38	1.53	1.89	1.38
Debt to Equity Ratio <sup>8</sup>	1.87	1.96	2.07	1.85	1.92

## EVENTS OF DEFAULT

Each of the following events constitutes an Event of Default.

1. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the Bonds, provided that such non-payment shall not constitute an Event of Default if such failure to pay is remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned.

<sup>5</sup> Earnings Before Interest and Taxes divided by Interest Expense

<sup>6</sup> Net Income after Tax divided by Total equity adjusted for cash dividends

<sup>7</sup> Current Assets divided by Current Liabilities

<sup>8</sup> Total liabilities divided by total stockholders’ equity

2. **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in the Trust Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect.
3. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in the Trust Agreement or in any other document or instruments related or otherwise in connection therewith in any material respect and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; Provided, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default.
4. **Cross Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of at least two-thirds (2/3) of the Bondholders, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the Fair Market Value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer.
5. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs, or any other proceeding analogous in purpose and effect; Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the a court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; provided, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within ninety (90) days from issuance thereof or such longer period as the Majority Bondholders may approve.
6. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default.
7. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, and any extension thereof, shall have expired without being satisfied, discharged, or stayed within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the Applicable Law or agreement.

8. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

## **CONSEQUENCES OF DEFAULT**

### **Declaration by the Trustee or the Bondholders**

1. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Second Tranche Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Second Tranche Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in the Trust Agreement or in the Second Tranche Bonds to the contrary notwithstanding.
2. The provision above, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Second Tranche Bonds, or of any Second Tranche Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Second Tranche Bonds.
3. At any time after an Event of Default shall have occurred, the Trustee may:
  - a. by notice in writing to the Issuer, the Registrar and Paying Agent, require the Registrar and Paying Agent to:
    - i. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Registrar and Paying Agent shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the Second Tranche Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Second Tranche Bonds on behalf of the Trustee; and/or
    - ii. deliver all evidence of the Second Tranche Bonds and all sums, documents and records held by them in respect of the Second Tranche Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Registrar and Paying Agent is not obliged to release by any Applicable Law; and
  - b. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Second Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

### **Notice of Default**

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving

of such notice; provided, that, in the case of a Payment Default, the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the Second Tranche Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default; provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Second Tranche Bonds at the principal office of the Trustee as indicated in the Trust Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names and addresses of the Bondholders, the amount of the Second Tranche Bonds held by them, and such other information as may be agreed upon between the Registrar and the Issuer.

### **Penalty Interest**

In case any amount payable by the Issuer under the Second Tranche Bonds, whether for principal, interest, fees due to the Trustee, Registrar and Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of 2.0% per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

### **Payments in the Event of Default**

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Second Tranche Bonds with interest at the rate borne by the Second Tranche Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred in furtherance of the Trust Agreement and without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of the Trust Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Second Tranche Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Second Tranche Bonds to the Trustee.

### **Application of Payments**

Any money collected by the Trustee and any other funds held by it through the Registrar and Paying Agent or any other agent appointed by the Trustee in connection with the Second Tranche Bonds, subject to any other provision of the Trust Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Registrar and Paying Agent, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by the Trustee and the Registrar without negligence or bad faith.

Second: To the payment of Penalty Interest.

Third: To the payment of the interest, in the order of the maturity of such interest.

Fourth: To the payment of the principal amount of the outstanding Second Tranche Bonds due and payable.

Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Registrar and Paying Agent in relation to the Second Tranche Bonds shall require the conformity of the Trustee. The Registrar and Paying Agent shall render a monthly account of such funds under its control.

## **Remedies**

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement.

No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given in the Trust Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

## **Ability to File Suit**

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Second Tranche Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

## **Waiver of Default by Bondholders**

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Payment Default, Insolvency Default, and Closure Default, and its consequences. In case of any such waiver, written notice of which shall be given to the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Second Tranche Bonds.

## **MEETINGS OF BONDHOLDERS**

### **Meetings**

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Second Tranche Bonds under any other provisions of the Trust Agreement or under Applicable Law and such other matters related to the rights and interests of the Bondholders under the Second Tranche Bonds. The Issuer shall authorize the Registrar and Paying Agent to provide the Trustee with the list of Bondholders for purposes of calling a meeting of the Bondholders.

### **Notice of Meetings**

The Trustee may at any time call a meeting of the Bondholders, or the Majority Bondholders may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified herein, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be issued by the Trustee and sent by the Trustee to the Issuer and to each of the registered Bondholders through the Registrar and Paying Agent and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting, including the cost of the venue and other related expenses for the meeting, shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

### **Failure of Trustee to Call a Meeting**

In case at any time the Issuer, pursuant to a resolution of its Board, or the Majority Bondholders shall have requested and funded the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or Majority Bondholders may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof, and the costs thereof shall be chargeable to the Trustee, except when such failure is beyond the control of the Trustee.

### **Quorum**

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The Trustee shall rely on the records provided by the Registrar and Paying Agent and shall be held free and harmless for such reliance.

### **Procedure for Meetings**

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Second Tranche Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.



In the event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to its Agreement then such listing shall prevail and the Trustee shall rely on such records

### **Voting Rights**

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of the Second Tranche Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

### **Voting Requirement**

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in the Trust Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

### **Role of the Trustee in Meetings of Bondholders**

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, with regard to proof of ownership of the Second Tranche Bonds, the appointment of proxies by registered holders of the Second Tranche Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

### **Evidence Supporting Bondholders' Action**

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Second Tranche Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

### **Duties and Responsibilities of the Trustee**

The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.



In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of the Trust Agreement.

The Trustee shall report regularly to the Bondholders any non-compliance by the Issuer with the Trust Agreement and, to the best of Trustee's knowledge, any development with respect to the Issuer based on official disclosures to the PDEX, PSE, SEC, or other regulatory agencies and that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to the PDEX, PSE, SEC, or other regulatory agencies; provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the Second Tranche Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification and Registrar's confirmation.

The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Second Tranche Bonds.

The Trustee shall promptly and faithfully carry out the instructions or decisions of the Bondholders issued or reached in accordance with Section 11 of the Trust Agreement.

The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Second Tranche Bonds and the Trust Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Second Tranche Bonds and the Trust Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request, provided such limitation shall not apply if in conflict with the duties and responsibilities of the Trustee under any provision of the Trust Agreement.

The Trustee shall, prior to the occurrence of an Event of Default or after curing or waiver of any Event of Default which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of an Event of Default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances. The Trustee may appoint agents to perform or institute the necessary actions in the exercise of such rights and powers.

The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Event of Default within a reasonable period from the time that the Trustee learns or is informed of such event.

As to the Bondholders, the Trustee may presume that no Event of Default has occurred and the Issuer has complied with all its representations, warranties and covenants until it has received notice or has actual knowledge thereof.

Upon written request by the Issuer no later than 11:30 a.m. on a Banking Day, the Trustee shall send notice of any matter to the Bondholders, other than those matters notice of which is specifically required to be given to the Bondholders by another party under the Trust Agreement. If required, a copy of such notice shall be sent to the Registrar.

The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Agreement.

### **Amendment or Supplemental Agreements**

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its Board, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, however, that no such supplemental agreement shall:

1. Without the consent of each Bondholder affected thereby:
  - a. extend the fixed maturity of the relevant Series B and Series C Bonds, or
  - b. reduce the principal amount of the relevant Series B and Series C Bonds, or
  - c. reduce the rate or extend the time of payment of interest and principal thereon;
2. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or
3. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in the Trust Agreement without the consent of all the Bondholders.

The Issuer and the Trustee may amend or waive any provisions of the Transaction Documents and it shall not be necessary to send a prior notice to, or obtain the consent of, the Bondholders under this Section for the purpose of:

- i. approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof; and
- ii. any such amendment or waiver that is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

Any consent given shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Second Tranche Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

## **MISCELLANEOUS PROVISIONS**

### **Waiver of Preference**

In the event that a primary obligation for payment shall arise out of the Trust Agreement, such as to constitute the Trust Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under the Trust Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that the Trust Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

### **Notice**

Any notice or demand authorized by the Trust Agreement to be given to the Issuer and the Trustee must be in writing and will be deemed to have been duly given only if (a) (i) delivered personally, or (ii) mailed through a

reputable overnight courier service (postage prepaid) to the parties at the following addresses and addressed to the individuals names below; provided, that in either case, such notice, request or other communication be also sent via email; or (b) emailed to the parties at the following email addresses and addressed to the individuals named below:

*If to the Issuer:*

Aboitiz Power Corporation  
Attention: Maria Veronica C. So  
Subject: AboitizPower Bonds Due [•]  
Address: 32nd Street, Bonifacio Global City,  
1634 Taguig City, Metro Manila  
Telephone No. +632 8886 2789  
E-mail: veronica.so@aboitiz.com  
With copy to: aev.tsg@aboitiz.com

*If to the Trustee:*

BDO Unibank, Inc. Trust and Investments Group  
Attention: [•]  
Subject: AboitizPower Bonds Due [•]  
Address: 15<sup>th</sup> Floor South Tower, BDO Corporate Center, 7899 Makati  
Avenue, Makati City  
Facsimile: +6328784270  
E-mail: [•]

*If to the Joint Issue Managers, Joint Underwriters, and Joint Bookrunners*

BDO Capital & Investment Corporation  
Attention: Barbara May M. Billano  
Subject: AboitizPower Bonds Due [•]  
Address: 20<sup>th</sup> Flor, South Tower, BDO Corporate Center, 7899 Makati  
Avenue, Makati City  
E-mail: billano.barbaramay@bdo.com.ph

China Bank Capital Corporation  
Attention: Michael L. Chong  
Subject: AboitizPower Bonds Due [•]  
Address: 28<sup>th</sup> Floor, BDO Equitable Tower, 8751 Paseo de Roxas St., Makati  
City  
E-mail: mlchong@chinabank.ph

First Metro Investment Corporation  
Attention: Luis Martin E. Villalon  
Subject: AboitizPower Bonds Due [•]  
Address: 45<sup>th</sup> Floor, GT Tower International, 6813 Ayala Ave. cor. H.V. Dela  
Costa St., Makati City  
Facsimile: +632 840 3706  
E-mail: martin.villalon@firstmetro.com.ph

SB Capital Corporation  
Attention: Marie Natalie J. Collado  
Subject: AboitizPower Bonds Due [•]  
Address: 18F Security Bank Centre, 6776 Ayala Avenue, Makati City  
E-mail: mncollado@securitybank.com.ph

All notices to the Issuer and the Trustee shall be deemed served or given when sent via email; provided, that no bounce mail, error or send failure notification is received by the sender.

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) reputable surface mailing service; (iii) reputable overnight courier service (postage prepaid); (iv) electronic mail; (v) by one-time publication in a newspaper of general circulation in the Philippines; (vi) personal delivery to the address of record in the Register of Bondholders; or (vii) disclosure through the online disclosure system of the PDEX. The Trustee shall rely on the Register of Bondholders provided by the Registrar and Paying Agent in determining the Bondholders entitled to notice.

All notices to Bondholders shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing if transmitted by a reputable surface mailing service; (iii) upon the next business day, if sent by reputable overnight courier service; (iv) on the date of transmission, if transmitted by electronic mail; provided, that no bounce mail, error or send failure notification is received by the sender; (v) on date of publication; (vi) on date of delivery, for personal delivery; or (vii) on the date of posting through the online disclosure system of PDEX, as applicable.

### **Binding and Conclusive Nature**

Except as provided under the Trust Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar and Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement, resulting from the Trustee's reliance on the foregoing.

### **SUCCESSORS AND ASSIGNS**

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the Second Tranche Bonds.

### **VALIDITY OF PROVISIONS**

If any provision, term or condition hereof or the application thereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any Person or circumstance shall not be affected and shall continue to be in full force and effect.

### **Venue**

Any legal action or proceeding arising out of, or in connection with, the Trust Agreement and the Second Tranche Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City or Taguig City, Metro Manila, Philippines, at the option of the complaining party, to the exclusion of any other court.

### **Dispute Settlement**

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of the Trust Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may

be reasonable under the circumstances, the parties may have recourse to the usual judicial action that may be obtained under the circumstances.

### **No Right to Set-Off**

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under the Trust Agreement.

### **Non-Reliance**

Each Bondholder represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or willful misconduct.

### **Non-coverage of PDIC**

The Bondholders understand and acknowledge that investments in the Second Tranche Bonds are not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Second Tranche Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.

### **Governing Law**

The Second Tranche Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

## THE COMPANY

The Aboitiz Group's power generation, distribution and retail electricity supply business is operated through AboitizPower and its Subsidiaries (collectively, the "AboitizPower Group" or the "Group"). AboitizPower's Generation Group is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA") and for trading in the WESM. The Distribution Utilities are engaged in the distribution and sale of electricity to end-users through its various distribution utilities, while 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.

Based on ERC Resolution No. 05-2021 dated 11 March 2021, the power generation business of AboitizPower is among the leaders in the Philippines in terms of attributable installed capacity. Moreover, AboitizPower has the second largest distribution utility in terms of captive customer connections and energy sales (based on the DOE's Distribution Development Plan 2019-2028). AboitizPower's Subsidiaries engaged in the supply of retail electricity account for the second largest in terms of customers and in terms of share in total retail market demand (based on share in total retail market demand presented in the ERC Competitive Retail Electricity Market Monthly Statistical Data as of July 2021). AboitizPower is a pioneer in the building and operation of run-of-river mini 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>9</sup>. AboitizPower is listed on the PSE and as of 31 August 2021, AboitizPower had a market capitalization of ₱206.04 bn, with a common share price of ₱28.00 per share.

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<sup>9</sup> Based on ERC Resolution No. 5-2021, dated 11 March 2021

## BRIEF HISTORY OF ABOITIZPOWER AND ITS SIGNIFICANT SUBSIDIARIES

### Aboitiz Power Corporation Conglomerate Map of 30 June 2021



\*\* Joint Operations

\*\*\* Engages in retail electricity supply business



## BUSINESS DEVELOPMENT

AboitizPower is a publicly-listed holding company incorporated on, and has been in business since, 13 February 1998. AboitizPower was incorporated as a holding company for the Aboitiz Group’s investments in power generation and distribution. Ownership in AboitizPower was opened to the public through an initial public offering of its common shares and its common shares were officially listed in the PSE on 16 July 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.

The Company’s controlling shareholder, AEV, is a diversified conglomerate that is listed in the PSE, and has interests in power, banking and financial services, food, infrastructure, and land. This relationship with AEV allows the Company to draw on AEV’s strong foundation for sustained growth by being the Philippines’ second oldest family-led business group, with an experienced management team, right partners and robust talent management, strong financial position, proactive risk and insurance management, and Global Reporting Initiative-certified sustainability reporting system to support the Company’s robust growth initiatives. As of 31 August 2021, AEV owns 76.88% of the outstanding capital stock of AboitizPower.

The Aboitiz Group’s involvement in the power industry began when members of the Aboitiz family acquired 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. In July 1946, the Aboitiz Group strengthened its position in power distribution in the Southern Philippines when it acquired Davao Light, now one of the largest privately-owned electric utilities in the Philippines in terms of customers and annual GWh sales.

In December 1978, ACO divested its ownership interests in Ormoc Electric Light Company and Jolo Power Company to focus 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 became involved in 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 26 June 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 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 NPC to develop and operate the 70-MW Bakun AC hydroelectric plant in Ilocos Sur.

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

Year	Milestones
1998	Incorporated as a holding company for the Aboitiz Group’s investments in power generation and distribution.
2005	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.
2007	Entered into a share swap agreement with AEV in exchange for AEV’s ownership interest in the following distribution utilities: <ul style="list-style-type: none"> <li>(i) An effective 55% equity interest in Visayan Electric;</li> <li>(ii) 100% equity interest in each of Davao Light and Cotabato Light;</li> <li>(iii) An effective 64% ownership interest in SEZ; and</li> <li>(iv) An effective 44% ownership interest in SFELAPCO.</li> </ul> As part of the reorganization of the power-related assets of the Aboitiz Group, the Company: <ul style="list-style-type: none"> <li>(i) Acquired 100% interest in Mactan Enerzone and 60% interest in Balamban Enerzone from AboitizLand; and</li> </ul>



	<p>(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.</p> <p>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 initial public offering (IPO) price of ₱5.80 per share in exchange for the foregoing equity interests in Balamban Enerzone, Mactan Enerzone, and Subic Enerzone.</p> <p>Together with its partner, Statkraft Norfund Power Invest AS of Norway, through SNAP-Magat, acquired possession and control of the Magat Plant following its successful bid in an auction by PSALM.</p> <p>Formed 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 MOA with Global Power of the Metrobank group for the acquisition of a 44% equity interest in Cebu Energy.</p> <p>TPI, its wholly-owned Subsidiary, entered into a MOA with TCIC for the Subic Coal Project, an independent coal-fired power plant in the Subic Bay Freeport Zone. RP Energy was incorporated as the project company.</p> <p>Acquired 50% of EAUC from El Paso Philippines Energy Company, Inc. and 60% of CPPC.</p> <p>Purchased 34% equity ownership in STEAG Power from Evonik Steag GmbH in August 2007.</p> <p>Purchased Team Philippines Industrial Power II Corporation Industrial Power II Corp.'s 20% equity in SEZ, bringing AboitizPower's total equity in Subic Enerzone to 100%.</p>
2008	<p>SNAP-Benguet submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Plant Complex.</p> <p>Acquired Tsuneishi Holdings (Cebu), Inc.'s 40% equity ownership in Balamban Enerzone, bringing AboitizPower's total equity in Balamban Enerzone to 100%.</p>
2009	<p>APRI acquires and takes over the ownership and operations of 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").</p> <p>TLI becomes the IPPA for the 700-MW contracted capacity of the Pagbilao Plant, becoming the first IPPA of the country.</p>
2010	<p>TMI acquired ownership over Mobile 1 (Power Barge 118) and Mobile 2 (Power Barge 117) from PSALM.</p>
2011	<p>MGen, TCIC, and TPI entered into a Shareholders' Agreement to formalize their participation in RP Energy. MGen took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.</p> <p>TMO acquired four barge-mounted floating power plants from Duracom Mobile Power Corporation and EAUC, including their respective operating facilities. In the same year, the barges underwent rehabilitation and started commercial operations in 2013.</p>
2013	<p>AESI won 40 strips of energy corresponding to 40 MW capacity of ULGPP. The contract between AESI with PSALM with respect to the ULGPP capacity was terminated on 26 October 2019.</p>
2014	<p>TPI entered into a joint venture agreement with TPEC Holdings Corporation to form PEC to develop, construct, and operate the 400 MW coal-fired Pag 3.</p> <p>TPVI was declared the highest bidder for the privatization of the NPPC. 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 16 July 2018.</p> <p>Acquired 100% of LEZ, from Lima Land, a wholly-owned Subsidiary of AboitizLand.</p> <p>TPI entered into a Shareholders' Agreement with Vivant Group, for the latter's acquisition of 20% issued and outstanding shares in TVI.</p>
2015	<p>Aboitiz Renewables formed a joint venture company, San Carlos Sun Power, Inc. (SacaSun), with SunEdison Philippines to explore solar energy projects.</p> <p>TSI commences full commercial operations of its Unit 1.</p>

2016	TSI commences full commercial operations of its Unit 2.
	TPI acquired 66% ultimate beneficial ownership interest in GMEC (formerly GNPowder Mariveles Coal Plant Ltd. Co. or GMCP) and 50% ultimate beneficial ownership interest in GNPD.
	Through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines.
2017	AboitizPower International completes its acquisition of SunEdison Philippines, and consolidates ownership of Sacasun.
2018	Aseagas permanently ceased operations of its 8.8-MW biomass plant in Lian, Batangas
	Pag 3 began commercial operations.
	TPVI accepted the turnover of the Naga Power Plant Complex from PSALM.
2019	TVI commenced commercial operations of Unit 1.
	TMO signed a PSA with Meralco, after the facility went into preservation mode on 05 February 2019.
	TMO re-registered with IEMOP on 22 April 2019 and commenced delivery of power to Meralco on 26 April 2019.
2020	AboitizPower acquired 49% voting stake and a 60% economic stake in AA Thermal.
	TPVI started commercial operations.

AboitizPower plans to expand the rooftop solar business through APX1 and expand the renewable energy portfolio under its Cleanergy brand. AboitizPower's Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities. AboitizPower first ventured into the solar market in 2016 with Sacasun. 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.

### **Developments in the Past Three (3) Years**

#### ***Maris Main Canal 1***

This project, undertaken by SNAP-Magat, was inaugurated in January 2018. The 8.5MW Maris plant has been operating under the Feed-In Tariff (“FIT”) System at a rate of ₱5.8705 kWh starting from its commercial operations date on 20 November 2017.

#### ***Naga Power Plant Complex***

On 16 July 2018, the Naga Power Plant Complex (“NPPC”) was physically turned over and accepted by Therma Power-Visayas, Inc. (“TPVI”) from PSALM. TPVI embarked on the rehabilitation of the 44-MW diesel plant right after, which DOE has endorsed as a committed power project. The plant started commercial operations on 07 August 2020 and was first dispatched based on an offer into the WESM on 26 August 2020.

#### ***Pagbilao Unit III***

In March 2018, the 420-MW Pagbilao Unit III commenced commercial operations. Pagbilao Unit III is owned by PEC, the joint venture company with TPEC Holdings Corporation. Pagbilao Unit III (Pag 3) is located in the same site as the existing 700-MW Pagbilao Units I (Pag 1) and II (Pag 2) coal-fired thermal power plant in Pagbilao, Quezon.

#### ***Issuance of Fixed-Rate Corporate Retail Bonds***

On 14 December 2020, the Board of Directors approved the issuance of fixed-rate corporate retail bonds in the aggregate amount of up to ₱30 bn for which a registration statement was filed by the Company on 18 December 2020 and was rendered effective by the Securities and Exchange Commission (“SEC”) through an Order of Registration and Certificate of Permit to Offer Securities for Sale, SEC MSRD Order No. 3, Series of 2021, dated 1 March 2021 (the “2021 Bonds”). The first tranche of the 2021 Bonds in the aggregate principal amount

₱8,000,000,000.00 maturing on 16 March 2026, rated "PR3 Aaa" with Stable Outlook, was issued on 16 March 2021 with a fixed interest rate of 3.8224% per annum. These bonds are listed and traded with PDEX.

### ***Ownership Interests in GMEC and GNPD***

On 26 September 2018, the Company entered into a share purchase agreement with Arlington Mariveles Netherlands Holding BV, an affiliate of AC Energy, and a shareholders' agreement with AC Energy, a wholly-owned subsidiary of Ayala Corporation, for the proposed acquisition of a 49% voting stake and 60% economic stake in AA Thermal, AC Energy's thermal platform in the Philippines.

Through the acquisition of AA Thermal, which holds interests in GMEC (formerly GMCP), the owner and operator of an operating 2x316 MW coal plant in Mariveles, Bataan and in GNPD, the developer and owner of a 2x668 MW supercritical coal plant project in Dinginin, Bataan, which is currently under construction, AboitizPower's economic interests in GMEC and GNPD have been increased to 78.3% and 70%, respectively.

On 02 May 2019, with the satisfaction of all conditions precedent (including the PCC approval) under the share purchase agreement with Arlington Mariveles Netherlands Holding BV, the Company completed its acquisition of interests in AA Thermal.

### ***SNAP-Magat Floating Solar Project***

In June 2019, SNAP-Magat switched on its first 200kW floating solar 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. The SNAP-Magat floating solar project has proven its viability, both technical and commercial. On 21 October 2020, the Board of SNAP-Magat approved for the project to proceed to engineering design for 67 MW. SNAP is working on the renewable energy service contract (RESC) application with the Department of Energy (DOE). Since the National Irrigation Administration (NIA) is the government agency in charge of dams and reservoirs, SNAP secured an extension of the memorandum of understanding with NIA on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir.

### ***TMI and SNAP-Magat BESS Projects***

In November 2020, AboitizPower announced its two battery projects. The TMI Hybrid BESS project ("TMI BESS") is located in Maco, Compostela Valley. It has a storage capacity of 49 MWh and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with Therma Marine's Maco oil barge. The TMI BESS project is targeted to commence commercial operations in 2022. The SNAP-Magat BESS project ("SNAP BESS") is located in Ramon, Isabela. It has a storage capacity of 20 MWh and will be used to provide ancillary services. Early works activities have been completed, including site surveys and basic engineering design. Coordination is ongoing with the National Grid Corporation of the Philippines (NGCP) on transmission, particularly the Magat-Santiago 230 kV transmission line reconductoring/upgrading. The benefit of this upgrade is to ensure full dispatch of the Magat power plant capacity, battery energy storage system, and proposed expansion in floating solar. 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.

### ***Cayanga Solar Power Project***

AboitizPower is proceeding with the construction of the 74MW Cayanga solar project located in Cayanga, Bugallon, Pangasinan through its PV Sinag Power, Inc. entity. NTP for Access Roads was issued on 15 September 2021 while NTP to the EPC contractor for the power plant and transmission will be issued in November 2021. The project is expected to be completed by December 2022. Majority of the solar plant's capacity will be contracted for retail electricity supply.

## COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following:

### **Strong track record in both power generation and distribution.**

*Power generation.* AboitizPower's generation group has developed some of the largest private power producers in the Philippines, having a well-balanced portfolio of renewable (hydro, geothermal and solar) and non-renewable (coal and oil) energy sources across 48 generation facilities since 1978. AboitizPower's hydro group, Hedcor, has played an integral role in the power generation business by emerging as a pioneer in the development of small-to medium-sized hydroelectric plants in the Philippines. The Company currently has the largest installed capacity of renewable energy in the country. The Company ensures that its operations at existing power plants remain at par with globally recognized standards and best practices. AboitizPower's Business Units continue to earn multiple certifications for quality, safety, environmental, asset management, business continuity, and information security management from the ISO. Furthermore, the RES group of AboitizPower has been a leading player in the country's retail market since its inception in 2013.

*Power distribution.* The Aboitiz Group entered the power distribution business in 1918 when the Aboitiz family bought a 20% equity stake in Visayan Electric, which at that time was an integrated power business (i.e., had both generation and distribution assets). AboitizPower's power distribution business is currently composed of nine distribution utilities, two of which serve the second- and third-largest markets in the Philippines: Cebu City and Davao City, and their surrounding areas. These two are Visayan Electric and Davao Light, which are among the first few in the country to be certified with an ISO 14000:2015 and ISO 45000:2018 for Occupational Health and Safety, and Environmental Management. AboitizPower continues to invest to improve reliability and increase efficiency by instituting standardised operating systems and processes. AboitizPower's ownership interests in the Distribution Companies are expected to continue providing stable sources of revenue. The Company believes it is well-positioned to benefit from the stable electricity demand growth rate in the country, as economic activity in two of the largest electricity markets, Cebu City and Davao City, increases.

### **Ability to take advantage of expected strong power market fundamentals.**

According to the NGCP, for the period from 2020 to 2040, growth in demand for electricity in the Luzon, Visayas, and Mindanao grids is expected to increase at an average annual growth rate of 5.97%, 7.18% and 7.42% respectively. Despite the effects of the pandemic on the country's recent economic growth, AP's critical role remains. As an established and reputable operator of IPPs, the Company believes that its portfolio of generation facilities located in strategic points across the three grids will allow it to support and benefit from the country's economic recovery and continued economic development. The Company is well-positioned to provide a number of energy-related services, such as baseload, peaking, and reserve power requirements.

### **Power generation contracts that provide steady and predictable cash flow.**

As of the first half of 2021, over 80% of the Company's power generation net sellable capacity was covered by bilateral contracts. These bilateral contracts provide steady cash flows from a variety of offtakers, including distribution utilities and contestable customers under the Retail Competition and Open Access ("RCOA") regime. In particular, the Generation Companies have existing bilateral contracts that require offtakers to either pay for available capacity (in the case of the majority of the Company's baseload and oil plants), or pay for all the electricity generated by the relevant plant (in the case of the bulk of the Company's run-of-river hydropower plants). A number of plants also have contracts that do not assume fuel risk because of direct pass-through mechanisms in their respective PPAs or fuel is supplied by their offtakers. For contracts with no direct pass-through mechanisms, the fuel risk is hedged.

### **Benefits from renewable energy sources.**

**Operating leverage.** Since the Company's run-of-river hydroelectric power generation facilities rely on natural water flow to generate electricity, they are not exposed to market fluctuations in the price of hydrocarbon fuels. Further,

hydroelectric plants, such as the 388 MW Magat plant and 245 MW Ambuklao-Binga Hydroelectric Power Plant Complex, have relatively quick ramp-up and ramp-down capabilities. The Company's Magat and Ambuklao-Binga plants can provide multiple ancillary services to the Luzon Grid, such as frequency regulation, acting as a spinning reserve and providing back-up power.

**Other benefits from renewable energy.** Sales from generating facilities using renewable energy sources, such as the Company's hydroelectric, geothermal and solar-powered facilities, are "zero-rated" for purposes of VAT. This means that such Generation Companies are not required to include the VAT as part of the rates they charge off-takers. While the RE Generation Companies are allowed to claim as tax credit the amount of VAT charged or passed on to their suppliers, the process has allowed the Company to claim, albeit with a lot of effort and is continuously being challenged by the BIR.

Further, because the Company has a number of run-of-river hydroelectric facilities located in different regions of the Philippines, the Company believes it has a natural hedge against the risk of hydrological conditions in one area of the Philippines affecting all of the Company run-of-river facilities.

RA No. 9513, or the Renewable Energy Act, is intended to give additional incentives to the RE Generation Companies, which will in turn translate to lower operating costs. The law provides fiscal and non-fiscal incentives, including income tax holiday ("ITH") for a period of seven (7) years, ten percent (10%) corporate income tax after the lapse of the ITH, duty-free importation, and special rates on real property taxes among others. See the section entitled "*Renewable Energy Act of 2008*" on page 263 of this Offer Supplement.

The above-mentioned tax holidays are affected by the CREATE Bill. See the section entitled "*Effects of Existing or Probable Government Regulations on the Business*" on page 126 of this Offer Supplement.

#### **Dependable and growing sources of income from its power distribution businesses.**

The Company's ownership interests in the Distribution Companies are expected to continue providing stable sources of revenues. With Visayan Electric and Davao Light, the second and third largest privately-owned distribution utilities in the Philippines in terms of both customers and annual GWh sales, forming part of the Company's distribution utilities portfolio, the Company is well-positioned to benefit from a stable electricity demand growth rate in the country, as economic activity in two of the largest electricity markets increases.

#### **Strong financial position and the ability to obtain limited recourse and corporate level financing.**

The Company believes that its strong financial position enables it to implement its strategy of expanding its generation portfolio through selective acquisitions and Greenfield projects, while at the same time improving the operation performance and efficiency of the Distribution Companies. The Company's strong balance sheet supports its growth plans. The Company has also consistently been able to secure bank financing from leading Philippine and multinational banks.

#### **Established relationships with strategic partners.**

The Company has established a strategic partnership to own and operate the Magat, Maris, and Ambuklao-Binga hydroelectric plants with SN Power<sup>10</sup>. Aside from this, AboitizPower has also established partnerships with the likes of STEAG GmbH, AC Energy, Global Power, Meralco, and TeaM Energy, which are reputable names in their respective industries. The Company remains open to strategic partnerships in the pursuit of exploratory projects.

The Company believes that it can build on its relationships with these partners to enhance its ability to compete for, develop, finance and operate future power generation projects.

#### **Strong and experienced management team.**

The Company is led by a seasoned management team with a track record of hands-on management in the complex power generation and distribution business. The management team is not only tenured but has in depth technical

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and financial expertise to meet the challenges of this fast-growing business. In line with this, further domain expertise has been integrated in plant operations, trading, energy economics, assets and contracts management, business development, environmental and construction management, among others. As a result, AboitizPower posts sustained positive growth and an equally strong financial performance.

As a leader of this industry, the Company's management team is in constant collaboration and communication with regulatory bodies such as the DOE and ERC. Hand in hand with various energy stakeholders on a national and local level, the management team works to promote good business practices and the interests of the public. With over 100 years in business, the Aboitiz Group knows that the strength of the business not only rests in operational expertise but in its reputation as it meets its obligations to its various stakeholders.

AboitizPower is committed to becoming a critical enabler in the country's development.

## **BUSINESS STRATEGY**

The Company's business strategy is to increase shareholder value by undertaking the following steps:

### **1. Expand the Company's generation portfolio**

Despite the anticipated economic impact to GDP of the COVID-19 pandemic in the Philippines, the economy is expected to recover and continue its positive growth momentum in the coming years, according to the International Monetary Fund. To sustain this growth, the Philippines will require a sufficient amount of competitively priced power to meet the country's increasing energy needs. AboitizPower is strategically constructed to meet this increasing demand. The Company seeks to provide the country with reliable power at a reasonable cost and in a responsible manner. Furthermore, AboitizPower has a strong pipeline which features a generation portfolio of multi-fuel technologies. The Company has been increasing its generation portfolio since 2007 and expects to continue optimising the Company's current business to drive cost-efficient growth. It remains committed to growing its attributable capacity, which the Company expects to come from a portfolio of renewables and selective baseload builds, including gas. In terms of renewable energy, the Company aims to maximize opportunities coming from the implementation of the RPS by DOE. It will significantly grow Cleanergy (renewable capacity) by 3,700 MW, and bring its renewables portfolio to 4,600 MW by 2030. The Company is currently planning to double its net attributable capacity by the end of the decade, with a target of 9,200 MW by 2030. It will achieve a 50:50 balance between its renewable ("Cleanergy") and thermal capacities without new coal builds.

Supporting its developmental efforts, acquisitions like GNPD are expected to play a critical role in the Company's pursuit of growth. Baseload power has a critical role in the country's energy mix, so the Company is on the constant lookout for the most competitively priced baseload fuel at every stage, employing best in class technologies to manage environmental impact.

### **2. Contract the bulk of the Company's attributable net sellable capacity and leverage the generating portfolio mix**

In view of changing market dynamics, the goal of the Company is to contract the bulk of its attributable net sellable capacity into an optimal mix of bilateral contracts, ancillary services, and spot market sales, based on a portfolio optimization strategy. The bilateral contract mix of capacity and energy-based contracts comprise more than 80% of the Company's net sellable capacity, and provides steady and predictable cash flows. At the same time, this allows the Company to capitalize on opportunities in the ancillary and spot markets.

### **3. Expand the scope of the Company's distribution business and continue to improve the operational efficiency of its existing distribution assets**

To protect AboitizPower's core business and ensure stable growth, the Company's major plans include expanding the Power Distribution business and improving the performance of Distribution Utilities by aligning its operations to world-class standards. AboitizPower intends to explore opportunities to expand its portfolio of distribution companies by either acquiring additional distribution utilities or electric cooperatives, or by entering into agreements to manage distribution utilities or systems. AboitizPower also expects to focus on improving the Distribution Utilities' level of service and lowering their operating costs by maximising synergies with the Generation



Companies and across the Distribution Utilities and by investing in new systems that will allow the distribution utilities to be more efficiently managed. AboitizPower believes that a strong distribution business of sufficient scale will continue to provide a springboard for AboitizPower's strategies in electricity generation and electricity-related services.

#### **4. Maintain a high level of social responsibility in the communities in which the Company operates.**

The Company aims to conduct its business operations consistent with the highest standards of social responsibility and sustainable development, particularly in terms of environmental responsibility. The Company has actively participated in the development of the communities where its projects are located, which contribute to social and political stability in the areas where the Company operates. The Company also contributes a portion of its revenues to LGUs to fund community development activities in the areas of education, health care, rural electrification and environmental protection. By continuing to strengthen its relationships with the local communities where it does business and build support and goodwill among the residents, non-governmental organizations, LGUs and other stakeholders, the Company believes that it increases the likelihood that it will benefit from political and social stability in the areas where it operates, and get the continued support and patronage of its key stakeholders.

### **PRINCIPAL PRODUCTS**

#### **Generation of Electricity**

The Company has accumulated interests in a portfolio of power generating plants, using renewable and non-renewable sources.

The table below summarizes the Company's power generation companies and key information as of 31 August 2021:

<b>Plant Name</b>	<b>Installed Capacity<sup>11</sup></b>	<b>Net Sellable Capacity (MW)</b>	<b>Attributable Net Sellable Capacity (MW)</b>	<b>Management Company</b>	<b>Off-takers</b>
Ambuklao	105	105	52.5	SNAP-Benguet	WESM
Bakun AC	74.8	74.8	74.8	Luzon Hydro Corporation	NPC (2026)
Benguet 1-11	53.92**	52.7	52.7	Hedcor, Inc	FIT / Bilaterals
Binga	140	140	70	SNAP-Benguet	WESM / ASPA
Davao 1-5	4.5	4.5	4.5	Hedcor, Inc.	Bilaterals
Magat	380	388	194	SNAP-Magat	WESM / Coops / ASPA
Manolo Fortich	73.3	68.8	68.8	Hedcor Bukidnon	FIT
Sibulan (A, B and Tudaya A)	52.15	49.1	49.1	Hedcor Sibulan	Distribution Utility
Sabangan	14.1	14	14	Hedcor Sabangan	FIT
Maris Main Canal 1	8.5	8.5	4.3	SNAP-Magat	FIT
Tudaya (B)	8.1	7	7	Hedcor Tudaya	FIT
Tiwi - Makban	627.8	290	290	APRI	Bilaterals/WESM
Sacasun (San Carlos)	46.8	46.8	46.8	San Carlos Sun Power, Inc.	WESM
STEAG Power Plant (Mindanao)	210	210	71.4	STEAG Power	NPC (2031)
Mariveles Project	632	632	495	GMEC	Bilaterals/WESM

<sup>11</sup> Based on ERC Resolution No. 05, Series of 2021, A Resolution Setting the Installed Generating Capacity and Market Share Limitation Per Grid and the National Grid for 2021.

TSI Plant (Davao)	301.4	260	260	TSI	Bilaterals
Pagbilao	700	700	700	TLI	Bilaterals / WESM
Pag3	420	388.4	194.2	PEC	TLI
Cebu Energy (Toledo)	246	216	57	CEDC	Bilaterals/WESM
TVI Plant (Cebu Coal)	353.9	300	240	TVI	Bilaterals/WESM
CPPC Plant (Cebu Oil)	64	64	38.4	CPPC	Distribution Utility (Visayan Electric)
Bunker Cotabato	4	4.5	4.5	Cotabato Light	Distribution Utility (Cotabato Light)
SPPC Plant (General Santos)	61.72**	55	11	SPPC	NPC (2016)
EAUC Plant (Mactan)	43.5	43.5	43.5	EAUC	Bilaterals
Power Barge Mobile 1	96	96	96	TMI	Bilaterals/ASPA
Power Barge Mobile 2	96	96	96	TMI	Bilaterals/ASPA
Power Barge Mobile 3-6	202.2	200	200	TMO	ASPA/WESM
Naga	40.61	39.3	39.3	TPVI	WESM
WMPC (Zamboanga)	107	100	20	WMPC	Bilaterals
Total	5,167.3*	4,653.8*	3,494.7*		

\*Sum figures will differ due to rounding effect

\*\*Based on Certificate of Compliance

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. 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 30 June 2021 and full year 2020 compared to the same period in 2019 and 2018:

Generation Companies	6M 2021	Energy Sold				6M 2021	Revenue		
		FY 2020	FY 2019	FY 2018	FY 2020		FY 2019	FY 2018	
					(in GWh)				
					(in million Pesos)				
APRI	1,355	3,055	2,968	2,857	5,441	11,253	12,545	12,518	
Sacasun	31	44	49	41	158	250	269	197	
Hedcor	38	161	226	172	219	697	881	694	
LHC	50	266	262	291	133	761	787	970	
Hedcor Sibulan	130	201	191	213	965	1,399	1,282	1,385	
Hedcor Tudaya	21	33	29	32	120	261	172	191	
Hedcor Sabangan	18	49	51	53	103	395	300	315	
Hedcor Bukidnon	108	261	284	115	857	1,418	1,605	573	
SNAP-Magat	969	1,891	2,054	2,379	3,145	5,352	6,608	7,182	
SNAP-Benguet	980	1,936	1,975	2,085	3,022	5,668	6,065	6,070	
TLI	3,706	6,686	6,812	6,808	14,526	20,505	25,410	26,603	
TSI	940	1,531	1,393	1,959	4,818	8,276	9,099	11,141	
TVI	1,212	2,232	1,710	269	5,095	8,490	6,254	702	
Cebu Energy	1,008	2,025	1,900	1,978	3,935	7,719	8,578	9,728	
STEAG Power	917	1,845	1,840	1,840	1,810	4,022	4,791	4,373	
GMEC	889	5,003	3,909	5,498	7,791	17,821	19,373	23,492	
WMPC	394	819	638	438	722	1,390	1,158	1,393	



SPPC	0	0	0	161		0	0	161
CPPC	277	540	550	551	887	998	1,685	1,253
EAUC	182	226	383	368	577	571	1,013	819
TMI	609	743	1,200	1,432	592	990	1,865	2,016
TMO	667	381	938	814	615	672	1,970	1,694
TPVI*	18	3			232	30		
Davao Light** (decom-missioned)	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral

\*The TPVI plant started commercial operations on 7 August 2020 and was first dispatched based on an offer into the WESM on 26 August 2020.

\*\*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.

## Renewable Energy

### Aboitiz Renewables, Inc. ("ARI")

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing its operations in 1998.

As of 31 August 2021, AboitizPower's renewable energy portfolio comprised attributable net sellable capacity of approximately 928.4MW in operation, divided into 46.8 MW of solar, 591.6 MW of hydro, and 290 MW 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 power generation companies. AboitizPower, through and/or with ARI, owns equity interests in the following Generation Companies, among others:

Generation Company	Percentage of Ownership	Plant Name (Location)	Plant Name (Location)	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi – Makban (Luzon)	Geothermal	290	290	WESM/ Bilaterals
Hedcor	100%	Benguet (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 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	4.5	4.5	Bilaterals
Hedcor Bukidnon	100%	Manolo Fortich 1 and 2 (Mindanao)	Run-of-river hydro	68.8	68.8	FIT
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	77	7	FIT
Luzon Hydro Corporation	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	74.8	74.8	NPC (2026)
San Carlos Sun Power, Inc.	100%	SacaSun (Visayas)	Solar	46.8	46.8	Bilateral
SNAP-Benguet	60%	Ambuklao (Benguet, Luzon)	Large hydro	105	52.5	WESM
		Binga (Luzon)	Large hydro	140	70	WESM/ASPA

SNAP-Magat	60%	Magat (Luzon)	Large hydro	388	194	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	8.50	4.25	FIT
<b>Total</b>				<b>1,249.2*</b>	<b>928.4*</b>	

\*Sum figures will differ due to rounding effect

## ***Run-of-River Hydros***

During 2020, the Hedcor Group across the country generated a total 956 GWh of Cleanergy, which is lower as compared to 2019's 964 GWh. Over 60% of the decrease was attributable to the insufficient water supply caused by an extended El Niño season. Approximately 40% of the decline was due to planned and unplanned outages. Hedcor also recorded a Weighted Unplanned Outage Factor at 0.73% in 2020, which is Hedcor's lowest figure over the past five years. This means that Hedcor's hydropower facilities have been steadily improving plant reliability as the group monitored the lowest record of unprecedented shutdown of hydropower units.

On 18 November 2020, Hedcor inaugurated its first-ever Regional Control Center. With this, all nine plants in Southern Mindanao, composed of the five hydro facilities in Davao City and four hydro facilities in Davao del Sur owned by Hedcor, Hedcor Sibulan, and Hedcor Tudaya, respectively, can be operated remotely in a single control room. This is a significant milestone as part of the organization's multi-year digitization and integration projects which aims to connect all of Hedcor's hydro facilities to a single National Operations Control Center by 2024.

On 22 June 2021, the National Commission on Indigenous Peoples in the Cordillera Administrative Region ("NCIP-CAR") issued a cease and desist order ("CDO") to Hedcor's three run-of-river hydropower plants in Bakun Benguet due to alleged irregularities regarding the Free Prior Informed Consent-Memorandum of Agreement between Hedcor and the Bakun Indigenous Tribes Organization, which was signed on 15 October 2019. The CDO ordered Hedcor to cease operations of the Lower Albay Hydro, FLS Hydro, and Lon-oy Hydro five days after receipt of the CDO. The total affected net sellable capacity is 12.15MW, which is approximately 0.3% of AboitizPower's total net sellable capacity. On 25 June 2021, the DOE sent a letter to Hedcor, directing it to continue operating its FLS Hydro, Lon-oy Hydro, and Lower Labay Hydro Plants citing the "shortage of available capacity from the grid."

On 30 June 2021, members of the Bakun local government unit ("Bakun LGU"), together with representatives from the NCIP-CAR and the Bakun Indigenous Tribes Organization physically implemented a forced shutdown of Hedcor's Lower Labay, Lon-oy, and FLS hydropower plant facilities in Bakun citing instructions of the NCIP Regional Office in relation to the CDO.

AboitizPower believes that this is in breach of the standing Status Quo Ante Order issued by the Regional Trial Court of Bugulas, following mutual commitment between Hedcor and the Bakun LGU to maintain uninterrupted operations of the plants. In the interest of the safety of its employees, Hedcor decided to close its Lower Labay, Lon-oy, and FLS hydropower plant facilities until further notice.

On 1 July 2021, the DOE sent another letter to Hedcor directing it to reconnect to the grid as soon as possible to ensure reliable and stable electric power supply especially since the Luzon grid is experiencing Yellow and Red Alert status.

On 28 July 2021, Hedcor's FLS Hydro, Lon-oy Hydro, and Lower Labay Hydro have resumed operations and synchronized to the Luzon grid. This is following the successful conduct of a negotiation participated in by Hedcor, the Bakun Indigenous Tribe Organization (BITO), together with the Local Government officials of Bakun last 27-28 July -2021.

### **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 74.8 MW located in Amilongan, Alilem, Ilocos Sur (the "Bakun AC Hydro Plant").

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

Cleanergy is Hedcor's brand for clean and renewable energy. Hedcor owns, operates, and manages run-of-river hydropower 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, AESI, and Hedcor Sibulan, Inc. pursuant to PPAs with the said off-takers. Irisan 1 Hydro sells energy under the Feed-in-Tariff ("FIT")

mechanism through a Renewable Energy Payment Agreement (“REPA”) with the National Transmission Corporation (“Transco”). The remaining electricity is sold through the WESM.

#### **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 (the “Sibulan Project”) with a total installed capacity of 49.24 MW, located in Santa Cruz, Davao del Sur. The Sibulan Project consists of: Sibulan A Hydro, Tudaya 1 Hydro, and Sibulan B Hydro. ERC issued a Provisional Authority to Operate for Tudaya 1 Hydro on 5 March 2019, for Sibulan A Hydro in February 2020, and for Sibulan B Hydro in November 2020.

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

Hedcor Tudaya, a wholly-owned Subsidiary of ARI, owns, operates, and manages the run-of-river hydropower plant with an installed capacity of 8.1 MW, located in Santa Cruz, Davao del Sur (the “Tudaya 2 Hydro Plant”).

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

Hedcor Sabangan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the run-of-river HEPP in Sabangan, Mountain Province with a net sellable capacity of 14.96 MW (the “Sabangan Plant”).

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

Hedcor Bukidnon, a wholly-owned Subsidiary of ARI, owns, operates, and manages the mini hydropower plants with a combined net sellable capacity of 72.8 MW located in Manolo Fortich, Bukidnon (the “Manolo Fortich Plant”).

The Manolo Fortich Plant is composed of the 45.9-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 remains operational at a derated generating capacity, with restoration expected to be completed by the third quarter of 2021.

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

### ***Large Hydros***

#### **SNAP-Magat, Inc. (“SNAP-Magat”)**

SN Aboitiz Power-Magat owns and operates the Magat Plant with a nameplate capacity of 360 MW located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao (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 Certificate of Compliance (“COC”) issued by ERC in November 2017.

SN Aboitiz Power-Magat is ARI’s joint venture with SN Power, 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. On 29 January 2021, Scatec announced it has received all necessary approvals and that conditions are fulfilled to close the acquisition pursuant to the agreement with Norfund. As of 23 March 2021, SN Aboitiz

Power-Magat is 60% owned by MORE, while SN Power Philippines Inc. ("SN Power Philippines") owns the remaining 40% equity interest.

On 25 April 2019, ERC certified the Magat Plant's new Maximum Stable Load (Pmax) at 388 MW. The Magat Plant's Units 1-4 were updated 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 NGCP in 2018.

Inflows during 2020 had a very varied distribution. Magat dam's total inflows for 2020 were 121% of normal, with large inflows concentrated in the fourth quarter of the year. The effects of the *El Niño* climate were felt all the way to the third quarter of 2020, with a transition to *La Niña* in the fourth quarter. The first half dry season of 2020 resulted in 73% of the normal total inflows. The second half wet season recorded 139% of normal inflows, with the third quarter recording only 57% of normal and record-breaking actual inflows during the fourth quarter at 215% of normal due to strong *La Niña* typhoons.

Driven by the unfavorable distribution of inflows, the Magat Plant's total sold quantities from spot energy generation and ancillary services ("AS") during 2020 was at 1.7 TWh, which is slightly lower than 2019's sold capacity of 1.8 TWh. This is equivalent to a sold capacity factor of 52%, compared to 54% in 2019. Spot and AS revenue for the year 2020 was ₱4.36 bn, 27% lower than 2019's ₱5.95 bn. SN Aboitiz Power-Magat's Bilateral Contract Quantity ("BCQ") revenue for 2020 was ₱727 mn, significantly higher than 2019's ₱275 mn. This was mainly driven by the lower spot market prices during 2020 compared to 2019.

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 is looking at other renewables and complementary technologies to expand its portfolio. The SN Aboitiz Power-Magat floating solar project has proven its viability, both technical and commercial. On 21 October 2020, the company obtained approval for the project to proceed to engineering design for a total of 67 MW. The pilot project and the initial pre-feasibility studies have shown positive results. The project is currently in the detailed feasibility study stage, which is expected to run for ten to 12 months. Initial efforts have been focused on securing all pertinent permits and endorsements, conduct of applicable stakeholder consultations, completion of environmental and social baseline studies, refinement of commercial assumptions, and completion of technical site investigations necessary for a feasibility level design. Based on the results of the pre-feasibility studies, phase one of the project will be for 67 MW with a plan to install up to 150 MW, depending on the final technical solution and layout.

SN Aboitiz Power-Magat's Battery Energy Storage System ("Magat BESS") project is located in Ramon, Isabela. It is an energy storage system with a 20-MW capacity and 20-MWh energy storage to be used primarily for ancillary services. Site survey works have been completed as part of the pre-construction. The project is in the early works phase with tendering still in process and necessary permits being secured from various agencies and the LGU. The project is currently in the pre-construction phase, with the next step being the engagement of a preferred EPC contractor for early works. The SNAP BESS project is targeted to commence commercial operations in 2023. In connection with the project, SN Aboitiz PowerMagat is also looking at upgrading the Magat-Santiago transmission line which is now included in the Transmission Development Plan of the NGCP. The benefit of this upgrade is to ensure full dispatch of the Magat power plant capacity, battery energy storage system, and proposed expansion in the floating solar space.

On 22 October 2020, the DOE issued a Green Energy Option Program ("GEOP") Operating Permit to SN Aboitiz Power-Magat. This permit, valid for five years, 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 ("RE Law"). SN Aboitiz Power-Magat also has a RES License valid until 17 December 2025.

### **SNAP-Benguet, Inc. ("SNAP-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 (the "Ambuklao Plant") located in Barangay Ambuklao in Bokod, Benguet, and the 140-MW Binga HEPP (the "Binga Plant"), located in Barangay Tinongdan, Itogon, Benguet Province.

The Ambuklao-Binga hydroelectric power complex was turned over to SN Aboitiz Power-Benguet in July 2008. SN Aboitiz Power-Benguet began a significant rehabilitation project that restored the Ambuklao Plant to operating status and increased its capacity from 75 MW to 105 MW when it re-commenced operations in 2011. The Binga Plant also underwent refurbishment from 2010 to 2013, which increased the 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 Plant and Binga Plant sell capacity from spot energy generation and ancillary services to the national transmission system and related facilities that convey power.

Inflows in Ambuklao dam during 2020 was only 75% of normal, attributable in particular to the very weak *habagat* season which usually dominates third quarter inflows in Benguet. The effects of the *El Niño* climate reached all the way to the third quarter of 2020, and transitioned to *La Niña* in the fourth quarter. The first half dry season of 2020 resulted in 68% of the normal total inflows. The second half wet season recorded 77% of normal inflows, with the third quarter recording actual inflows of only 35% of normal, while the strong *La Niña* typhoons in the fourth quarter led to actual inflows at 167% of normal levels.

Although inflows were lower in the Ambuklao reservoir in 2020 compared to 2019, there was an overall higher AS Capacity Approval and spot sales for SN Aboitiz Power-Benguet. The Ambuklao Plant's total sold capacity from spot energy generation and ancillary services during 2020 was 732 GWh, which was 102% of the capacity sold in 2019 of 717 GWh. This was equivalent to a sold capacity factor of 80% during 2020, as compared to the 78% during 2019. The Binga Plant's total sold capacity from spot energy generation and AS in 2020 was 1.00 TWh, or 97% of the 1.03 TWh sold capacity in 2019. This is equivalent to a sold capacity factor of 82% for 2020, compared to 84% in 2019.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2020 was ₱4.20 bn, compared to ₱5.29 bn in 2019. SN Aboitiz Power-Benguet's BCQ revenue for 2020 was ₱973 mn, which was significantly lower than 2019's BCQ revenue loss of ₱359 mn. This was mainly driven by the lower spot market prices during 2020 compared to 2019.

## **Geothermal**

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

Under the Geothermal Resources Supply and Services Agreement ("GRSSA") between APRI and PGPC, 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 in the long run.

The first Steam Production Enhancement Campaign ("SPEC") make-up well Bulalo 114 for MakBan was completed and started flowing into the system since 10 April 2021 and provided an added steam equivalent to 5.41 MW to Makban Plant B. For Tiwi, Kapipihan 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. Additional two wells in MakBan were completed, Bulalo 115 contributed 4.86 MW and Bulalo 116 added 3.31 MW based in the tests conducted on 2 June and 29 July 2021 respectively. Thus, a total of 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 on 18 February 2020 which is valid until 17 February 2025.

## **Solar**

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

As of August 2021, the energy generated from Sacasun Plant benefited more than 31,315 homes within the Visayas grid and displaced the energy equivalent to 19,399,208 gallons of gasoline or approximately 190,551,715 pounds of coal burned.

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

As of 31 August 2021, APX has approximately 3.4 MWp of rooftop solar projects, either operating under a Power Purchase Agreement or a turnkey solution for customers, or about to start construction/installation. A number of rooftop PV solar systems were also commissioned in Q1 of 2021, with an additional 13 MWp of proposed projects currently in the pipeline.

### Renewables Pipeline

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

One of SN Aboitiz Power-Gen’s most significant projects as of the end of 2020 is the proposed 390-MW Alimit hydropower complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (which is currently on hold due to market constraints), and the 20-MW Olilicon hydropower plant (the “Alimit Project”).

The Alimit hydropower complex project has completed its feasibility study phase and the Free Prior and Informed Consent process with the indigenous communities in the covered areas. The Environmental Compliance Certificate (“ECC”) for the complex has been issued by the Department of Environment and Natural Resources (“DENR”). However, the project has since been put on hold since ground engagements and activities have been restricted by the COVID-19 pandemic.

Pursuant to the mandate of adding capacity, the Magat BESS and floating solar projects are expected to contribute 20 MW and 67 MW, respectively, to SN Aboitiz Power Group’s portfolio to its mandate of adding capacity to the SN Aboitiz Power Group’s portfolio, SN Aboitiz Power BESS Project was approved to move to the pre-construction phase in 2020. Pertinent permits, contractual agreements, and other technical studies were completed in the same year. Approval to move to the construction phase will be sought in 2021. Early Works activities have been completed, including site surveys and basic engineering design. Coordination is ongoing with the National Grid Corporation of the Philippines (NGCP) on transmission issues, particularly the advance implementation of the Magat-Santiago 230 kV transmission line reconductoring/upgrading.

### 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. As of 31 August 2021, AboitizPower, by itself or through and/or with TPI, owns equity interests in the following:

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	260	260	Bilaterals
TVI	80%	TVI Plant (Visayas)	CFB	300	240	Bilaterals/WESM
Cebu Energy	26.4%	Cebu Energy (Visayas)	CFB	216	57	Bilaterals/WESM
GN Power Mariveles	78.32%	Mariveles Project (Luzon)	Coal-fired	632	495	Bilaterals/WESM
STEAG Power**	34%	STEAG Power Plant (Mindanao)	Coal-fired	210	71.4	NPC (2031)

<b>Oil Group</b>						
CPPC**	60%	CPPC Plant (Visayas)	Bunker-C fired power plant	64	38.4	WESM
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired power plant	43.5	43.5	Bilaterals
SPPC**	20%	SPPC Plant (Mindanao)	Bunker-C fired power plant	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals/ASPA
		Power Barge Mobile 2 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals/ASPA
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted power plant	200	200	/ WESM/ASPA
TPVI	100%	TPVI Plant <sup>12</sup> (Visayas)	Bunker-C fired power plant	39.27	39.27	WESM
WMPC**	20%	WMPC Plant (Mindanao)	Bunker-C fired power plant	100	20	Bilaterals
Cotabato Light**	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired power plant	4.45	4.45	N/A
<b>Total</b>				<b>3,404.6*</b>	<b>2,566.2*</b>	

\* Sum figures will differ due to rounding effect

\*\* Directly owned by AboitizPower

<sup>12</sup> ASPA will commence in 2021.



## ***Oil Group***

### **Therma Marine, Inc. ("TMI")**

The 192 MW dependable capacities of TMI are currently contracted with the NGCP in an ASPA.

In November 2020, AboitizPower announced its two battery projects, with TMI Hybrid BESS being 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 is expected to commence commercial operations in 2022.

### **Therma Mobile, Inc. ("TMO")**

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

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

Please refer to page 96 of the Prospectus.

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

On 7 August 2020, TPVI commenced commercial operations and has been trading in the WESM.

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

CPPC owns and operates a 70-MW Bunker C-fired power plant located in Cebu City. The CPPC plant was constructed to supply 62 MW of power to Visayan Electric. CPPC is currently trading in the WESM.

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

Please refer to page 97 of the Prospectus.

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

Please refer to page 97 of the Prospectus.

## ***Coal Group***

### **Therma Luzon, Inc. ("TLI")**

TLI assumed the role of the registered trader of the contracted capacity of the 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (the "Pagbilao Plant"). Under the IPPA agreement ("IPPA"), TLI has the right to receive the transfer of Pagbilao Plant at the end of the Energy Conversion Agreement ("ECA") between TeaM Energy and NPC. 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 Retail Electricity Supplier license on 12 August 2020 which is valid until 11 August 2025.

### **Pagbilao Energy Corporation ("PEC")**

Please refer to page 97 of the Prospectus.

### **Therma South, Inc. ("TSI")**

TSI, a wholly-owned subsidiary of TPI that owns and operates the 300-MW net (2x150MW net) CFB coal-fired power plant located in Davao City and Sta. Cruz, Davao del Sur, was granted a Provisional Authority to Operate (“PAO”), which was initially valid from 1 September 2020 until 31 August 2021. The PAO is set to be extended by ERC effective 1 September 2021 in view of the additional requirements requested by ERC for the Certificate of Compliance.

#### **Therma Visayas, Inc. (“TVI”)**

Please refer to page 98 of the Prospectus.

#### **Abovant Holdings, Inc. (“Abovant”) and Cebu Energy Development Corporation (“CEDC”)**

Abovant is a joint venture company between AboitizPower and the Vivant Group as the holding company for shares in CEDC. The company was incorporated on 28 November 2007.

To date, CEDC is the owner of the 3x82 MW CFB coal-fired power plant, with the primary purpose of engaging in the business of power generation, wholesale of electric power to NPC, private electric cooperatives, and other entities, and carrying on of all businesses incidental thereto.

CEDC provides power to the province of Cebu and its neighboring province, Bohol. Likewise, CEDC has an existing ASPA with NGCP to help maintain a reliable electric Grid system.

Abovant has a 44% equity interest in CEDC, while Global Formosa owns the remaining 56%. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in CEDC.

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

Please refer to page 98 of the Prospectus.

#### **STEAG State Power Inc. (“STEAG Power”)**

One of the two power plant units of STEAG Power was previously on economic shutdown as required by NPC/PSALM in accordance with the PPA due to the pandemic quarantine effects and high water level of hydrowater plants. The partial economic shutdown lasted until 13 May 2021 and the unit has since resumed operations. STEAG Power ended 2020 with a plant availability rate of 90.11%.

STEAG Power entered into two coal supply agreements in December 2019 that secured the plant’s fuel requirements for the next three years on a fixed base and option tonnage.

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

Please refer to page 99 of the Prospectus.

#### **GNPower Mariveles Energy Center Ltd. Co. (“GMEC”, formerly GMCP)**

GMEC, formerly known as GNPower Mariveles Coal Plant Ltd., registered its Amended Articles of Partnership to reflect GMEC’s change in partnership name, which was subsequently approved by the SEC on 14 October 2020.

On 24 February 2021, GMEC informed AboitizPower of an unscheduled outage of Unit 1 of its plant in Mariveles, Bataan. The outage is attributable to damage found in a portion of said unit’s boiler. Actual repairs to said portion were completed on 12 August 2021. Parallel to the said repair works, GMEC Unit 1 went on general maintenance outage. The target return to service is on 29 September 2021. There will be business interruption insurance collection for said outage. The GMEC plants represent about 13% of the total installed capacity under AboitizPower’s market control of 3,850 MW. Unit 1 of the GMEC plant delivers a net sellable

capacity of 247 MW, which represents approximately 7% of AboitizPower’s total attributable net sellable capacity of 3,494 MW.

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

GNPD started the construction of Unit 1 in September 2016, the commissioning and testing of which is currently on-going, with delivery thereof targeted to take place by the fourth quarter of 2021. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017 with expected target delivery thereof around the third quarter of 2022. Both units are in the final stages of construction but continue to face challenges due to the COVID-19 pandemic and travel restrictions.

### **Other Generation Assets**

As of 28 February 2021, Cotabato Light maintains a stand-by maximum capacity of 4.45-MW Bunker C-fired power plant capable of supplying approximately 13.98% of its requirements.

### **Distribution of Electricity**

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 power distribution business’ earnings contribution to AboitizPower’s business segments in 2020 is equivalent to 28.03%. The Distribution Utilities had a total customer base of 1,091,015 as of June 2021. This was 1,068,820 as of year-end 2020, 1,030,726 as of end-2019, and 995,828 as of the end of 2018.

AboitizPower’s interests, direct and indirect, in the Group’s Distribution Utilities, as well as their franchise periods as of 31 December 2020, are shown in the table below:

<b>Distribution Utility</b>	<b>AboitizPower % Ownership</b>	<b>Franchise Term</b>	<b>Franchise Expiry</b>
Visayan Electric	55.26%	25 years	2030
Davao Light	99.93%	25 years	2025
SFELAPCO	43.78%	25 years	2035
Cotabato Light	99.94%	25 years	2039
Subic Enerzone	99.98%	25 years	2028
Mactan Enerzone	100%	21 years	Zone Life
Balamban Enerzone	100%	50 years	Zone life
Lima Enerzone	100%	50 years	Zone Life
Malvar Enerzone	100%	25 years	Zone Life

Balamban Enerzone, Lima Enerzone, Malvar Enerzone, and Mactan Enerzone which operate the power distribution utilities in Mactan Economic Processing Zone II, West Cebu Industrial Park, and Lima Technology Center, and Light Industry & Science Park IV (LISP IV) in Malvar, Batangas, respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

The power distribution business’ earnings contribution to AboitizPower’s business segments was 38% as of 30 September 2020, compared to 23% as of 30 September 2019 and 24% as of 31 December 2019. The Distribution

Utilities had a total customer base of 1,068,820 as of 30 September 2020, compared to 1,030,726 as of end-2019 and 995,828 in 2018.

The table below summarizes the key operating statistics of the Distribution Utilities for each of the past two years and as of 31 August 2021:

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	YTD Aug'21	2020	2019	YTD Aug'21	2020	2019	YTD Aug'21	2020	2019
Davao Light	1,713,093	2,476,991	2,633,920	459	452	454	453,739	440,304	420,666
Cotabato Light	117,992	170,363	173,114	33	32	31	46,417	45,044	43,449
Visayan Electric	2,131,356	3,119,850	3,500,781	554	583	601	474,503	462,699	450,088
SFELAPCO	473,871	686,694	714,948	115	134	140	117,700	116,293	112,091
Subic EnerZone	176,416	262,393	329,633	50	56	62	3,538	3,477	3,473
Mactan Enerzone	74,234	99,927	117,433	21	21	22	87	87	87
Balamban Enerzone	57,475	92,771	101,885	25	28	27	28	29	34
Lima Enerzone	195,926	242,455	249,394	56	49	44	919	882	834
Malvar Enerzone	413	158	51	0.62	0.12	0.06	8	5	4
Total	4,940,777	7,151,601	7,821,159	1,314	1,355	1,382	1,096,669	1,068,820	1,030,726

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

Visayan Electric has energized 100% of all the barangays, and electrified 99.77% of all the households within its franchise area. A goal of 100% total electrification is set on 31 December 2022, in line with the national goal set by the DOE.

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.

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 (“kms”). To date, approximately 3.3 kms have 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.

Another milestone for Visayan Electric is the construction and completion of the Visayan Electric System Control Center building. This dedicated building was constructed to safeguard the operation of all the substations and remotely-operated devices installed across the entire franchise area.

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

Pursuant to RA No. 11515 which lapsed into law on 26 December 2020, Davao Light’s franchise was extended for an additional 25 years from 2025, or until 2050.

The company’s power supply is also sourced from renewable energy sources coming from NPC-PSALM hydro, Hedcor Sibulan, Hedcor’s Talomo plant, Hedcor-Bukidnon (Manolo Fortich), all hydropower.

Davao Light continuously upgrades its distribution network infrastructure to increase capacity and adopts digital technology in its substations to enhance the reliability and flexibility in the sub-transmission and distribution network. Its underground distribution system (“UDS”) project along C.M Recto Street, Davao City which commenced in 2019 has completed civil works construction and installation of electrical equipment and is currently in the testing and commissioning stage.

### **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 a land area of 191 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 another 25 years or until 2039.

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 13.54% of its franchise area requirements. The standby power plant, capable of supplying electricity in cases of supply problems with its power suppliers or NGCP and for the stability of voltage whenever necessary, is another benefit available to Cotabato Light’s customers.

AboitizPower directly owns 99.94% equity interest in Cotabato Light.

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

SFELAPCO was incorporated on 17 May 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, with an estimated area of 175.5 sq. kms. As of 31 August 2021, it includes 632.2 circuit-kilometers on its 13.8-kV medium voltage lines and 1,031.62 circuit km of 240v low voltage distribution lines.

AboitizPower has an effective equity interest of 43.727% in SFELAPCO.

### **Subic Enerzone Corporation (“Subic Enerzone”)**

As of 31 August 2021, Subic EnerZone served a total of 3,537 customers, consisting of 105 industrial locators, 1,255 commercial locators, 2,075 residential customers, 102 streetlights and 19 industrial locators under RES.

### **Mactan Enerzone Corporation (“Mactan Enerzone”)**

Mactan Enerzone’s contract with SN Aboitiz Power-Magat terminated last 26 February 2021. The Department of Energy approved the exemption to conduct Competitive Selection Process (“CSP”) for the Contract for the Supply of Electric Energy (“CSEE”) with the PSALM for the period of one year from 26 February 2021 to 25 February 2022. Mactan Enerzone still sources some of its power from Green Core Geothermal Incorporated pursuant to a CSEE.

As of 31 August 2021, Mactan Enerzone served a total of 87 accounts which consist of 51 captive industrial locators, 28 captive commercial locators, and 8 industrial locators under RES.

### **Balamban Enerzone Corporation (“Balamban Enerzone”)**

As of 31 August 2021, Balamban Enerzone served a total of 28 accounts which consist of 10 captive industrial customers, 12 captive commercial customers, and six contestable industrial customers. Balamban Enerzone sources its power from CEDC pursuant to a CSEE.

### **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.

As of 31 August 2021, Lima Enerzone served a total of 96 captive industrial locators, 16 captive commercial locators, 773 captive residential customers, 8 street lamps, and 22 industrial locators under RES.

### **Malvar Enerzone Corporation (“Malvar Enerzone”)**

As of 31 August 2021, Malvar Enerzone served a total of 4 captive industrial locators, 4 captive commercial locators and 1 streetlight.

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

AdventEnergy, AESI, and Prism Energy are registered under the Renewable Energy Market and were recently granted by the Department of Energy operating permits allowing them to participate in the Green Energy Option Program.

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

As of 30 June 2021, AESI supplied retail electricity to a total of 205 customers, with total energy consumption of 1,081.40 mn kWh. It was granted a license to act as a RES valid until 28 October 2022.

### **AdventEnergy, Inc. (“AdventEnergy”)**

AdventEnergy was specifically formed to serve Contestable Customers who are located in economic zones. It was granted a license to act as a RES valid until 17 June 2022.

As of 30 June 2021, AdventEnergy supplied retail electricity to 70 customers with a total consumption of 718.81 mn kWh.

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

As of 30 June 2021, Prism Energy supplied retail electricity to 43 customers with a total energy consumption of 88.11 mn kWh. It was granted a license to act as a RES valid until 22 May 2022.

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

Please refer to page 104 of the Prospectus.

## **SALES**

The operations of AboitizPower and its Subsidiaries and Affiliates are based only in the Philippines. Comparative amounts of revenue, profitability, and identifiable assets as of 30 June 2021, 2020, 2019, and 2018, are as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
OPERATING REVENUE	₱60,351	₱53,032	₱63,959	₱65,032

OPERATING INCOME	₱13,080	₱11,036	₱13,991	₱16,818
TOTAL ASSETS	₱404,974	₱415,571	₱404,549	₱373,649

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 for the six months ended 30 June 2021, 2020, 2019 and 2018 are as follows:

	2021		2020		2019		2018	
<b>Power Generation</b>	<b>₱43,023</b>	<b>57%</b>	₱35,622	55%	₱42,709	53%	₱40,857	52%
<b>Power Distribution</b>	<b>22,053</b>	<b>29%</b>	21,189	32%	23,700	29%	23,157	30%
<b>Retail Electricity Supply</b>	<b>9,456</b>	<b>13%</b>	7,813	12%	14,060	17%	13,115	17%
<b>Services</b>	<b>452</b>	<b>1%</b>	569	1%	597	1%	667	1%
<b>Total Revenue</b>	<b>74,984</b>	<b>100%</b>	65,193	100%	81,066	100%	77,796	100%
<b>Less: Eliminations</b>	<b>-14,633</b>		-12,161		-17,107		-12,764	
<b>Net Revenue</b>	<b>₱60,351</b>		53,032		₱63,959		₱65,032	

## DELIVERY METHODS OF THE PRODUCTS OR SERVICES

### Power Generation Business

Please refer to page 105 of the Prospectus for information on distribution methods of the Power Generation Business.

### 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. In addition, TLI's Pagbilao and APRI's Makban plants are delivering contingency reserves and Reactive Power Support AS, respectively. In Visayas, AboitizPower delivers Contingency Ancillary Service through Cebu Energy. TMI provides both contingency and dispatchable reserves requirements in Mindanao.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, Hedcor Sabangan, and Hedcor Manolo Fortich 1 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 REPA's with Transco, in its capacity as FIT-Allowance Administrator, for the collection and payment of the FIT.

In the absence of WESM in Mindanao, Tudaya Hydro 2, and Manolo Fortich Hydro 1 have entered into RESAs with their host distribution utilities or electric cooperatives. Currently, Hedcor Bukidnon is in the process of converting the COC of 27.387 MW Manolo Fortich 2 to FIT-COC.

### **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 energy-based supply contracts from renewable and non-renewable sources to secure reliable and affordable electricity for its customers. These electricity supply contracts involve a mix of fixed rate and margin based 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 granted Retail Electricity Supplier licenses in 2020 and became registered members of the Renewable Energy Market last 6 July 2021.

### **New Products and 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 product or service to date.

### **System Performance**

The following table sets forth certain information concerning the performance of the Distribution Companies:

<b>Business Unit</b>	<b>As of 31 December 2020</b>		<b>As of 31 December 2019</b>	
	<b>SAIFI (frequency)</b>	<b>SAIDI (minutes)</b>	<b>SAIFI (frequency)</b>	<b>SAIDI (minutes)</b>
Visayan Electric	1.97	222.7	2.46	229.26
Davao Light	2.84	236.74	7.12	539.51
Cotabato Light	0.20	17.52	1.26	5.24
Subic Enerzone	9.38	428.9	7.94	518.42
Mactan Enerzone	0.8.	15.92	0.14	5.21
Balamban Enerzone	3.18	71.87	3.52	87.85
Lima Enerzone	2.70	336.05	0.88	420.27
SFELAPCO	5.01370	191.6073	9.01	680.57

### **Electricity Losses**

The Distribution Companies experience two types of electricity losses: technical losses and non-technical losses. Technical losses are those that occur in the ordinary course of distribution of electricity, such as losses that occur when electricity is converted from high voltage to medium voltage. Non-technical losses are those that result from illegal connections, fraud or billing errors.

The Distribution Companies' system loss may be further broken down to feeder loss, substation loss, and sub-transmission loss. Total electricity losses in 2019 were 6% for Visayan Electric, 7.32% for Davao Light, 8.08% for Cotabato Light, 2.96% for Subic Enerzone, 0.96% for Mactan ENerzone, 0.42% for Balamban Enerzone, 5.24% for Lima Enerzone, and 4.86% for SFELAPCO. On the other hand, total electricity losses as of 31 December 2020 were 6.84% for Visayan Electric, 7.88% for Davao Light, 8.88% for Cotabato Light, 3.2% for Subic Enerzone, 0.93% for Mactan Enerzone, 0.44% for Balamban Enerzone, 5.22% for Lima Enerzone, and 4.98% for SFELAPCO.



The system loss cap set by the ERC is 6.25% for 2019 and 6% as of 2020, which system loss caps only relate to feeder loss.

The table below summarizes the systems losses and feeder losses of certain Subsidiaries of AEV as of 31 August 2021.

Company	Systems loss	Feeder loss (included in systems loss)
Visayan Electric Company, Inc.	6.69%	4.95%
Davao Light & Power Company, Inc.	8.18%	5.18%
Cotabato Light and Power Company	8.45%	7.16%
San Fernando Electric Light & Power Co., Inc.	5.43%	3.91%
Subic EnerZone Corporation	3.53%	1.79%
Mactan Enerzone Corporation	0.99%	0.44%
Balamban Enerzone Corporation	0.42%	0.16%
Lima Enerzone Corporation	5.28%	0.72%
Malvar Enerzone Corporation	25.67%*	2.56%

\*Due to energization of two 50MVA power transformers at very low load factor.

The Government-mandated cap for feeder loss in 2021 is 5.50%.

The Distribution Companies are also actively engaged in efforts to reduce electricity losses, particularly non-technical losses. To achieve this, the Distribution Companies, particularly Visayan Electric and Davao Light, have deployed teams to conduct inspections, enhanced monitoring for irregular consumption, increased replacements for obsolete measuring equipment and developed a computer program to discover and analyze irregular invoicing.

The Distribution Companies continue to find ways to reduce systems losses in any economically viable manner.

### **Power Outages**

The Distribution Companies seek to improve the quality and reliability of their power supply, as measured by the frequency and duration of power outages. The Distribution Companies seek to improve the quality and reliability of their power supply, as measured by the frequency and duration of power outages. The number of sustained outages (>5mins) as of 31 December 2020 was 1.97 interruptions per customer at Visayan Electric, 2.84 interruptions per customer at Davao Light, 0.20 interruptions per customer at Cotabato Light, 9.83 interruptions per customer at SEZ, 0.80 interruptions per customer at Mactan Enerzone, 3.18 interruptions per customer at Balamban Enerzone, 2.7 interruptions per customer at Lima Enerzone, and 15.08 interruptions per customer at SFELAPCO. For the same period in 2019, the number of minutes of sustained outages was 222.7 minutes per customer at Visayan Electric, 236.74 minutes per customer at Davao Light, 17.52 minutes per customer at Cotabato Light, 428.9 minutes per customer at Subic Enerzone, 71.87 minutes per customer at Balamban Enerzone, 15.92 minutes per customer at Mactan Enerzone, 336.05 minutes per customer at Lima Enerzone, and 543.87 minutes per customer at SFELAPCO.

The Distribution Companies each have “hotline” equipment that allows construction, maintenance and repairs to be conducted with only minimal interruption in electricity service. This reduces the number of service interruptions that the Distribution Companies have to schedule. Unscheduled interruptions due to accidents or natural causes, including typhoons, heavy rains and floods, represented the remainder of the Distribution Companies’ total interruptions.

## **SOURCES OF RAW MATERIALS AND SUPPLIES**

### **Generation Business**

The Generation Companies produce energy using the following fuel types based on attributable net selling capacity: 17% hydropower, 8% geothermal, 1% solar, 58% coal, and 16% oil. As of 31 August 2021, renewable fuel sources comprised 27% of attributable net selling capacity, while thermal accounted for 73%.

The hydropower facilities of some of the Generation Companies harness the energy from the flow of water from neighboring rivers to generate electricity. These facilities have impounding dams allowing the storage of water for later use. 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 Resource Sales Contract under which the price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on 24 August 2018 under which PGPC will drill 12 new production wells over the next six years.

Oil-fired plants use Bunker-C fuel 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 has a fuel supply agreement with Shell and Phoenix Petroleum. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI has long-term coal supply contracts for both the performance and blending coal requirements of Pag 1 and 2. Likewise, a three-year coal supply contract for Pag 3 was signed in 2019.

TVI entered into a long-term coal supply agreement with one of its established coal sources after its successful test firing of another source of coal. Nevertheless, sourcing and evaluation of other coal sources are ongoing for supply diversification and security.

Likewise, TSI has annual coal supply contracts for its coal plant in Davao. It applies the same sourcing strategy as that of TLI and TVI where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. GNPD, GMEC, STEAG Power, and CEDC also have long-term coal supply agreements.

### **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 arm's length basis, on commercially reasonable terms, and are approved by 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 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.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a 10-year PSC with San Miguel Consolidated Power Corporation ("SMCPC") for a supply of 60MW in 2016. SMCPC began supplying the 60-MW contracted capacity in February 2018. Davao Light also renewed its CSEE with PSALM for a period of two years from 2021 to 2022 for 163 MW. To cover its peak demand requirement for 2018 to 2021, Davao Light conducted a Competitive Selection Process (CSP) for the Supply of 60MW which TMI won. Davao Light also

addressed the projected increase in load for 2020 by entering into an Emergency PSC with SMCPD for 50MW with a term of one year while waiting for the commercial operations of the wholesale spot market in Mindanao.

To address long-term power supply requirements, Visayan Electric entered into a 25-year EPPA with CEDC 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 a PPA with CPPC which was terminated on 26 August 2021. ERC allowed Visayan Electric to continue drawing power from CPPC under the terms and conditions of the PPA pending the approval of the 2013 PSA which has since been terminated and withdrawn considering that, in the absence of ERC approval, it has not become effective. Visayan Electric also has a PPA with CPPC which is set to expire in 2023 and a 15-year PSA with TVI for the supply of 150 MW beginning 2018.

Subic Enerzone Corporation conducted a CSP to reduce its WESM exposure. MPPCL won the 10MW PSA starting 26 December 2021.

In a similar matter, Lima Enerzone conducted its own CSP as replacement to its expiring contract. At the conclusion of the process, TLI won the contract at 7MW for five years starting in May 2021.

Malvar Enerzone sourced its power supply from the Wholesale Electricity Spot Market 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>
Davao Light	25 January 2024
Lima Enerzone	25 July 2022
Mactan Enerzone	25 January 2025
Balamban Enerzone	25 January 2025
SFELAPCO	25 December 2023
Cotabato Light	25 August 2023
Visayan Electric	25 January 2024
Subic Enerzone	25 August 2023

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 already applied and submitted the requirements for connection to the Grid.

## **CUSTOMERS, ANALYSIS OF DEMAND AND RATES**

### **Customers**

## **Power Generation Business**

As of 30 June 2021, out of the total electricity sold by AboitizPower's Generation Companies, approximately 89% is covered by bilateral and ancillary contracts with, among others, private distribution utilities, electric cooperatives, industrial and commercial companies, and the grid operator. The remaining, approximately 11%, is sold by the Generation Companies through the WESM.

## **Distribution Utilities Business**

Please refer to pages 105-106 of the Prospectus for information on major customers of Distribution Utilities Businesses.

## **Retail Electricity Supply Business**

As of 31 July 2021, AboitizPower's RES business has approximately 344 Contestable Customers with active contracts, 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.

## **Rates**

Rates charged by the Distribution Companies for sales of electricity to final customers are determined pursuant to regulations established by ERC. These ERC regulations establish a cap on rates that provide for annual, periodic, and extraordinary adjustments. Under EPIRA, the distribution utilities such as the Distribution Companies have been required to "unbundle" the electricity rates charged to customers in order to provide transparency in disclosing to customers the components of their monthly bills and to segregate (consistent with the mandate of the EPIRA) the components of the distribution business which will become competitive once the EPIRA is fully implemented (such as supply and metering services) and those which will remain monopolized (such as transmission and wheeling). As a result, the Distribution Companies are required to identify and separately disclose to customers each individual charge that forms part of the cost of providing electricity, including generation, transmission, systems loss, distribution, metering, and supply charges.

Each of the Distribution Companies classifies customers based on factors such as voltage level and demand level at which the electricity is supplied to such customers. Each customer is placed in a certain tariff level determined by the Distribution Companies within the guidelines provided by the ERC and is charged for electricity based on customer classification. Typically, industrial customers pay lower rates relative to the cost of providing services to them, while residential customers pay higher rates relative to the cost of providing services to them.

The following sets forth the material components of each Distribution Companies' monthly charges to customers:

**Distribution charges.** Previously, the distribution charges that the Distribution Companies collected from customers were computed with reference to the RORB rate-setting system. Under this system, distribution charges were determined based on the appraised value of a distribution utility's historical costs, with the maximum rate of return set at 12.0%. Rate-setting under this system had historically resulted in prolonged review periods by regulators before a final rate was approved, and often resulted in interested parties, such as consumer advocacy groups, contesting rates approved by Government regulators in court. In addition, the determination of the components of a utility's cost base was subject to revision by regulators, with certain material expenses, such as those for income tax, being excluded from the base.

To address the inefficiencies and legal controversies caused by the RORB rate-setting system, the ERC issued the RDWR in 2006, which sets out the manner in which PBR is to be implemented. Under PBR, the distribution-related charges that a distribution utility collects from customers will be fixed by reference to the utility's projected revenues over a four-year regulatory period, which are reviewed and approved by the ERC and thereafter used to determine the utility's efficiency factor. For each year during the regulatory period, the distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency

factor set and changes in overall consumer prices in the Philippines. As part of the implementation of PBR, the ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time to provide connections to customers and the average time to respond to customer calls, with utilities being penalized for failing to meet these performance targets. During the 18 months prior to the PBR start date for each Distribution Company, each of them will undergo a regulatory reset process through which the PBR rate control arrangements are established based on documents submitted by each Distribution Company with the ERC, ERC resolutions, and consultations with the Distribution Company and the general public.

**Transmission charges.** These charges are the amounts paid by the Distribution Companies to the National Grid Corporation of the Philippines for the use of transmission facilities to transmit electricity from each Distribution Companies' electricity suppliers to the Distribution Companies' own transmission lines. Current ERC regulations allow the Distribution Companies to pass on to and recover from their customers the transmission charges paid by the Distribution Companies.

Under applicable laws and regulations, the Distribution Companies are required to allow use of their high-voltage distribution lines by others, including consumers within their franchise areas that are supplied by third parties. All users of the Distribution Companies' respective distribution lines must pay a wheeling fee for such use.

**Generation charges.** ERC regulations allow distribution utilities to pass through to their customers the full cost of electricity purchased from power generators, such as NPC and IPPs (including the Generation Companies).

**Supply and metering charges.** The Distribution Companies are currently allowed to charge their customers a fixed monthly amount that is meant to cover customer service-related costs, such as customer billing and collection services, and metering-related costs, such as meter installation, monitoring and reading. Customers are also required to provide deposits on meters that are installed to monitor their electric consumption. The ERC is currently contemplating opening supply and metering services to competition.

**Systems loss charges.** These charges relate to the electricity losses that each Distribution Company is allowed to recover from customers. Originally, ERC regulations allowed distribution companies to charge customers for electricity losses so long as electricity losses do not exceed 8.50%. If a Distribution Company's electricity losses exceed 8.50%, the Distribution Company will be unable to pass on to its customers the loss charges relating to losses in excess of the 8.50% ceiling.

Under ERC Resolution No. 20, Series of 2017, the ERC set anew the distribution system loss that a Distribution Company may recover from its customers through the system loss charge. This shall not exceed the sum of the actual sub-transmission and substation loss of the Distribution Company and the distribution feeder loss caps, as follows:

2018	6.50%
2019	6.25%
2020	6.00%
2021	5.50%

**Others.** Other charges collected from customers include: the universal charge, which is meant to cover Stranded Debt and Stranded Costs of the Power Sector Assets and Liabilities Corporation, among others, in accordance with the requirements of the EPIRA; the lifeline subsidy rate, which is an amount collected from end-users to cover subsidies granted to low-consumption, low-income customers; and the FIT-All rate which is an amount collected from end-users under the feed-in tariff system.

### **Customer Deposits**

The 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. These deposits are refundable, together with the accrued interest, upon

termination of the contract. If the deposits and the related accrued interest already exceed the customer's current monthly bills, a refund of the excess can also be made.

Both the Magna Carta and Distribution Services and Open Access Rules ("DSOAR") 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 now apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his 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, 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.

Transformer and lines and poles deposits are obtained from certain customers principally as cash bond for the proper maintenance and care of the said facilities while under their exclusive use and responsibility. These deposits are non-interest bearing and are refundable only after the related contract is terminated and the assets are returned to the Company in their proper condition and all obligations and every account of the customer due to the Company shall have been paid.

### **Billing Procedures**

The procedures used for billing and payment for electricity supplied to customers is determined by customer category. The length of the collection process varies slightly among the Distribution Companies. Meter readings and invoicing take place on a monthly basis. Bills are prepared from meter readings or on the basis of estimated usage under certain circumstances. Low voltage customers are billed within one to two days after the meter reading, with payment required within nine days after the delivery date. In case of non-payment, a notification of non-payment accompanied by the next month's invoice, is sent to the customer and a period of two days is provided to pay the amount owed to the relevant Distribution Company. If payment is not received within two days, the customers' electricity supply is suspended.

## **COMPETITION**

### **Power Generation Business**

AboitizPower believes the Philippines has long term energy requirements that will continue to grow. This will attract many competitors, including multinational development groups and equipment suppliers, to explore opportunities in power generation projects in the Philippines.

Based on ERC Resolution No. 05, Series of 2021, there are over 30 players representing a total installed capacity of 23,422 MW for the Philippine Grid. The largest is SMC Global Power (5,345 MW), a Subsidiary of San Miguel Corporation which was founded in 1890 and which, through time, has built strong stakeholder relationships and enjoyed long-running commercial success. AboitizPower is the second largest generation company by attributable installed capacity (3,882 MW). The third largest is First Gen Corporation (3,485 MW), which prides itself as one of the leading suppliers of renewable energy in the Philippines.

### **Retail Electricity Supply Business**

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of July 2021, there are 44 RES companies and 25 Local RES companies participating in the Open Access markets in Luzon and Visayas. MPower RES has the largest market share at 35.71%, with a contracted capacity of 1,463.51 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 20.32%,<sup>13</sup> with contracted capacity of 833.03 MW<sup>14</sup> as of July 2021. The Ayala Group has the third largest market share at 13.10%, with a contracted capacity of 536.80 MW.

### **Distribution Business**

Each of AboitizPower's Distribution Utilities currently has an exclusive franchise to distribute electricity in the areas covered by its franchise.

### **TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES**

AboitizPower and its Subsidiaries, 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 Power Group can be found in the consolidated financial statements of the AboitizPower.

### **GOVERNMENT APPROVALS, PATENTS, COPYRIGHTS, FRANCHISES**

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

### **Generation Business**

Power generation is not considered a public utility operation under RA No. 9136 or the Electric Power Industry Reform Act of 2001 ("EPIRA"). Thus, a national 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 the 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 to financial standards and comply with applicable environmental laws, rules and regulations.

Cotabato Light has its own generation facilities and are required under the EPIRA to obtain a COC. Davao Light's generation facility was decommissioned on 26 November 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 also required to obtain water permits from NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and require their holders to comply with the terms of the permit with regard to the use of the water flow and the allowable volume.

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.

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<sup>13</sup>Excluding SFELAPCO which is 20.284% owned by AboitizPower.

<sup>14</sup> Excluding SFELAPCO which is 20.284% owned by AboitizPower.

The Generation Companies and Cotabato Light possess COCs for their power generation businesses, details of which are as follows:



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	5 November 2018 – 4 November 2023	11 December 2018
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	5 November 2018 – 4 November 2023	11 December 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	5 November 2018 – 4 November 2023	11 December 2018
COC No. 18-12-M-00336L	Hedcor, Inc.	Salangan	Hydroelectric Power Plant	Ampuca, Itogon, Benguet	2.40 MW	Hydro	5 November 2018 – 4 November 2023	11 December 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	30 April 2017 – 29 April 2022	19 April 2017
COC No. 20-08-M-00061M	Hedcor, Inc.	Talomo 1	Hydroelectric Power Plant	Brgy. Malagos, Davao City	1 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020
COC No. 20-08-M-00062M	Hedcor, Inc.	Talomo 2	Hydroelectric Power Plant	Brgy. Mintal, Davao City	0.6 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020
COC No. 20-08-M-00063M	Hedcor, Inc.	Talomo 2A	Hydroelectric Power Plant	Upper Mintal, Davao City	0.65 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020
COC No. 20-08-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	0.3 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020
COC No. 20-08-M-00065M	Hedcor, Inc.	Talomo 3	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	1.92 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020

COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	5 November 2018 – 4 November 2023	11 December 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	5 November 2018 – 4 November 2023	11 December 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	5 November 2018 – 4 November 2023	11 December 2018
Provisional Authority to Operate	Hedcor, Inc.	La Trinidad Hydro	Hydroelectric Power Plant	La Trinidad, Benguet	20.4 MW	Hydro	5 October 2020 – 6 October 2021	6 October 2020
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A Hydro – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	1 year for the Provisional Authority to Operate 25 years	February 2020
		Sibulan A Hydro – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B Hydro – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	1 year for the Provisional Authority to Operate 25 years	November 2020
		Sibulan B Hydro – 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	10 March 2019 - 9 March 2024	5 March 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC Hydro Plant	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	30 July 2018 – 29 July 2023	20 June 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	11 April 2019 - 10 April 2024	5 March 2019
		Tudaya 2 – Unit 2			2.775 MW	Hydro		
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan Hydro	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	1 year from PAO issuance	28 September 2021 (Provisional Authority)
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1 Hydro	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	18 June 2019 - 17 June 2024	18 June 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2 Hydro	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	18 June 2019 - 17 June 2024	18 June 2019

COC No. 17-04-M-15911M	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	10 January 2017 - 9 January 2022	19 April 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 1, Lapu-Lapu City, Cebu	49.60 MW	Bunker C/ Diesel	11 June 2018 – 10 June 2023	27 March 2018	
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	4 June 2018 – 3 June 2023	27 March 2018	
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C- Fired Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	27 August 2018 – 26 August 2023	4 December 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	27 August 2018 – 26 August 2023	4 December 2018	
			Blackstart		160 kW	Diesel			
Provisional Authority to Operate	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	29 November 2020-28 November 2021	18 November 2021*	
					Magat Hydroelectric Power Plant – Unit 2				90 MW
					Magat Hydroelectric Power Plant – Unit 3				90 MW
					Magat Hydroelectric Power Plant – Unit 4				90 MW
		Magat Hydroelectric Power Plant	Blackstart	600 kW	Diesel	29 November 2020-28 November 2021			
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	4 April 2018 – 3 April 2023	4 April 2018	

COC No. 17-03-M- 00309L	SN Aboitiz Power – Benguet , Inc.	Binga Hydroelect ric Power Plant – Unit 1	Hydroele ctric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	12 March 2017 - 11 March 2022	9 March 2017
		Binga Hydroelect ric Power Plant – Unit 2	Hydroele ctric Power Plant		35.02 MW			
		Binga Hydroelect ric Power Plant – Unit 3	Hydroele ctric Power Plant		35.02 MW			
		Binga Hydroelect ric Power Plant – Unit 4	Hydroele ctric Power Plant		35.02 MW			
		Binga Hydroelect ric Power Plant	Blackstar t Generato r Set		320 KW	Diesel		
		Binga Hydroelect ric Power Plant	Diesel Auxiliary Generato r Set		330.40 KW	Diesel		
Provisional Authority to Operate	SN Aboitiz Power – Benguet , Inc.	Ambuklao Hydroelect ric Power Plant – Unit 1	Hydroele ctric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	31 August 2021 to 30 August 2022	ERC will still issue the PAO
		Ambuklao Hydroelect ric Power Plant – Unit 2			34.85 MW			
		Ambuklao Hydroelect ric Power Plant – Unit 3			34.85 MW			
		Ambuklao Hydroelect ric Power Plant	Auxiliary Generato r Set		320 KW	Diesel		
		Ambuklao Hydroelect ric Power Plant	Blackstar t Generato r Set		314 KW	Diesel		
COC No. 16-06-M- 00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas , Villanueva, Misamis Oriental	232 MW	Coal	30 August 2016 - 29 August 2021	13 June 2016
			Emergen cy Generati ng Set		1.25 MW	Diesel		

COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25 years	25 March 2015*
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geothermal Steam	23 years	4 May 2015*
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geothermal Steam	23 years	4 May 2015*
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geothermal Steam	23 years	4 May 2015*
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geothermal Steam	25 years	26 November 2015**
		Plant A, Unit 2			60 MW			26 November 2015**
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geothermal Steam	25 years	26 November 2015**
		Plant C, Unit 6			57 MW			26 November 2015**
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	7 November 2016 - 6 November 2021	15 May 2017*
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25 years	30 March 2016
			Blackstart		1.68 MW	Diesel	5 years	

COC No. 16-03-M- 00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	30 March 2016
			Blackstar t		1.68 MW	Diesel	5 years	
COC No. 17-07-M- 00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	9 July 2017 - 8 July 2022	22 June 2017
COC No. 17-07-M- 00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	9 July 2017 - 8 July 2022	22 June 2017
COC No. 17-07-M- 00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	9 July 2017 - 8 July 2022	22 June 2017
COC No. 17-07-M- 00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	9 July 2017 - 8 July 2022	22 June 2017
Provisional Authority to Operate	Therma Power- Visayas, Inc.	Naga Oil- Fired Power Plant (NOPP)	Oil-Fired Power Plant	Brgy. Colon, Naga City, Cebu	44.58 MW	Bunker C	6 January 2021 – 5 January 2022	16 December 2020
		Blackstart Diesel Engine Generatin g Unit	Blackstar t		440 kW	Diesel		
COC No. 15-09-M- 00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	19 January 2016 - 31August 2020	19 January 2016 *
		Unit 2			150 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	20 September 2019 - 19 September 2024	20 September 2019
COC No. 19-06-M- 00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal- Fired Power Plant	Circulatin g Fluidized Bed Coal- Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	15 April 2019 - 14 April 2024	26 June 2019
COC No. 19-07-M- 00040L	TeaM Energy Corpora tion	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	20 July 2019 - 19 July 2024	9 July 2019
			Black Start		800 kW	Diesel		
COC No.		Pagbilao Unit 3 Coal	Coal Fired	Isla Grande,	420 MW	Coal		

18-02-M-00145L	Pagbilao Energy Corporation	Fired Thermal Power Plant	Thermal Power Plant Blackstart	Ibabang Polo, Pagbilao, Quezon	1.04 MW	Diesel	20 February 2018 – 19 February 2023	20 February 2018
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alasasin, Mariveles, Bataan	325.8 MW	Coal	3 December 2017 – 2 December 2022	21 November 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		
COC No. 16-12-M-00101V	San Carlos Sun Power Inc.	N/A	Solar Power Plant	Brgy. Punao, San Carlos City	58,981 MWp	Solar	14 July 2016 – 13 July 2021*	20 December 2016
COC No. 15-02-GN 53-16751V	Cebu Energy Development Corporation	N/A	Coal-Fired Thermal Power Plant	Brgy. Daanlungsod, Toledo City, Cebu	251.1 MW	Coal	16 February 2015 - 15 February 2020*	16 February 2015 - 15 February 2020*
			Blackstart		920kW	Diesel		

\*With a Provisional Authority to Operate ("PAO"). Awaiting issuance of renewal of COC from ERC.

\*\* Ongoing ERC Technical Inspection for the issuance of PAO or renewed COC.

## **Distribution Business**

Under the EPIRA, the business of electricity distribution is a regulated public utility business that requires a national franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from the 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 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 and regulations of the EPIRA.

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

DU	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. (RA No. 9339 was approved on 01 September 2005.)	Valid until 24 September 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated 26 January 2009, ERC Case No. 2008-095 MC).	25 years, or from 24 September 2005 to 24 September 2030	
Davao Light	RA No. 8960	25 years from effectivity of RA No. 8960, or from 07 September 2000	Valid until 07 September 2025
	ERC CPCN Decision dated 26 February 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to 07 September 2025	
	R.A. No. 11515	25 years from expiration of the term granted under of RA No. 8960, or from 07 September	Valid until 07 September 2050

		2025 to 07 September 2050 (Lapsed into law 26 December 2020.)	
Cotabato Light	RA No. 10637	25 years from effectivity of RA No. 10637, as amended (RA No. 10637 was approved on 16 June 2014.)	Valid until 16 June 2039
	ERC Certificate No. CPCN-14-01 (ERC Decision dated 09 December 2019, ERC Case No. 2013-063 MC)	25 years, or from 17 June 2014 or until 16 June 2039	
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on 06 February 2010)	Valid until 23 March 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated 31 August 2010, ERC Case No. 2010-029 MC)	25 years, or from 24 March 2010 to 26 March 2035	
SEZ	Distribution Management Service Agreement (DMSA) between Subic Enerzone and joint venture of AEV-Davao Light	Notarized on 15 May 2003. Term of the DMSA is 25 years.	Valid until 15 May 2028

Mactan Enerzone, Balamban Enerzone, Lima Enerzone, and Malvar Enerzone, which operate the power distribution utilities in MEPZ II, WCIP-SEZ, 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 EPIRA, but is considered a business affected with public interest. As such, 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, AESI, AdventEnergy, SN Aboitiz Power – RES, and Prism Energy, obtained separate licenses to act as RES and Wholesale Aggregator.

### **New Projects**

GNPD started the construction of Unit 1 in September 2016. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017. Unit 1 is expected to commence commercial operations by the third quarter of 2021. Unit 2 is expected to synchronize and earn commissioning revenues by the second quarter of 2021 and to commence commercial operations by the fourth quarter of 2021.

### **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 the Company and its Subsidiaries have filed with the Philippine IPO and their pending trademark applications abroad.


#### **Philippine IPO**

<b>Trademarks</b>	<b>Owner</b>	<b>Date Filed</b>	<b>Registration No./Date Issued</b>	<b>Description</b>	<b>Status</b>
A Better Future word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal	4-2010-004383 11 November 2010	Application for the word mark "A Better Future".	In use



		filed on 23 October 2020	Mark renewed on 11 November 2020		
Better Solutions word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004384 11 November 2010 Mark renewed on 11 November 2020	Application for the word mark "A Better Solutions".	In use
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004385 11 November 2010 Mark renewed on 11 November 2020	Application for the word mark "AboitizPower".	In use
AboitizPower Spiral Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010	4-2010-004380 10 February 2011 Application for renewal filed on 10 February 2021	Application for the device mark "AboitizPower Spiral and Device", with color claim. The representation of a spiral rendered in blue.	In use
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	19 October 2001	4-2001-007900 13 January 2006 Mark renewed on 13 January 2016	Application for the word mark "Cleanergy".	In use
Cleanergy word mark (Class Nos. 39 and 42)	Aboitiz Power Corporation	16 January 2019	4-2019-000850 09 June 2019	Application for the word mark "Cleanergy" for the additional goods and services under Class Nos. 39 and 42.	In use
Cleanergy Get It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004381 11 November 2010 Mark renewed on 11 November 2020	Application for the device mark "Cleanergy Get it and Device". The word "Cleanergy", with color claim. The phrase "get it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	In use
Cleanergy Got It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004382 11 November 2010 Mark renewed on 11 November 2020	Application for the device mark "Cleanergy got it and device". The word "Cleanergy" with the phrase "got it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	In use

AboitizPower and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010	4-2010-004379  10 February 2011  Application for renewal filed on 10 February 2021	Application for the device mark "AboitizPower and Device", with color claim.	In use
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	6 July 2006	4-2006-007306  20 August 2007  Mark renewed on 20 August 2017	Trademark application for Subic EnerZone Corporation and Logo, with color claim (blue and yellow).  The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, rendered in cobalt medium blue color, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.  The logo is likewise rendered in the cobalt medium blue color in a yellow background.	In use
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	6 July 2006	4-2006-007305  20 August 2007  Mark renewed on 20 August 2017	Application for the Subic EnerZone Corporation word mark and device (gray). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.	In use
Subic EnerZone Corporation word mark (Class No. 39)	Subic EnerZone Corporation	6 July 2006	4-2006-007304  04 June 2007  Mark renewed on 04 June 2017	Application for the word mark "Subic EnerZone Corporation".	In use
Cotabato Light Logo (Class No. 39)	Cotabato Light and Power Corporation	29 May 2019	4-2019-502915  20 October 2019	Application for the logo "Cotabato Light"	In use
Davao Light Logo (Class No. 39)	Davao Light and Power Corporation	29 May 2019	4-2019-502917  20 October 2019	Application for the logo "Davao Light"	In use
Balamban Enerzone Logo (Class No. 39)	Balamban Enerzone Corporation	29 May 2019	4-2019-502910  10 February 2020	Application for the logo "Balamban Enerzone"	In use
Mactan Enerzone Logo (Class No. 39)	Mactan Enerzone Corporation	29 May 2019	4-2019-502911  20 February 2020	Application for the logo "Mactan Enerzone"	In use

Lima Enerzone Logo (Class No. 39)	Lima Enerzone Corporation	29 May 2019	4-2019-502912 20 February 2020	Application for the logo "Lima Enerzone"	In use
Malvar Enerzone Logo (Class No. 39)	Malvar Enerzone Corporation	29 May 2019	4-2019-502913 20 February 2020	Application for the logo "Malvar Enerzone"	In use
Subic Enerzone Logo (Class No. 39)	Subic Enerzone Corporation	29 May 2019	4-2019-502914 20 October 2019	Application for the logo "Subic Enerzone"	In use
Visayan Electric Logo (Class No. 39)	Visayan Electric Company, Inc.	29 August 2019	4-2019-015288 29 December 2019	Application for the logo "Visayan Electric"	In use
MORE (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	10 October 2018	4-2018-00018077 21 February 2019	Application for the logo "MORE" in dark blue	In use
SN ABOITIZ POWER GROUP (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc.	10 October 2018	4-2018-00018076	Application for the logo "SN ABOITIZ POWER GROUP" in black, grey and white	In use
SN ABOITIZ POWER-BENGUET, INC.	SN Aboitiz Power-Benguet, Inc.	30 April 2014	4-2014-00005209 29 December 2016	Application for the Logo "SN ABOITIZ POWER-BENGUET, INC."	In use
SNAP ABOITIZ POWER-MAGAT, INC.	SN Aboitiz Power-Magat, Inc.	30 April 2014	4-2014-00005208 09 March 2017	Application for the Logo "SNAP ABOITIZ POWER-MAGAT, INC."	In use
	SN Aboitiz Power-Magat, Inc.	23 November 2017	4-2017-00018969 07 June 2018	Application for Logo	In use

### 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)**

<b>Trademarks</b>	<b>Country of Application</b>
AboitizPower Word Mark (Class Nos. 39, 40, 42)	World Intellectual Property Office (“WIPO”)
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Vietnam
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

#### **EFFECTS OF EXISTING OR PROBABLE GOVERNMENT REGULATIONS ON THE BUSINESS**

AboitizPower and its Subsidiaries are subject to the laws governing 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 regulations, and other labor-related laws, regulations, and mandated work-related programs of DOLE.

The Aboitiz Group closely monitors its compliance with the Applicable Laws and Government regulations affecting its businesses.

#### **Independent Electric Market Operator (IEMO)**

On 22 October 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.

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

On 22 December 2015, Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) filed a petition for rulemaking entitled In the Matter of Petition for Rules Change in Rate Setting Methodology for Distribution Wheeling Rate - Repeal of the Performance- Based Rate Making (PBR) Regulation and Return to Previous Return-on-Rate-Base (RORB) with Modification, docketed as ERC Case No. 2015-008RM. Public consultations were held on various dates in Metro Manila, Cebu and Davao. ERC also conducted Power 101 and PBR

briefing sessions to various other consumer groups who said that they cannot intelligently comment on the PBR rules without understanding the concepts.

In June 2019, 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 & Light Co., Inc., and Dagupan Electric). Various public consultations were held in the month of July 2019. However, during the 29 July 2019 PBR public consultation, MSK called the attention of ERC to act first on its 2015 petition on rate methodology before proceeding with the reset process. ERC issued its Decision dated 24 September 2020 on MSK's petition denying its petition to revert to 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, all AboitizPower Distribution Utilities have not undergone regulatory reset starting from the third regulatory period. In January 2020, 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 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 29 October 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 7 January 2021, the foregoing distribution utilities submitted their respective explanations, including a manifestation that all required data has been submitted as of 29 December 2020. ERC has yet to resolve these cases. If found liable, penalty for violation is ₱50,000.00 per distribution utilities, pursuant to ERC Resolution No. 03, series of 2009.

On 16 March 2021, the ERC issued the draft Rules for Distribution Wheeling Rates and Issues Paper, which puts the PBR regulatory reset in motion. Stakeholders were asked to provide comments to the draft Rules.

On 22 April 2021, the ERC posted a notice for all interested parties to submit their counter-comments and/or counter-proposals on any of the submitted comments by stakeholders on the foregoing draft. Comments from AboitizPower's DUs were submitted last 12 April 2021, while counter-comments were provided on 12 May 2021.

### **ERC Regulation on System Loss Cap Reduction**

In April 2018, ERC issued Resolution No. 10, Series of 2018 entitled "A Resolution Clarifying the System Loss Calculation Cap and Providing the Effectivity of the Rules for Setting the Distribution Loss Cap". This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered and charged by distribution utilities to its customers, beginning in the May 2018 billing period.

Under the ERC resolution, the DSL cap for private utilities was set at 6.5% for 2018, 6.25% for 2019, 6.00% for 2020, and 5.50% for 2021.

### **Competitive Selection Process**

In December 2020 and on 12 May 2021, the DOE posted a draft Department Circular amending the 2018 DOE Circular. It was subjected to public consultation in May 2021, and encouraged stakeholders to submit comments by 11 June 2021. As of writing the DOE is yet to issue the amended Department Circular on the Competitive Selection Process.

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

On 4 December 2019, 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 21 June 2021, the DOE issued an “Advisory on the Implementation of Department of Energy (DOE) Circular No. DC2019-12-0018”. The advisory directed the National Grid Corporation of the Philippines 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.

#### **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 2 December 2014, DOE issued 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 14 September 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. The decision of the ERC on these amendments remains pending.

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.

#### **Energy Efficiency and Conservation Act**

Apart from prescribing efficient use of energy standards and labeling requirements for energy-consuming products, the 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 (IAECC)”*
- (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.

### **Energy Virtual One-Stop Shop Act**

The DOE already began the implementation of the EVOSS Online Platform, pursuant to the Republic Act 112344 or "Energy Virtual One-Stop Shop Act" ("EVOSS Act").

On 5 June 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 2 July 2021, President Rodrigo Duterte created the Energy Virtual One-Stop Shop Task Group through Executive Order No. 143, to ensure the increasing operationalization of the EVOSS.

### **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 website the 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 the EVOSS Law, as it is empowered by 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 18 December 2020.

### **Reliability Performance Indices**

On 16 December 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 3 January 2021.

In relation to this, the ERC issued a consolidated show cause order dated 14 June 2021, against Hedcor Bukidnon, Inc. requesting the latter to explain why it should not be held liable for violation of Article V of ERC Resolution No. 10, Series of 2020 for the alleged excess unplanned outages for Hedcor Bukidnon's Manolo Fortich 1 Units 2, 3, and 4 (ERC Case Nos. 2021-075 SC, 2021-076 SC, and 2021-077 SC).

On 8 July 2021, Hedcor Bukidnon, Inc. submitted its verified explanation, with attached documents to prove that the cause of the outage is a force majeure event or a planned outage, both of which should not be included in counting unplanned outage days. On 25 August 2021, Hedcor Bukidnon, Inc. manifested developments and submissions relating to the resumption of Manolo Fortich 1's operations. The case has yet to be resolved by the ERC.

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

In view of the Qualified Third Party ("QTP") Guideline Policy, as of 23 March 2021, 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.

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

As of 23 March 2021, the DOE is asking for public participation in the drafting of the REM Registration Manual, REM Manual (Allocation of RE Certificates for FIT-Eligible RE Generation), REM Enforcement and Compliance Manual (REM Investigation Procedures and Penalty Manual), and the REM Manual Dispute Resolution.

The REM's target implementation is within 2021.

### **Feed-in-Tariff System**

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

The FIT Rules are specific for each emerging renewable energy technology and to be applied only to generation facilities which enter into commercial operation after effectivity of the FIT Rules or to such parts of such existing facilities which have been substantially modified or expanded as provided under the FIT Rules.

Under the FIT Rules, the FITs are specific for each eligible renewable energy plants, which are those power facilities with COCs issued to them that utilize emerging renewable energy resources or to such parts of such existing facilities that have been substantially modified or expanded, which enter into commercial operation after effectivity of the FIT Rules. These include facilities intended for their owners' use, which are connected to the transmission or distribution networks and are able to deliver to such networks their generation or parts thereof but FIT shall only be paid for such amount of electricity actually exported to the distribution or transmission network and not utilized for their own use.

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

On 16 February 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 GenCos 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 ERC a program to comply within sixty (60) days of receipt of an ERC directive.

### **Green Energy Auction Policy**

On 14 July 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 Contracted Customers will pay the average price, subject to the allocation/calculation of MO, per trading interval.

The first auction is targeted to be implemented in October 2021, although the industry is still awaiting issuance of ERC of the GEIA and GEAR price.

### **Green Energy Option Program**

On 16 August 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.

### **Bayanihan 2 Act**

On 11 September 2020, the Bayanihan 2 Act was approved, which directed “all institutions providing electric, water, telecommunications, and other similar utilities to implement a minimum of 30-day grace period for the payment of utilities falling due within the period of enhanced community quarantine or modified enhanced community quarantine without incurring interests, penalties, and other charges.” This is further qualified for the electric power sector, such that “the minimum 30-day grace period and staggered payment without interests, penalties, and other charges shall apply to all payments due within the period of the community quarantine in the electric power value chain to include generation companies, the transmission utility, and distribution utilities.”

On 27 October 2020, the ERC posted an advisory providing more details on the implementation of the Bayanihan 2 Act.

## **ESTIMATE OF AMOUNT SPENT FOR RESEARCH AND DEVELOPMENT ACTIVITIES**

AboitizPower and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by AboitizPower’s Subsidiaries and Affiliates on a per project basis. The allocation for such activities varies according to the nature of the project.

## **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. Among other things, these rules address concerns on air emissions; wastewater discharges; the generation, handling, storage, transportation, treatment, and disposal of toxic or hazardous chemicals, materials, and waste; workplace conditions; and

employee's exposure to hazardous substances. Standard laws and regulations that govern business operations include Clean Air Act (RA No. 9003), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Chemical 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 adds new and evolving measures that must be complied with. DOE's Energy Regulation No. 1-94 ("ER 1-94") requires 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. These laws usher in new opportunities for AboitizPower and set competitive challenges for its businesses.

The Safety Health Environment and Security (SHES) group of AboitizPower oversees the SHES programs and activities, including the accounting of all environmental impact, within its operational control from the corporate center to the business units and facility teams. For the Generation Group, the facilities include: (a) APRI's Tiwi-MakBan plants, (b) SacaSun San Carlos plant, (c) the Benguet, Bakun, Sabangan, Sibulan A, Sibulan B, Tudaya A, Tudaya B, Manolo Fortich, and Talomo HEPPs of the Hedcor Group, (d) the SN Aboitiz Power Group's Ambuklao, Magat, and Maris plants, (e) the Oil Group's Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, and (f) the 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, 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. All facilities are in compliance with regulatory requirements, thus noting zero spending for remediation costs.

The alignment to international best practices in all power plants and distribution utilities are exemplified with our certifications for various management systems of Quality, Environment, Occupational Health and Safety. However, due to the impact of the COVID-19 Pandemic in 2020, a few of the AboitizPower subsidiaries in Power Generation which were ready for their recertification or surveillance audit have decided to defer it to this year or 2022. Meanwhile, Power Distribution maintained 100% certification on ISO 9001:2015 Quality Management Systems, ISO 45001 Occupational Health & Safety or OHSAS 18001 Occupational Health and Safety Management System, and ISO 14001 Environmental Management System. Despite the hurdles in 2020, our Oil Business Unit marked a milestone for being the first in AboitizPower to be conferred with the ISO 50001:2018 "Energy Management Systems (EnMS)" certification.

In 2020, continuous improvement in managing environmental impacts is evident, as seen in the increased total environmental management expenses at ₱71.8 mn, which is a 10% increase compared with previous year at ₱65 mn. This is composed of ₱9.7 mn for APRI, ₱13 mn for Hedcor, ₱15.7 mn for the Coal Group, ₱9.8 mn for the SN Aboitiz Power Group; ₱7.8 mn for the Oil Group, and a total of ₱15.3 mn for the Distribution Utilities.

Of the ₱71.8 mn total environmental management expenses, ₱24.9 mn was allocated for capital expenditure aimed at improving pollution prevention and control. The following projects were implemented: (a) APRI Makban's purchase of one new unit of Continuous Ambient Monitoring Station downwind; (b) APRI installation of additional Continuous Ambient Monitoring Station at Plant A in Tiwi; (c) SN Aboitiz Power-Benguet HEPP's improvement and rehabilitation of sewage treatment plant, oil, water, and grease separator in both Ambuklao and Binga facilities; (d) the Oil Group's improvement of its oil water separators and sewage treatment facility in Mobile 3-6; (e) the Coal group's ongoing construction of its improvement on sewage treatment plant at the Toledo plant; (f) offload regeneration and decontamination of transformers with Polychlorinated biphenyls at Visayan Electric; and (g) Cotabato Light's construction of new material recovery facility.

Operating expenditure projects were also implemented to improve environmental management practices on site. APRI Tiwi's projects include (a) the minimization of single-use plastics and residual wastes which resulted to a reduction of generated wastes by 5% in 2020; (b) a domestic water consumption reduction initiative that resulted in a reduction of 5% in consumed water in 2020; and (c) air dispersion modelling for mapping the extent of H<sub>2</sub>S gas within the Tiwi Geothermal Power Plant to ensure safety of its workers. Cotabato Light's projects include: (a) the improvement of its transformer yard with oil trap; and (b) purchase of color-coded

bins and health care waste bins to conform to AboitizPower SHES waste management standards.

AboitizPower and its Subsidiaries received a total of 103 SHES awards, certifications and citations in 2020. It received recognition from Safety & Health Association of the Philippine Energy Sector, Inc. (SHAPES) on: (a) APRI Tiwi’s Platinum Corporate Safety and Health Excellence Award and Outstanding Safety and Health Professional Platinum Award; (b) SN Aboitiz Power-Magat’s Outstanding Safety and Health Professionals Award, Corporate Safety and Health Excellence award, Special Recognition on Occupational Health Management of COVID-19 pandemic; and (c) SN Aboitiz Power-Benguet’s Outstanding Safety And Health Professional for seven employees, and the Corporate Safety And Health Excellence Titanium Award.

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.

## EMPLOYEES

At the parent company level, AboitizPower has a total of 425 employees as of 31 August 2021. These include executive, 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 31 August 2021:

Business Group	Number of Employees					Rank & File	Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors				
<b>Aboitiz Power</b>	425	79	72	84	190	0	N/A	
<b>Generation Companies</b>								
Run-of-River Hydros	408	13	21	47	327	112	19 September 2022 (Hedcor)	
Large Hydros	183	21	34	68	60	0	N/A	
Geothermal	249	11	18	47	173	12	28 February 2022 (APRI) <sup>15</sup>	
Solar	5	0	0	1	4	0	N/A	
Oil	401	12	34	201	154	0	N/A	
Coal	1,342	22	72	284	964	0	N/A <sup>16</sup>	
<b>RES</b>	4	0	1	1	2	0	N/A	
<b>Distribution Utilities<sup>17</sup></b>	789	17	63	137	572	332	31 December 2016 <sup>*18</sup> (Visayan Electric) 01 July 2024 (Cotabato Light) 16 June 2026 (Davao Light) 09 May 2024 (SFELAPCO)	

<sup>15</sup> A letter request to management was sent for the disbandment of the union. The request for disbandment is currently pending approval by DOLE.

<sup>16</sup> DOLE has granted the voluntary dissolution filed by Mariveles Power Station Employees Union (MPSEU) with Registration Number RO302-BAT-1309-UR-III-001. Notice of Resolution was granted on April 1, 2020

<sup>18</sup> Secretary of Labor and Employment issued an Order dated 06 September 2019 resolving the labor dispute. Management decided for a prospective implementation of salary increase and other benefits in the collective bargaining agreement effective 25 September 2019, which the union opposed. Union filed a Motion for Clarification on 3 December 2020 requesting clarification on the retroactive clause. Visayan Electric filed its Comment on the motion on 23 July 2021, which is currently pending for resolution.

<b>Total No. of Employees</b>	<b>3,806</b>	<b>175</b>	<b>315</b>	<b>870</b>	<b>2,446</b>	<b>456</b>	
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The Company does not anticipate any increase in manpower within the next twelve months unless new development projects and acquisitions would materially require an increase.

The Company's employees are not on strike nor are threatening to strike, and have not been on strike for the past three (3) years.

The Company has performance incentive policies to grant bonuses to eligible employees based on their performance in the previous calendar year. Other than the statutory benefits and the performance incentive program, the Company does not provide its employees any other supplemental benefits.

## **INSURANCE**

It is the Company's policy to obtain and maintain insurance coverage for its operating assets and employees that is in line with industry standards and good business practices. The Company ensures that all insurance policies are updated, renewed and provides best-fit coverage for the Company's insurance requirements.

### **Power Generation Companies**

#### ***Group Insurance Program – Industrial All Risks.***

To maximize the coverage and competitiveness of insurance terms and conditions, the Company had grouped the insurance coverage of the following generating companies:

Group IAR Program 1: This program has a policy period of 30 May 2021 to 29 May 2022, procured through Malayan Insurance Co., Inc.

- Sacasun
- Hedcor Sibulan
- Hedcor Tudaya
- Hedcor Sabangan
- LHC
- Hedcor Bukidnon
- Hedcor, Inc. (La Trinidad)
- TVI

Group IAR Program 2: This program has a policy period of 30 November 2020 to 30 November 2021, procured through Pioneer Insurance and Surety Corporation

- SN Aboitiz Power (SNAP)
- TLI
- TSI
- APRI

This program will respond to losses and/or damages to (a) declared properties including machinery breakdown; and (b) business interruption exposures.

Noting the uniqueness of the power barges, the Company has decided to engage separate program for the following Business Units to ensure that the insurance coverage is aligned with the risk exposures of the power barges:

- TMO
- TMI

This program has a policy period of 15 December 2020 to 15 December 2021, procured through Pioneer Insurance and Surety Corporation.

*Group Property and Electronic Equipment Insurance.* Noting that office-based properties have lesser risk exposure compared to the generating plants, the Company has procured a separate policy to cover properties which are considered as office-based. This was procured from Pioneer Insurance and Surety Corporation with policy period of 31 July 2021 to 31 July 2022.

*Group Comprehensive General Liability Insurance.* To mitigate risks related to Third Party Liability for bodily injury and/or property damage, the Company procured group cover for the following Business Units through Starr International Insurance Philippines with a policy period of 30 November 2020 to 30 November 2021.

BU	Limit per Occurrence (in US\$)
Hedcor Sibulan	2,000,000.00
APRI	2,000,000.00
SNAP – Benguet	10,000,000.00
SNAP – Magat	200,000.00
TSI	5,000,000.00
LHC	5,000,000.00
SN Aboitiz Power – Maris	1,000,000.00
Sacasun	2,000,000.00
TVI	5,000,000.00

*Stand-alone Program.* On a per Business Unit basis, stand-alone insurance programs were procured to ensure that unique risk exposures of particular Business Unit are mitigated.

Hedcor, Inc. – Industrial All Risks. Properties of Hedcor, Inc. are insured through Malayan Insurance Co., Inc. as the lead insurer with total declared value of ₱5.6 bn for all properties located in Benguet and Davao including business interruption exposures. Policy period is from 30 December 2020 to 30 December 2021.

East Asia Utilities Corporation (EAUC) – Industrial All Risks. Properties of EAUC are insured through Malayan Insurance Co., Inc. with total declared value of US\$ 60.7 mn including business interruption exposures with policy period of 30 December 2020 to 20 December 2021

Cebu Private Power Corporation (CPPC) – Industrial All Risks. Properties of CPPC are insured through Malayan Insurance Co., Inc. with a total declared value of US\$ 97 mn including business interruption exposures with policy period of 30 December 2020 to 30 December 2021.

Therma Luzon, Inc, (TLI) – Property Damage / Business Interruption Insurance. Protection of revenue streams as IPPA is a risk exposure of TLI in relation to power generation of Pagbilao Coal-Powered plant. In relation to this, the Company has procured business interruption cover through Pioneer Insurance and Surety Corporation with a limit of US\$45 mn. The policy period is from 31 May 2021 to 31 May 2022.

Shipment of Coal Policies for Therma Luzon (TLI) and Therma South (TSI). Both Business Units have a Marine Open Policy that covers its import shipments of Coal from Indonesia to the Plant site. Limit of liability per any one shipment is at ₱400 mn. The policy has open-ended expiration date but being reviewed annually.

### **Power Distribution Companies**

*Group Insurance Program.* Seeing the benefits of grouping the insurance coverage, the Company has procured group cover for the following distribution companies:

- Visayan Electric Company
- Davao Light
- Cotabato Light
- Mactan ENerzone
- Balamban Enerzone
- Subic Enerzone
- Lima Enerzone

The Group's policy covers Industrial All Risks (IAR) insurance that will respond for losses and/or damages to declared properties through Malayan Insurance Co., Inc., as lead insurer, and Pioneer Insurance Company Ltd., and Surety Corp., as co-insurers, with policy period of 30 December 2020 to 30 December 2021. Total declared value of the properties is ₱10.8 bn, broken down as follows:

<b>BU</b>	<b>Declared Values (in ₱)</b>
Visayan Electric	₱4.102 bn
Davao Light	₱4.540 bn
Cotabato Light	₱0.785 bn
Mactan Enerzone	₱0.118 bn
Balamban Enerzone	₱0.131 bn
Subic Enerzone	₱0.754 bn
Lima Enerzone	₱1.158 bn
Malvar Enerzone	₱0.246 bn

*Group Comprehensive General Liability Insurance.* The operations of Distribution Companies come with Third Party Liability exposures. The Company has procured a Comprehensive General Liability insurance from Pioneer Insurance and Surety Corporation with combined single limit for bodily injury and/or property damage of ₱5 mn per occurrence and in the aggregate with sub-limit of ₱1 mn for losses related to transmission and distribution. Policy period is from 30 December 2020 to 30 December 2021.

*Insurance Program for Transmission & Distribution Lines.* Seeing the need to mitigate major exposure on Transmission and Distribution lines, an insurance program for Visayan Electric and Davao Light in relation to loss of or damage to said properties including loss of gross profit was procured through Pioneer Insurance and Surety Corporation with a limit of US\$25,000,000 each occurrence and in the aggregate with policy period of 01 March 2021 to 28 February 2022.

### **Applicable to Both Generation & Distribution Companies**

*Group Comprehensive Motor Vehicle Insurance.* As motor vehicles are an integral part of operation, all registered motor vehicles of Aboitiz Power are covered under the Aboitiz Group's Motor Vehicle insurance through Mapfre Insular Insurance Corporation with policy period of 31 December 2020 to December 31, 2021.

*Directors and Officers' Liability Insurance.* In order to protect the balance sheet of the Company as well as the personal assets of the Company's directors and officers, a Directors and Officers Liability Insurance was

procured. The coverage includes all subsidiaries of AEV. The policy has a total limit of US\$25,000,000.00 issued by Starr International Insurance with a policy period of 28 February 2021 and expiring on 28 February 2022.

*Group Insurance Program – Political Violence.* The Company has procured Political Violence insurance, which is a broader form of Sabotage and Terrorism that covers property damage and business interruption caused by any acts of sabotage and/or terrorism and/or political violence for AEV Group including power generation and distribution units. This is a group policy with shared limit of US\$250 mn for any acts of sabotage and/or terrorism and/or political violence. This program has a policy period of 30 November 2020 to 30 November 2021 insured through Pioneer Insurance and Surety Corporation.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Company strongly believes that business sustainability can be achieved by balancing the interests of people, planet, and profit. To ensure a profitable enterprise that will last for generations, it is vital for every business to operate with a strong social component amid a healthy environment, while practicing the core principles of good governance and transparency.

The Company recognizes that its operations have an impact on its communities and on the environment. Along with operational efficiency in its generation and distribution facilities and compliance with the Government's environmental standards, the Company ensures that the communities where it operates also benefit and develop together with the Company. To this end, the Company has supported community development projects in partnership with LGUs and other stakeholders to help address the economic, socio-cultural, health, education, and environmental concerns of these communities.

The Company contributes to social development programs implemented by the Aboitiz Group. Under the guidance of Aboitiz Foundation, Inc. (Aboitiz Foundation), the Group's social development arm, the Company continues to co-create safe, empowered, and sustainable communities by continuously focusing on the areas of education, enterprise development, and the environment. The Company also continues to address the health care and childcare needs of its host communities, and offer assistance to disaster-stricken areas.

In 2014, Aboitiz Foundation launched CSR 2.0, a set of parameters that measures the significance and impact of projects implemented by the different companies of the Aboitiz Group. CSR 2.0 ensures that projects have an inclusive impact on the communities. Its parameters include the alignment with the Group's core businesses and the Foundation's program pillars, scalability, team member engagement, and provision of long-term benefits to our partner-communities. In 2020, about 15% of group-wide CSR programs reached the CSR 2.0 status.

The Aboitiz Group, through Aboitiz Foundation, invested a total of ₱401 mn in CSR projects and initiatives to support its communities in 2020, of which ₱265 mn was committed for its environmental programs, ₱91 mn for enterprise or livelihood programs, and ₱37 mn for other initiatives. All these are consistent with the Aboitiz Group's commitment to protecting and enhancing the planet and uplifting the well-being of its communities. Through responsible operations and the implementation of various sustainability and CSR projects, the Company is constantly advancing business and communities by exploring opportunities to create shared value whenever possible.

Moreover, the Company provides additional funds for the communities through its compliance with the Energy Regulations No. 1-94 (ER 1-94). The ER 1-94 program is a policy under the Department of Energy Act of 1992 and 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. 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, the Company 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. In 2020, due to the COVID-19 pandemic, DOE released a new circular which



repurposed ER 1-94 funds for projects that would help alleviate the COVID-19 situation in the country. The Company has successfully downloaded about ₱160 mn-worth of ER 1-94 funds as of August 2021 to about 150 host beneficiaries. About ₱619 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. The Company continues to extend assistance to its communities to ensure the full utilization of the available ER 1-94 funds.

### ***Education***

The Company invests in numerous initiatives that aim to nurture and enlighten the minds of students. Primarily, the Company provides scholarship grants for high school, college, and technical-vocational students. In 2020, the Company had a total of 313 scholars.

The Company also provides infrastructure support for educational institutions such as the construction and rewiring of classrooms as well as library revitalization. The Company also provides donations of armchairs, desks, computers and school supplies, and services such as rewiring of classrooms. For instance, Hedcor Bukidnon turned over a fully furnished container van to serve as Sitio Sabangan's new daycare center. The repurposed facility came with new tables and chairs, books and other learning materials, all for the benefit of the young learners of the community. The addition of the new facility in the area will allow more children in the community to have access to education.

In 2017, APRI launched the Youth Development Summit program which aims to engage scholars, LGUs, and its team members in conceptualizing sustainable and feasible projects for the benefit of the communities of Makiling-Banahaw and Tiwi geothermal power plants. The program has provided a platform to engage APRI team members in mentoring and coaching scholars on how to create impactful community projects. Some of the projects presented in the summits were supported and funded by APRI. In 2020, despite the tough situation, APRI supported its 111 scholars to continue their education for the academic year.

### ***Enterprise Development***

The Company recognizes that to empower its host communities, there is a need to widen the livelihood options of the community members. With this, the Company implements various skills training programs and livelihood support under its enterprise development program.

In its thrust to build green and sustainable communities and create livelihood opportunities, TSI launched the Building Resilient Infrastructure and Communities through Kaibigans or BRICK project in 2018. The project aims to organize a community-based enterprise in Binugao, Toril, Davao City, which shall manufacture high-quality bricks and pervious pavers made of the TSI power plant's by-product, fly ash, as well as plastic wastes from the community. The BRICK Facility was successfully turned over to the community in 2019. For 2021, TSI plans to train and organize a pool of brick producers and local bricklayers from the community to ensure the continuous operation of the BRICK facility.

The COVID-19 pandemic brought about restrictions in mobility, limited transport of goods, and the closing of markets, which have greatly affected the livelihood of communities. Hedcor, the run-of-river hydropower arm of AboitizPower, finds value in helping its partner communities recover through livelihood assistance. In partnership with the Aboitiz Foundation, Hedcor aided in the implementation of the ₱450,000-worth livelihood recovery program through the provision of egg machines to four different associations in Bukidnon and Davao del Sur. This initiative is part of a bigger program 'Restart: Aboitiz Foundation Recovery Program for Partner Cooperatives.' The program involves the provision of in-kind donations for livelihood recovery and training to select cooperatives nationwide. These egg machines are complete with ready-to-lay hens and rearing cages with a built-in feeding waterer. These machines can produce eggs regularly within 16 months. These collaborations include capacity-building training on leadership and values enhancement training and business continuity planning for the communities.

### ***Environment***



The Aboitiz Group, driven by its passion for a better world, is committed to the highest standards of environmental management and performance. One of the notable greening initiatives of the Group is the A-Park program. Launched in 2010, the initial goal of A-Park was to plant three million trees by 2015. The Group readily surpassed that goal and raised its target to nine million trees by 2020. To date, the Aboitiz Group has already planted 11 million seedlings across the country under the said program.

Along with the A-Park, the Company also has other environmental programs in place such as seedling nursery, watershed management, waste management, adopt-a-river, and coastal or river clean-up projects.

In its bid to offset carbon emissions, the Company has actively pushed for the establishment of the Carbon Sink Management Program (CSMP) since 2015. TSI and TVI are committed to planting 1 million trees in Davao and 1 million trees in Cebu, respectively, to act as a carbon sink. The Company has forged strategic partnerships with indigenous communities and farmers in support of the program. As of 2020, the Company and its partners in the community have planted a total of 1,244,399 seedlings under CSMP.

The Company also features the Aboitiz Cleanergy Park as one of its environmental programs. Located in Davao City, the eight-hectare park showcases a mangrove reforestation site, nursery, and botanical garden for the propagation of 29 native tree species and is home to 100 species of birds. Aside from helping reduce carbon emissions, the Park is also actively promoting habitat conservation and biodiversity management in an urban setting. Most importantly, the Park serves as a sanctuary and safe nesting ground for the hawksbill sea turtles, commonly called pawikan. Since 2014, the park has already released more than 939 hawksbill hatchlings to the sea, planted 13,992 mangroves, and rescued 16 pawikans.

In December 2020, the city government of Davao, the Aboitiz Group with Davao Light, GET Philippines, and QEV Technologies launched the BEST Bus project — the first fully electric, free-ride shuttle service in Mindanao, making Davao among the first pilot cities in the country. BEST stands for Business for Environmentally Sustainable Transformation, and is an initiative advocating to “be green, be digital, and be kind” for the betterment of the community. A total of seven new fully air-conditioned electric buses features an electric ramp and reserved space for PWDs were deployed.

### **COVID-19**

The Company has programs in place to help communities recover from the impact of natural disasters such as typhoons, fires, volcanic eruptions, and earthquakes, among others. While the pandemic that hit the country in 2020 was an unprecedented one, the Company made deliberate efforts to support its communities and partners through numerous initiatives and programs like donations of relief goods, testing kits and medical supplies, financial grants, and partnership with the government and private entities to create more long-term solutions for the country.

Early in March 2020, when the country went on a lockdown, the Aboitiz Group responded immediately by donating ₱100 mn to Project Ugnayan, a collaboration among local companies, as part of the Aboitiz Group’s sustained efforts in assisting communities affected by the pandemic. The ₱100 mn donation is part of the ₱1.5 bn Project Ugnayan raised in cooperation with the Philippine Disaster Resilience Foundation (PDRF) to purchase ₱1,000 gift certificates for around one million poor families in Greater Manila. Project Ugnayan is part of PDRF’s ongoing initiatives to help poor families who were economically displaced by the ongoing Luzon enhanced community quarantine.

In August 2020, the Aboitiz Group has extended much-needed assistance to Cebu’s frontliners in public hospitals and quarantine facilities as the city grapples with the Pandemic situation. The Aboitiz Group has contributed around ₱25 mn in various COVID-19 response initiatives. These include distribution of food packs and meal assistance, protective personal equipment (PPE), tents, and financial assistance to the frontliners in several hospitals and quarantine facilities around the city.

In November 2020, the Aboitiz Group also pledged doses of vaccine donations to the government as part of ‘A Dose of Hope’ Program (Wave 1), a tripartite initiative among the private sector, the government, and British drugmaker AstraZeneca, in support of the National Immunization Program. In January 2021, the Group also pledged additional doses for the Wave 2 of the said program. This would bring a total of 5.6 mn doses of the

vaccine for the country. The tripartite initiative aims to help realize the collective goal of inoculating nearly 50 to 70 mn Filipinos in 2021. The Aboitiz Group was among the first thirty private companies to sign the deal with the national government and AstraZeneca during Wave 1 of the program.

To date, the Aboitiz Group’s total contribution to the national COVID-19 response effort has reached over ₱2.2 bn (excluding various payments waived, reduced, extended, or restructured to help customers cope with the impact of COVID-19), underscoring the Aboitiz Group’s sustained campaign to help address the urgent needs of frontliners and affected communities nationwide.

### **Other Initiatives**

In 2013, the Company launched its Cleanergy Center at the Makiling-Banahaw Geothermal Complex of APRI to firm up its long-standing commitment to responsible energy development and education. The Cleanergy Center—taken from the words “clean energy” and named after AboitizPower’s brand for renewables—is the country’s first renewable energy learning facility. Since it opened, the Cleanergy Center has welcomed close to 56,000 visitors from all over the country and even abroad.

The Company also opened the Energy Education Center (EEC) in 2016 located at Therma South’s Davao baseload power plant. The center features interactive and informative displays on the Philippine energy sector and various power generating technologies. As of 2020, the center has already accommodated a total of 3,500 visitors.

Through responsible operations and the implementation of various sustainability and CSR projects, the Company is constantly advancing business and communities by exploring opportunities to create shared value whenever possible.

### **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. The Company entered into a lease agreement with Manta Equities, Inc. for its use of administrative office space and parking space for a period of ten (10) years from 01 April 2013 to 31 May 2023 and nine (9) years and three (3) months from 01 March 2014 to 31 May 2023, respectively. Both lease contracts have an escalation rate of 5.0%. The lease payments were ₱23.60 mn and ₱17.83 mn for the year ended 31 December 2020 and 2019, respectively.

As of date, there are no definite agreements for acquisitions of new properties. Nevertheless, the Company continually evaluates participation in future biddings for new or existing projects, and to develop projects that become available to it, and will disclose any material transactions in accordance with applicable disclosure rules under the SRC and of the PSE.

On a consolidated basis, AboitizPower’s Property, Plant and Equipment were valued at around ₱203.45 bn as of end-2020, as compared to ₱209.52 bn as of end-2019. The breakdown of the Company’s Property, Plant and Equipment as of 31 December 2020 and 31 December 2019 is as follows:

<b>Property, Plant and Equipment as of 31 December</b>	<b>2020</b>	<b>2019</b>
Land	₱ 1,751,190	₱ 1,785,250
Buildings, Warehouses and Improvements	38,731,336	37,218,328
Powerplant, Equipment, and Streamfield Assets	138,325,267	141,948,261
Transmission, Distribution and Substation Equipment	23,002,108	21,295,812
Transportation Equipment	5,311,547	1,626,721
Office Furniture, Fixtures and Equipment	1,345,146	1,174,643
Leasehold Improvements	2,950,245	2,793,542
Electrical Equipment	8,176,921	7,788,861
Meter and Laboratory Equipment	2,383,018	2,265,372
Tools and Others	4,687,252	1,228,993
Construction in Progress	5,464,652	6,311,485

Right-of-use Assets	38,012,187	37,864,618
Less: Accumulated Depreciation and Amortization	63,441,503	50,645,980
Less: Accumulated Impairment	3,248,123	3,134,440
<b>TOTAL</b>	<b>₱203,451,243</b>	<b>₱209,521,466</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
GMEC	Coal-fired thermal power plants	Mariveles, Bataan	In use for operations, used to secure long-term debt
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
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## MATERIAL CONTRACTS

In addition to the Material Contracts described in pages 155-166 of the Prospectus, AboitizPower has the following material contracts. This section is qualified in its entirety by, and should be read in conjunction with, the more detailed information found in the Prospectus.

### *AboitizPower ₱8 Billion Fixed Rate Bonds due 2026*

On 16 March 2021, AboitizPower issued fixed-rate bonds (the “2021 First Tranche Bonds”), with an aggregate amount of ₱4 bn and an oversubscription option ₱4 bn which was fully exercised. The 2021 First Tranche Bonds have an interest rate of 3.8224% per annum and are maturing on 16 March 2026. Interest shall be paid quarterly in arrear on March 16, June 16, September 16, and December 16 of each year, commencing on June 16, 2021, until and including the maturity date. The 2021 First Tranche Bonds were issued in scripless form in minimum denominations of ₱50,000 each, and in multiples of ₱10,000 thereafter. The 2021 First Tranche Bonds earlier received the highest possible rating of “PRS Aaa” from the Philippine Rating Services Corporation and AboitizPower intends to list them with the Philippine Dealing & Exchange Corporation (PDEX).

Remaining tranches of debt securities under AboitizPower’s shelf registration may be issued from time to time over the next three years, subject to market conditions and AboitizPower’s funding requirements.

AboitizPower appointed BDO Capital & Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation and First Metro Investment Corporation as Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners; and BDO - Unibank, Inc. – Trust and Investments Group as the Trustee. Philippine Depository & Trust Corp. (PDTC) is the Registrar and Paying Agent of the 2021 First Tranche Bonds.

The 2021 First Tranche Bonds constitute the direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by AboitizPower pursuant to Section 4.1 (k) of the trust agreement for the 2020 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2021 First Tranche Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2020 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:
  - (i) any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset; or (y) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
  - (ii) Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

- (iii) any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
- (iv) any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction
- (v) any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
- (vi) any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
- (vii) any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness;
- (viii) any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (y) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
- (ix) any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty-Five percent (35%) of the Issuer's total assets;
- (x) any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million (US\$40,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
- (xi) other Liens: (x) created solely by operation of law; and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the trust agreement; and
- (xii) any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

Provided that for purposes of "affiliate" as used in Section 5.2 (a) (iii), (iv), (v), and (xii) of the trust agreement, it shall refer to any Person in which AboitizPower has an investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2020 Bonds are current and updated; and
3. Maintenance of Financial Ratios. Under the 2020 Bonds, AboitizPower is not required to maintain any financial ratios. However, the Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the transaction date, after giving effect to the incurrence of such loan obligation and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt to Consolidated Equity Ratio, as at the last day of the Relevant Period immediately preceding the transaction date (and giving effect to the incurrence of such loan obligation and any other such cumulative obligations), will exceed 3:1.

## CERTAIN 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 (LGC) 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 ₱183mn covering the period from 1989 to 2019 pending before the Cebu City Assessor's Office. Visayan Electric was issued a tax certificate on 5 January 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 16 January 2020.

On 3 February 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.

On 14 September 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 21 January 2021 while the Province filed its Compliance with Manifestation on 5 February 2021.

On 23 March 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 28 April 2021.

As of 31 August 2021, the case is deemed submitted for decision.



**Luzon Hydro Corporation vs. Cristina G. Monderin, in her official capacity as the Municipal Treasurer of Alilem, Ilocos Sur, et al.**

**Civil Case Nos. 01810-T and 01814-T**

With the finality of the SC's determination in the case: "*Luzon Hydro Corporation and the National Power Corporation vs. The Local Board of Assessment Appeals of the Province of Ilocos Sur, Fatima Tenorio, in her official capacity as the Provincial Assessor of the Province of Ilocos Sur, Antonio A. Gundran, in his capacity as the Provincial Treasurer of the Province of Ilocos Sur*" docketed as GR Nos. 223403 and 223460-61 that it is liable to pay real property tax, LHC wrote to Gov. Singson on 18 December 2018 signifying its willingness to settle the outstanding RPT obligation, but at the reduced amount pursuant to the EOs. There was no response until 31 August 2019, when LHC received a Notice of Tax Delinquency from the Municipality with respect to four properties, computed based on an 80% assessment level. LHC received a second Tax Delinquency Notice on 18 September 2019 for seven other properties. The second tax delinquency notice covered the lodging house, admin buildings, warehouses, tunnel steel lining and industrial switchyard. Thereafter, the Municipality of Alilem issued warrants of levy for the properties covered by the notices, and scheduled them for auction sale.

LHC filed two separate "Petitions for Prohibition and *Mandamus* with prayer for Temporary Restraining Order ("TRO") and Preliminary Injunction" to cover the two notices of auction sale, challenging the correctness of the amount assessed as real property tax and to prevent the auction sale of the assets. The actions also sought the enforcement of the EOs directing the reduction of real property tax on property, machinery and equipment actually and directly used by IPPs under BOT contracts (however denominated), and condoning related real property tax interest and penalties.

The RTC of Tagudin, Ilocos Sur acting on both Petitions, issued two TROs enjoining the Municipality of Alilem from selling at public auction LHC's real properties for a period of 20 days, which has since expired. LHC, on its part, filed its Position Paper on 12 December 2019 and Supplemental Position Paper December 19, 2019, in compliance with the aforesaid court orders. The case is now submitted for decision.

On 17 April 2020, LHC filed a Manifestation to inform the RTC of Tagudin, Ilocos Sur about the parties' renewed attempt to forge a settlement. LHC and the Province of Ilocos Sur entered into a Compromise Agreement on 22 July 2020 and subsequently filed a Joint Motion to Render Judgment Based on Compromise. The RTC of Tagudin, Ilocos Sur approved the CA and promulgated the Judgment Based on Compromise Agreement on 27 July 2020 and on 11 September 2020 issued an Order noting LHC's full compliance with its obligations under the Compromise Agreement and directed the release to LHC of the TRO bond previously posted.

**G.R. No. 210245 entitled "*Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.*", Supreme Court; 19 December 2013**

**G.R. No. 210255 entitled "*National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.*", Supreme Court; 20 December 2013**

**G.R. No. 210502 entitled "*Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.*", Supreme Court; 8 January 2014**

On 19 December 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 22 April 2014. On 22 April 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 21 January 2014, 4 and 11 February 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 7 February 2019, petitioners in G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of 24 September 2021, these cases before the SC are still pending resolution and the SC has not lifted the TRO.

**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 4 August 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 26 October 2013 to 25 December 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 5 September 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 21 November 2013.

In its letter dated 30 January 2015, the PEMC Board of Directors denied TMO's request for reconsideration and confirmed its earlier findings. On 13 February 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 16 February 2015, TMO filed a petition for TRO before the Pasig City RTC. In its Order dated 24 February 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 1 April 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 14 December 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the 1 April 2015 Decision of RTC in favor of TMO. On 6 June 2016, PEMC filed a Petition for Review on *Certiorari* with the SC to assail the 14 December 2015 CA Decision. TMO filed its Comment to PEMC's Petition for Review and PEMC filed a Reply. In its 29 March 2017 Resolution, the SC noted TMO's Comment and PEMC's Reply.

As of 24 September 2021, PEMC's Petition is 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 26 December 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 26 December 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, 4 June 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 26 December 2013 vs Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 and 8(e) of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Physical Withholding)]*”, ERC, Pasig City, 4 June 2015;

Pursuant to the allegations in the Bayan Muna SC case, the Investigation Unit of ERC (“ERC-IU”) conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including TMO.

On 24 January 2014, 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 29 January 2014, TMO filed its Compliance and Submission to the *Subpoena Duces Tecum*. Further, on 11 March 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 ERC-IU to terminate and close the investigation.

On 20 May 2015, 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 23 June 2015, ERC ordered Meralco and TMO to file their respective Answers to the Complaint. On 24 August 2015, TMO filed its Answers praying for the dismissal of the Complaints.

In its Manifestation dated 7 October 2016, 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 27 July 2016, Meralco filed in ERC Case No. 2015-025MC an Urgent Motion to Dismiss with Motion to Suspend Proceedings on the ground that ERC has no jurisdiction over anti-competitive behavior cases, and that jurisdiction is with PCC. On 28 July 2016, TMO filed in the same case a Manifestation and Motion adopting Meralco’s Urgent Motion to Dismiss. On 1 August 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 2 February 2017, 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 20 June 2017.

On 18 September 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. 2015-025MC and ERC Case No. 2015-027MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the 2

February 2017 and 20 June 2017 ERC Orders.

In a Resolution dated 2 October 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 2 October 2017 Resolution, which the CA denied. Thereafter, the CA issued its Notice of Judgment and Decision dated 23 May 2018, which denied TMO's Petition. On 20 June 2018, TMO filed its Motion for Reconsideration of CA's Decision dated 23 May 2018. In a Resolution dated 28 January 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, ERC filed a Petition dated 21 February 2019 with the SC via Rule 45 of the Rules of Court. In the Petition, 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 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 30 July 2019, the SC directed the respondents to file their Comments on ERC's Petition. On 25 November 2019, TMO filed its Manifestation with the SC. As of 24 September 2021, ERC's Petition is still pending with the SC.

Meanwhile, on 26 March 2021, virtual hearings were held with respect to ERC Case No. 2015-025 MC and ERC Case No. 2015-027. On 27 August 2021, the parties had their pre-trial conferences in these cases. On 16 September 2021, TMO filed its Manifestation and Motion in relation to matters arising from the pre-trial conference in ERC Case No. 2015-027.

**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, 9 June 2015**

ERC-IU conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including APRI. On 20 May 2015, 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 9 June 2015, complainant Atty. Isabelo Joseph Tomas III, Investigating Officer of the IU, filed the complaint for Anti-Competitive Behavior against APRI. On 23 June 2015, ERC issued an Order directing APRI to file its answer within 15 days from notice.

On 1 July 2015, APRI received the summons and complaint. Subsequently, on 7 July 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 29 July 2015, APRI filed its Answer *ad cautelam*.

In its Manifestation dated 7 October 2016, 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 29 July 2016, arguing that jurisdiction over the case is vested in the PCC. APRI also filed its *Ad Cautelam* Pre-Trial Brief and Judicial Affidavits. ERC denied APRI's Motion to Dismiss, and APRI's subsequent Motion for Reconsideration.

On 19 September 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 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 2 February 2017 and 20 June 2017 ERC Orders, and dismiss the complaint and ERC proceedings with prejudice.

On 6 November 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 23 May 2018, which denied APRI's Petition. On 18 June 2018, APRI filed its Motion for Reconsideration of the CA's Decision dated 23 May 2018.

In a Resolution dated 28 January 2019, the CA denied the motions for reconsideration filed by APRI, Meralco, and TMO and the motion for partial reconsideration filed by ERC.

Subsequently, ERC filed a Petition dated 21 February 2019 with the SC via Rule 45 of the Rules of Court. In the Petition, ERC challenged the CA Decision and Resolution insofar as the CA ruled that the PCA repealed the parts of the EPIRA that granted to 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 4 November 2019, APRI filed its Comment with the SC. As of 24 September 2021, ERC's Petition is still pending with the SC.

Meanwhile, on 26 March 2021, a hearing was held with respect to ERC Case No. 2015-038 MC. As of 24 September 2021, this case is still pending with the ERC.

**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*", 28 March 2014]**

ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, ERC issued an Order in ERC Case No. 2014-021 MC dated 3 March 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. 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 18 March 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.

ERC, in its Order dated 15 October 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 19 November 2014, 24 November 2014, 1 December 2014, and 4 December 2014, respectively. The CA ordered



the consolidation of the Petitions on 9 October 2015.

On 7 November 2017, the CA granted the Petitions. ERC's 3 March 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, 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 29 March 2019, the CA denied the motions for reconsideration by ERC and Meralco, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

In June 2019, 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 7 November 2017 and the CA Omnibus Resolution dated 29 March 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 7 November 2017 and Omnibus Resolution dated March 29, 2019.

In a Resolution dated 11 September 2019, the SC required respondents to file their Comments to ERC's Petition for Review on *Certiorari*. On 28 January 2020, TMO and TLI filed their Consolidated Comment (to the Petition for Review on *Certiorari* dated 13 June 2019); whereas APRI filed its Comment (on the Petition for Review on *Certiorari* dated 13 June 2019) on 11 February 2020.

In a Resolution dated 10 February 2020, the SC required respondents to file their Comments on Meralco's Petition for Review on *Certiorari* dated 13 June 2019. On 9 July 2020, APRI filed its Comment, and TLI and TMO filed their Consolidated Comment to Meralco's Petition for Review on *Certiorari*.

Subsequently, the SC issued a Resolution dated 11 March 2020 requiring the respondents to comment on San Beda University's Motion for Leave to Intervene and to Admit Petition-In-Intervention. On 2 October 2020, APRI filed its Opposition to San Beda University's Motion; while TLI and TMO filed their Opposition on 21 October 2020.

In a Resolution dated 4 November 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.

As of 24 September 2021, ERC's and Meralco's petitions are 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 (SCPC)*", 29 August 2013**

On 29 August 2013, Meralco filed a petition before 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 4 March 2013 and 1 July 2013 in ERC Case No. 2008- 083 MC where the SGCs were not parties to.

On 20 September 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 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 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 ERC.

As of 24 September 2021, ERC has yet to render its decision on the Joint Motion to Dismiss.

## MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### 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:

	2021		2020		2019	
	High	Low	High	Low	High	Low
First Quarter	₱27.35	₱23.05	₱35.00	₱23.45	₱39.20	₱33.70
Second Quarter	24.90	20.50	30.00	25.50	38.00	34.15
Third Quarter	[●]	[●]	28.25	24.30	40.35	34.10
Fourth Quarter	-	-	28.55	25.60	40.40	33.00

The closing price of AboitizPower common shares as of 31 August 2021 is ₱28.00 per share.

### HOLDERS

As of 31 August 2021, AboitizPower has 594 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of the same date were 7,358,604,307 shares.

The top 20 stockholders of AboitizPower as of 31 August 2021 are as follows:

Name	Number of Shares	Percentage
1) Aboitiz Equity Ventures Inc.	5,657,530,774	76.88%
2) PCD Nominee Corporation (Filipino)	1,230,698,883	16.72%
3) PCD Nominee Corporation (Foreign)	162,212,290	2.20%
4) Bauhinia Management, Inc.	20,948,380	0.28%
5) 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) San Fernando Electric Light & Power Co	7,931,034	0.11%
10) Parraz Development Corporation	7,827,522	0.11%
11) Arrayanes Corporation	6,936,943	0.09%
12) Sabin M. Aboitiz	5,667,406	0.08%
13) Iker M. Aboitiz	5,465,100	0.07%
14) Aboitiz & Company Inc.	5,360,000	0.07%
15) Daniele Management & Development Corporation	5,234,949	0.07%
16) Danel C. Aboitiz	4,528,696	0.06%
17) La Filipina Uy Gongco Corporation	4,349,800	0.06%
18) Ramon Aboitiz Foundation Inc.	3,900,000	0.05%
19) Tris Management Corporation	3,130,359	0.04%



20) Tinkerbell Management Corporation	3,042,454	0.04%
<b>SUBTOTAL</b>	<b>7,190,209,792</b>	<b>97.71%</b>
<b>Other Stockholders</b>	<b>168,394,515</b>	<b>2.29%</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>

## DIVIDENDS

The cash dividends declared and paid by AboitizPower to common stockholders from 2019 to 2021 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Declaration Date	Record Date	Payment Date
2021 (regular)	₱0.85	₱6.25 bn	3/5/2021	3/19/2021	3/31/2021
2020 (regular)	₱1.18	₱8.68 bn	3/6/2020	3/20/2020	4/3/2020
2019 (regular)	₱1.47	₱10.82 bn	3/7/2019	3/21/2019	4/5/2019

During the regular board meeting of the Company held on 28 November 2012, the Board approved a revised dividend policy consisting of 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, subject to annual review and approval by the Board. The new policy changed the previous cash dividend payment ratio of 33% of previous year's net profits. The Company's new dividend policy was effective starting 2013.

The Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

As of the date of this Offer Supplement, the Company's Subsidiaries do not have a defined dividend policy. However, it has been the practice of the Company's Subsidiaries to declare excess cash as dividends to the Company.

As of the date of this Offer Supplement, there are no contractual restrictions that limit the ability of AboitizPower to declare and pay dividends on its common shares.

## 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report. The discussion and analysis of the Company's results of operations is presented in four comparative sections: for the six-month period ended 30 June 2021 compared with the six-month period ended 30 June 2020, for the year ended 31 December 2020 compared with the year ended 31 December 2019, for the year ended 31 December 2019 compared with the year ended 31 December 2018, and the year ended 31 December 2018 compared with the year ended 31 December 2017.

Prospective investors should read this discussion and analysis of the Company's consolidated financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto set forth elsewhere in 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 acquisition of said investment, net of goodwill impairment cost, if any. It also indicates 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 extra-ordinary 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 gives an indication of 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.

*Six-Month Period Ended 30 June 2021 versus Six-Month Period Ended 30 June 2020*

The table below shows the comparative figures of the key performance indicators for six -month period 2021 and 2020 and as of 31 December 2020:

Key Performance Indicators	30 June 2021	30 June 2020	31 December 2020
	(INTERIM)		
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	5,229,505	979,818	2,675,136
<b>EBITDA</b>	24,593,023	18,319,470	44,687,315
<b>CASH FLOW GENERATED:</b>			
Net cash flows from operating activities	17,540,944	15,354,062	31,781,669
Net cash flows from (used in) investing activities	4,119,700	(3,776,857)	(4,526,973)
Net cash flows used in financing activities	(18,969,365)	(9,311,963)	(25,914,010)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	2,691,279	2,265,242	1,340,686
Cash & Cash Equivalents, Beginning	38,699,545	37,433,929	37,433,929
Cash & Cash Equivalents, End	41,594,818	39,829,177	38,699,545
<b>CURRENT RATIO</b>	1.28		1.38
<b>DEBT-TO-EQUITY RATIO</b>	1.87		1.96

- *Share in net earnings in associates and joint ventures for the first half of 2021 increased by 434% compared to the first half of 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 power plant of GN Power Dinginin (GNPD).*
- *EBITDA for the first half of 2021 increased by 34%. This was primarily due to commissioning revenue from GNPower Dinginin Unit 1, higher water inflow, higher demand, and higher WESM dispatch in compliance with the must offer rule.*
- *For the first half ended 2021, cash and cash equivalents increased by ₱2.90 bn. This was mainly due to Company's retail bond issuance in March 2021 which was partly offset by principal payments made on existing loans.*
- *Current Ratio as of 30 June 2021 was at 1.28x as compared to 1.38x as of 31 December 2020. The decline was primarily due to the Company loan that was reclassified from non-current to current during 2021.*
- *Debt-to-Equity Ratio as of 30 June 2021 was at 1.87x, lower than the 1.96x recorded at the end of 2020.*

### **Results of Operations**

Net income for the first half 2021 of ₱10.13 bn, was 171% higher than the ₱3.74 bn reported in 2020. This translated to earnings per share of ₱1.38 for the period. The Company recognized non-recurring gains of ₱5 mn during the relevant period, lower than the non-recurring gains of ₱224 mn during the same period, 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 the first half of 2021 was ₱10.1 bn, 188% higher than the ₱3.5 bn recorded during the same period last year. This was primarily due to commissioning revenue from GNPower Dinginin Unit 1, higher water inflow, higher demand, and higher WESM dispatch in compliance with the must offer rule. AboitizPower was also able to claim liquidated damages for the delay in the construction of GNPower Dinginin

Ltd. Co. and received the final payment for business interruption claims resulting from GNPowder Mariveles Energy Center Ltd. Co.'s (GMEC) outages in 2019.

**Power Generation and Retail Electricity Supply (RES)**

AboitizPower's generation and retail supply business recorded EBITDA of ₱20.5 bn during the first half of 2021, 39% higher than the ₱14.8 bn recorded during the corresponding period last year. As discussed above, this was due to commissioning revenue from GNPowder Dinginin Unit 1, higher water inflows, higher demand, higher WESM dispatch, and other income from liquidated damages and business interruption claims. These factors offset the impact of the ongoing GMEC outage, which we expect to be resolved this September. Capacity sold for the first half of 2021 increased by 6% to 3,600 megawatts (MW), compared to 3,388 MW in the same period in 2020. Energy sold increased by 10% to 11,790 gigawatt-hours (GWh) for the first half of 2021, compared to 10,764 GWh for the corresponding period in 2020.

**Power Distribution**

For the first half of 2021, AboitizPower's distribution business recorded EBITDA of ₱4.1 bn, 12% higher than the ₱3.7 bn recorded during the same period last year. Energy sales increased by 4% to 2,745 GWh during the first half of 2021, compared to 2,629 GWh in the same period 2020. This was driven by higher energy consumption resulting from recoveries in demand. Energy sales from the Residential customer segment were sustained while energy sales from the Commercial and Industrial customer segments increased due to looser community quarantines 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 ₱6.40 bn, or 171%. The various movements in line items are shown below to account for the increase:*

Net Income Attributable to Equity Holders of the Parent (January - June 2020)	₱3,736,940
Increase in operating revenues	7,319,263
Increase in operating expenses	(5,274,324)
Decrease in interest income	(213,620)
Decrease in interest expense	84,381
Increase in share in net earnings of associates and joint ventures	4,249,687
Decrease in other income	(977,058)
Decrease in provision for taxes	980,536
Decrease in income attributable to non-controlling interests	227,944
<b>Total</b>	<b>6,396,809</b>
Net Income Attributable to Equity Holders of the Parent (January - June 2021)	₱10,133,749

### **Operating Revenues**

*(14% increase from ₱53.03 bn to ₱60.35 bn)*

The increase in operating revenues was primarily due to higher demand and higher WESM dispatch in compliance with the must offer rule.

### **Operating Expenses**

*(13% increase from ₱42.00 bn to ₱47.27 bn)*

The increase in operating expenses was mainly due to the higher cost of purchased power and of generated power.

### **Interest Income**

*(53% decrease from ₱405 mn to ₱192 mn)*

The decrease in interest income during the first half 2021 compared to first half 2020 was primarily due to lower interest rates on placements.

### **Interest Expense and other financing costs**

*(1% decrease from ₱7.20 bn to ₱7.11 bn)*

Interest expense decreased during the first half 2021 compared to the same period in 2020 due to lower interest accretion on lease liabilities as timely payments were made on TLI's obligation to Power Sector Assets and Liabilities Management Corporation (PSALM). The refinancing of Hedcor Bukidnon project loan in September 2020 also contributed to lower interests during the first half 2021. These were offset by additional interest expenses recognized during the first half 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**

*(434% increase from ₱980 mn to ₱5.23 bn)*

Share in net earnings in associates and joint ventures for the first half 2021 increased by 434% compared to first half 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 power plant of GN Power Dinginin (GNPD).

### **Other Income (Expenses) – net**

*(68% decrease from ₱1.43 bn to ₱451 mn other income)*

The decrease in other income during the first half 2021 compared to first half 2020 was mainly due to the losses on the revaluation of foreign-currency denominated liabilities.

### **Provision for Taxes**

*(52% decrease from ₱1.88 bn to ₱902 mn)*

The decrease in provision for taxes was due to the application of the provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act reducing the regular corporate income tax (RCIT) rate from 30% to 25%.

## ***Changes in Registrant's Resources, Liabilities and Shareholders' Equity***

### **Assets**

Total assets (as of 30 June 2021 compared to 31 December 2020) increased by ₱7.05 bn, or 2%. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents increased by ₱2.90 bn, or 7% (from ₱38.70 bn to ₱41.59 bn). This was mainly due to the additional loan availments by the Group during the first half 2021.

- b) Trade and other receivables increased by ₱2.95 bn, or 13% (from ₱22.02 bn to ₱24.97 bn), primarily due to higher revenues.
- c) Inventories increased by ₱1.28 bn or 20% (from ₱6.31 bn to ₱7.59 bn). This was mainly driven by the increase in spare parts, supplies and fuel inventory.
- d) Investments and advances increased by ₱1.56 bn, or 3% (from ₱61.83 bn to ₱63.39 bn). This was mainly driven by the new capital contributions to GNPD during first half of 2021.
- e) Property, plant and equipment decreased by ₱2.41 bn, or 1% (from ₱203.45 bn to ₱201.04 bn). This was primarily due to the depreciation of existing assets.
- f) Intangible assets increased by ₱521 mn, or 1% (from ₱44.28 bn to ₱44.80 bn). This was primarily due to the forex revaluation of GMEC goodwill partly offset by amortization of existing assets.
- g) Deferred income tax assets decreased by ₱132 mn, or 9% (from ₱1.54 bn to ₱1.41 bn). This was mainly due to the application of the provisions of CREATE Act.
- h) Other noncurrent assets decreased by ₱493 mn, or 5% (from ₱9.27 bn to ₱8.78 bn). This was mainly due to the regular reduction in PSALM deferred adjustment of the Power Distribution group.

### **Liabilities**

Compared to 31 December 2020, total liabilities as of 30 June 2021 increased by ₱337.89 bn, or 0.13%. The major movements of accounts leading to the increase were as follows:

- a) Trade and other payables increased by ₱3.22 bn, or 18% (from ₱18.37 bn to ₱21.60 bn). This was primarily due to the increase in trade and fuel purchases.
- b) Income tax payable decreased by ₱198 mn, or 27% (from ₱723 mn to ₱525 mn). This was mainly due to the application of the provisions of CREATE Act.
- c) Long-term debt (current and non-current portions) increased by ₱1.54 bn (from ₱177.32 bn to ₱178.87 bn). This was mainly due to Parent's retail bond issuance in March 2021 which were partly offset by principal payments made on existing loans and the prepayment of Parent's US Dollar loan.
- d) Lease liabilities (current and noncurrent portions) decreased by ₱2.78 bn (from ₱39.26 bn to ₱36.48 bn), as TLI made timely payments during 2021 of its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).
- e) Long-term obligation on power distribution system (current and noncurrent portions) increased by ₱11 mn, or 6% (from ₱183 mn to ₱194 mn), due to interest accretion.
- f) Net derivative asset and liability changed by ₱2.16 bn (from ₱1.79 bn liability to ₱367 mn asset) during the first half 2021 due to hedging gains.
- g) Deferred income tax liabilities decreased by ₱143 mn, or 19% (from ₱745 mn to ₱602 mn), mainly due to the application of the provisions of CREATE Act.
- h) Other noncurrent liabilities decreased by ₱522 mn, or 48% (from ₱1.10 bn to ₱577 mn), mainly due to the regular payments of the PSALM deferred adjustments.

### **Equity**

Equity attributable to equity shareholders of the Parent Company increased by 6% (from ₱127.16 bn as of 31 December 2020 to ₱134.29 bn as of 30 June 2021) after the declaration of dividends in March 2021, net of comprehensive income recognized during the first half 2021. Cumulative translation adjustments increased by

₱2.91 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 30 June 2021, the Group's cash and cash equivalents increased by 7% to ₱41.59 bn, from ₱38.70 bn as of 31 December 2020.

Higher water inflows, higher availability of the Company's thermal facilities, and higher spot sales resulted to higher cash generated from operations during the first half 2021 by ₱2.19 bn which was a 14% increase compared to first half 2020.

Net cash flows from (used in) investing activities reversed from negative ₱3.78 bn in the first half of 2020 to positive ₱4.12 bn in the first half of 2021 mainly due to the increase in dividends received from associates.

The net cash flows used in financing activities increased from ₱9.31 bn in the first half of 2020 to ₱18.97 bn in the first half 2021 mainly due to higher payments of long-term debt, short-term loans and lease liabilities.

### **Financial Ratios**

As of 30 June 2021, current assets increased by 10% and current liabilities increased by 20% compared to the end of 2020. The current ratio as of June 30, 2021 was at 1.28x compared to 1.38x as of 31 December 2020.

Consolidated debt to equity ratio as of 30 June 2021 was at 1.87x, lower than the 1.96x recorded at the end of 2020. This was due to a 5% increase in total equity during the first half 2021.

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 six (6) new power generation projects: (1) the GNPower Dinginin project; (2) the SN AboitizPower-Magat Floating Solar project; (3) the APRI steam drilling project; (4) the TMI Hybrid Battery Energy Storage System ("BESS") project; (5) the SNAP Magat BESS project; and (6) the PV (Photovoltaic) Sinag Power project.

The GNPower Dinginin project is in the final stages of construction, with Unit 1 achieving first synchronization last 5 February 2021. The commissioning and testing of Unit 1 is currently ongoing. The target date for commercial operations (including the issuance of the appropriate ERC Certificate of Compliance/authority) has been moved from August 2021 to late-September 2021, while complete turnover of the unit by the EPC contractor is expected to extend beyond said date. For Unit 2, progress of the construction is going well, with the completion of the chemical cleaning of the boiler. Developments are still hampered by travel bans and slow processing of travel authorizations for foreign experts and personnel. Accordingly, the target date for Unit 2's commercial operations (including the issuance of the appropriate ERC COC/authority) is scheduled around the second quarter of 2022.

In June 2019, SN Aboitiz Power-Magat switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. The SN Aboitiz Power Magat floating solar project has proven its technical and commercial viability. SN Aboitiz Power Magat is working on the renewable energy service contract application with the Department of Energy (DOE). Since the National Irrigation Administration (NIA) is the government agency in charge of dams and reservoirs, SN AboitizPower



Magat secured an extension of the memorandum of understanding with NIA on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir. Based on the results of the pre-feasibility studies, phase one of the project will be for 67 MW. The plan is to install up to 150 MW, depending on the final technical solution and layout.

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 50 MW of additional steam capacity by 2023. The two make-up wells for MakBan had been completed and started flowing into the system since April 10 and June 8, respectively, providing added steam to Makban Plant B. The new wells have provided an incremental increase of approximately 10MW to the plant's generation capacity. Another well with a projected 5 MW capacity was also completed on 4 August 2021. A total of three new make-up wells was completed in Makban, contributing to around 15 MW of MakBan's generation. Together with the 11 MW well at Tiwi which was completed last 2020, APRI and the Philippine Geothermal Production Company, Inc. are expected to complete 4 out of the 12 wells this year. APRI is also developing a 14 MW Binary power plant project in Tiwi, Albay. Negotiations with top ranked bidders for design optimization and final contracting are still ongoing. APRI is expected to award the project by year-end, while commissioning is targeted by 2023. These projects are significant as they will allow APRI to optimize its current net sellable capacity of 290 MW.

In November 2020, AboitizPower announced its two battery projects. Therma Marine, Inc.'s (TMI) Hybrid BESS project ("TMI BESS") is located in Maco, Compostela Valley. It 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 Maco oil barge. The project is currently 50% complete and commercial operations are currently targeted to commence in the first half of 2022. TMI's hybrid BESS is one of the 12 projects with a total capacity of 248 MW for regulating and contingency reserves which the Company is targeting to develop in the next 10 years. It will serve as a model for future battery investments as well as hybrid renewable energy projects.

SN Aboitiz Power-Magat's BESS project ("SNAP BESS") is located in Ramon, Isabela. It has a storage capacity of 20 MW and will be used to provide ancillary services. Early work activities have been completed, including site surveys and basic engineering design. The project is expected to commence commercial operations in the second half of 2024. In connection with the project, SN Aboitiz Power-Magat is also looking at upgrading the Magat-Santiago transmission line which is now included in the Transmission Development Plan of the National Grid Corporation of the Philippines. The benefit of this upgrade is to ensure full dispatch of the Magat power plant capacity, the battery energy storage system, and the proposed expansion in the floating solar.

AboitizPower is proceeding with the construction of the 74MW Cayanga solar project located in Cayanga, Bugallon, Pangasinan through its PV Sinag Power, Inc. entity. NTP for Access Roads was issued on 15 September 2021 while NTP to the EPC contractor for the power plant and transmission will be issued in November 2021. The project is expected to be completed by December 2022. Majority of the solar plant's capacity will be contracted for retail electricity supply.

The Company is currently planning to double its net attributable capacity by the end of the decade, with a target of 9,200 MW by 2030. It will 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.

The Company aims to maximize opportunities from the implementation of the Renewable Portfolio Standards ("RPS") by the DOE starting in 2021. In line with 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. The Company 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. The Company will significantly grow Cleanergy by 3,700 MW, both domestically and internationally, and bring its renewables portfolio to 4,600 MW by 2030.

The Company is optimizing its existing baseload facilities to meet the existing critical market needs. Its options for a third unit in its existing baseload facilities remain open to address future baseload needs of the market if



called upon. For baseload growth, the Company is shifting its focus to gas. The Company has early feasibility studies and, within the next 10 years, is targeting to build one gas plant with a capacity of 1,000 MW, unless a cleaner technology proves to be the more economical option.

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. The Company has been a pioneer of renewable energy in the country and currently has the highest megawatts in renewable installed capacity based on market control. AboitizPower's diversification into thermal technologies was primarily driven by the country's need for a reliable, accessible, and affordable power supply.

The Company 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 ₱23 bn for capital expenditures in 2021, about 70% of which is for expansions and upgrades. These include the remaining investment for GNPD's construction, as well as for the Company's battery energy storage system projects.

Despite the challenges posed by the global pandemic and the currently challenging business situation, the Company continues to operate with its business continuity plans in force, in accordance with the protocols and guidelines of the government's community quarantine. The Company will continue 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.

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 Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 2020 Definitive Information Statement).

## YEAR ENDED 31 DECEMBER 2020 VERSUS YEAR ENDED 31 DECEMBER 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>		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	2,675,136	3,813,962
EBITDA	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)	(34,060,584)
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>	<b>1.38</b>	<b>1.50</b>
<b>DEBT-TO-EQUITY RATIO</b>	<b>1.96</b>	<b>2.07</b>

- Share in net earnings in associates and joint ventures for the year 2020 decreased by 30% compared to last year. 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 higher GN Power Dinginin (GNPD) net losses due to foreign-currency denominated loan revaluations.
- EBITDA for the year of 2020 decreased by 1%. 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 31 December 2020 was at 1.38x as compared to 1.50x as of 31 December 2019. The decline was primarily due to maturing bonds of the Company that were reclassified from non current.
- Debt-to-Equity Ratio as of 31 December 2020 was at 1.96x, lower than the 2.07x recorded at the end of 2019.

### Results of Operations

Net income for the year of 2020 of ₱12.58 bn, was 27% lower than the ₱17.32 bn reported in 2019. This translated to earnings per share of ₱1.71 for the period. 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 the 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 Therma South, Inc. (TSI) and GN Power Mariveles Energy Center Ltd. Co. (GMEC, formerly GNPower Mariveles Coal Plant Ltd. Co. or GMCP). The company prudently de-recognized deferred tax assets on NOLCO from 2018 and 2019. There were also additional interest expenses from the Company's bonds and loans that were availed of in 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 coal facilities and the recognition of BI claims, which offset the lower demand due to COVID-related community quarantines and lower water inflows to our hydro facilities.

Capacity sold for 2020 increased by 7% to 3,417 megawatts (MW) from 3,184 MW in the same period last year. This was the result of increased contracting levels driven by the new capacity of Therma Visayas, Inc. 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 our hydro facilities. This resulted in a YoY reduction in energy sold, which declined by 1% to 22,754 gigawatt-hours (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 which resulted 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%. The various movements in line items are shown below to account for the decrease:

<b>Net Income Attributable to Equity Holders of the Parent (January - December 2019)</b>	<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)
Increase in other income	1,445,176
Increase in provision for taxes	(2,846,414)
Decrease in income attributable to non-controlling interests	615,559
Total	(4,745,001)
Net Income Attributable to Equity Holders of the Parent (January - December 2020)	<b>₱12,577,676</b>

### **Operating Revenues**

*(12% decrease from ₱125.64 bn to ₱110.38 bn)*

The decrease in operating revenues was primarily due to lower demand brought about by the COVID-19 pandemic and resulting community quarantines, lower spot prices and indices as well as lower contract rates. 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 during the first half of 2020 brought about by COVID-19.

### **Interest Income**

*(49% decrease from ₱1.29 bn to ₱653 mn)*

The decrease in interest income during year of 2020 compared to the same period last year 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 the year of 2020 compared to the same period last year due to 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 the year of 2020 decreased by 30% compared to same period last year. 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 higher share of GNPD net losses due to 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 the year of 2020 compared to the same period last year 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 was due to the additional taxes from the expiration of the ITH incentives of TSI and GMEC.

**Changes in Registrant's Resources, Liabilities and Shareholders' Equity**

**Assets**

Total assets (as of 31 December 2020 compared to 31 December 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 due to the additional loan availments by the Group.
- b) Inventories decreased by ₱324 mn or 5% (from ₱6.63 bn to ₱6.31 bn). This was mainly driven by a decrease in Coal inventory.
- c) Other current assets decreased by ₱604 mn, or 5% (from ₱11.08 bn to ₱10.48 bn). This was mainly driven by the reclassification of a portion of TVI's Advances to National Grid Corporation of the Philippines (NGCP) to Other noncurrent assets.
- d) Investments and advances increased by ₱950 mn, or 2% (from ₱60.88 bn to ₱61.83 bn). This was mainly driven by the new capital contributions to GN Power Dinginin (GNPD).
- 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.

Net pension assets decreased by ₱18 mn, or 26% (from ₱68 mn to ₱50 mn). This was mainly due the accrual of retirement costs.

- g) viii. 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 Therma Luzon, Inc. (TLI) on its net operating loss.
- h) 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 31 December 2019, total liabilities as of 31 December 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 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 mn, or 42% (from ₱510 mn to ₱723 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.
- e) Long-term debt (current and non-current portions) decreased by ₱650 mn (from ₱177.97 bn to ₱177.32 bn). This is mainly due to principal payments made on existing loans and the revaluation of dollar denominated loans. These were partly offset by Parent's bond issuance.
- 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 on its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).
- g) Long-term obligation on power distribution system (current and noncurrent portions) decreased by ₱16 mn, or 8% (from ₱199 mn to ₱183 mn), as payments were made in 2020.
- h) Net derivative liabilities decreased by ₱597 mn (from ₱2.39 bn to ₱1.79 bn) during the year of 2020 due to hedging gains.
- i) Deferred income tax liabilities decreased by ₱103 mn, or 12% (from ₱848 mn to ₱745 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 mn to ₱294 mn), mainly due to the contributions to retirement fund which were higher than the effect of retirement costs and net actuarial losses.

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 at the end of 2019 to ₱127.16 bn as of 31 December 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 Luzon Hydro Corporation during the period.

#### **Material Changes in Liquidity and Cash Reserves of Registrant**

As of 31 December 2020, the Group's cash and cash equivalents increased by 3% to ₱38.70 bn, from ₱37.43 bn as of 31 December 2019.

The reduction in power demand brought about by COVID-19 related community quarantines contributed to lower cash generated from operations during the year of 2020 by ₱7.58 bn which was a 19% decrease compared to the same period last year.

Net cash flows used in investing activities decreased to ₱4.53 bn in the year of 2020 from ₱34.06 bn for the same period last year, which was mainly due to the ₱24.95 bn AA Thermal acquisition taken up last year.

The net cash flows used in financing activities as of 31 December 2020 increased by ₱11.54 bn compared to the same period in 2019, primarily due to payments by the Group of principal amortizations on various loans.

#### **Financial Ratios**

As of 31 December 2020, current assets increased by 1% and current liabilities increased by 9% compared to end of 2019. The current ratio as of 31 December 2020 was at 1.38x compared to 1.50x as of 31 December 2019.

Consolidated debt to equity ratio as of 31 December 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 the year of 2020, coupled with a 1% increase in equity during the same period.

## YEAR ENDED 31 DECEMBER 2019 VERSUS YEAR ENDED 31 DECEMBER 2018

The table below shows the comparative figures of the top five key performance indicators for 2019 and 2018.

Key Performance Indicators	2019	2018
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	3,813,962	4,356,825
EBITDA	45,005,022	51,490,894
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	39,356,962	37,287,900
Net cash flows used in investing activities	(34,060,584)	(7,243,119)
Net cash flows used in financing activities	(14,376,055)	(19,155,753)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>(9,079,677)</b>	10,889,028
Cash & Cash Equivalents, Beginning	46,343,041	35,699,631
Cash & Cash Equivalents, End	37,433,929	46,343,041
<b>CURRENT RATIO</b>	<b>1.50</b>	1.89
<b>DEBT-TO-EQUITY RATIO</b>	<b>2.07</b>	1.85

- Share in net earnings in associates and joint ventures declined by 12% in 2019 compared to 2018 due to lower income contributions from SNAP-Magat, Inc. and GNPD. The lower share in net earnings of GNPD was mainly due to a forex gain recorded in 2018 as against a forex loss reported in 2019. SNAP-Magat's lower income contribution was primarily driven by a reduction in volume sold due to reduced water levels in 2019.
- Consolidated EBITDA decreased by 13% in 2019, mainly due to an increase in cost of purchased power, lower spot market revenues, and lower plant availability across the Generation Group.
- During 2019, cash and cash equivalents decreased by ₱8.91 bn, due to cash flows used for the acquisition of AA Thermal and investment in GNPD for the ongoing construction of its 1x668 MW supercritical coal-fired power plant in Bataan.
- Current ratio at the end of 2019 was at 1.50x, down from previous year's 1.89x. This is due to the reduction in cash and cash equivalents and the increase in currently maturing debt.
- Debt-to-equity ratio as of 31 December 2019 was at 2.07, higher than the 1.85 recorded at the end of 2018 due to the avilment of new debts during 2019.

### Results of Operations

Net income for 2019 decreased 20% YoY, from ₱21.71 bn in 2018 to ₱17.32 bn in 2019, which translated to earnings per share of ₱2.35. In 2019, there was higher cost of purchased power, lower spot market revenues, and lower plant availability of the Generation Group. The Company also recognized non-recurring gains of ₱702 mn, mainly due to net foreign exchange gains from the revaluation of dollar-denominated debts and derivatives, Aseagas' VAT recoveries, and gain on land appraisal. Without these one-off gains, the Company's core net income for 2019 was ₱16.62 bn, 30% lower than the ₱23.8 bn recorded during 2018.

### Power Generation and RES

The Generation Group and RES' income contribution for 2019 was ₱15.28 bn, down 23% YoY. The decline was largely driven by the higher volume and cost of purchased power, lower spot market revenues, and lower plant availability. Spot market prices were high in the first half of 2019. During this period, the Group purchased replacement power due to outages, and contracted ahead in preparation for TVI incoming capacity. Plant availability was also lower versus the same period last year due to outages from the Group's local facilities.

As of year-end 2019, AboitizPower's net sellable capacity stood at 3,455 MW.

### **Power Distribution**

The Distribution Utilities' earnings contribution increased slightly by 1% YoY, from ₱4.05 bn in 2018 to ₱4.10 bn in 2019.

## **Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income**

### **Consolidated Statements of Income**

Consolidated net income attributable to equity holders of the parent decreased by 20% from ₱21.71 bn in 2018 to ₱17.32 bn in 2019. The various movements in line items are shown below to account for the increase:

<b>Consolidated Net Income Attributable to Equity Holders of the Parent for 2018</b>	<b>₱21,707,603</b>
Decrease in operating revenues	(5,936,927)
Increase in operating expenses	(1,703,881)
Increase in interest income	411,618
Increase in interest expense	(1,965,488)
Decrease in share in net earnings of associates and joint ventures	(542,863)
Increase in other income - net	4,775,698
Higher provision for taxes	(289,875)
Decrease in income attributable to non-controlling interests	866,792
Total	<u>4,384,926</u>
Consolidated Net Income Attributable to Equity Holders of the Parent for 2019	<b>₱17,322,677</b>

### **Operating Revenues**

*(5% decrease from ₱131.57 bn to ₱125.64 bn)*

The 5% decrease in operating revenues was driven by: (i) lower plant availability, (ii) expiration of contracts with customers of TMI and TMO, and (iii) lower average selling price on the Generation Group and RES power supply contracts. This was partly offset by higher electricity sales from the Distribution Utilities.

The lower plant availability due to outages resulted to a reduction in the volume (capacity and energy) sold to customers. Likewise, this limited the Group's capacity available to sell to the spot market.

### **Operating Expenses**

*(2% increase from ₱95.08 bn to ₱96.78 bn)*

Operating expenses increased by 2% during 2019, driven by the increase in depreciation and amortization cost (14%) due to the start of operations of TVI and the full year of operations for both Hedcor Bukidnon and PEC. The cost of purchased power and operations and maintenance expenses also increased during the year.

### **Interest Income**

*(47% increase from ₱ 880 mn to ₱ 1,292 mn)*

The increase in interest income during 2019 was primarily due to the Company's higher cash investments and higher interest income from TSI, TVI, Hedcor Bukidnon, and APRI.

### **Interest Expense and Other Financing Costs**

*(16% increase from ₱12.08 bn to ₱14.05 bn)*

Interest expense increased in 2019 due to the full-year impact of the ₱10.20 bn in retail bonds issued by the Company in October 2018 and the interest arising from the new loan availments in April and November 2019



amounting to US\$300 mn and ₱5 bn, respectively, and on the Company's ₱7.25 bn retail bonds issued in October 2019. The proceeds from the bonds were used to pay for short-term borrowings and general corporate purposes.

**Share in Net Earnings of Associates and Joint Ventures**

*(12% decrease from ₱4.36 bn to ₱3.81 bn)*

Share in net earnings of associates and joint ventures declined by 12% in 2019, mainly due to lower income contributions from SNAP-Magat and GNPD. SNAP-Magat's lower income contribution was primarily driven by a reduction in volume sold due to reduced water levels in 2019. The lower share in net earnings of GNPD was mainly due to a forex gain recorded in 2018 as against a forex loss reported in 2019.

**Other Income (Expenses) – net**

*(Increase from ₱1.29 bn other expense to ₱3.48 bn other income)*

The change from an expense position in 2018 to an income position in 2019 was mainly due to lower net forex losses YoY. This movement was due to favorable movements of the Philippine Peso against U.S. Dollar in 2019 versus 2018.

**Provision for Taxes**

*(10% increase from ₱2.93 bn to ₱3.2 bn)*

The increase was due to lower net deferred tax benefit arising from deferred taxes on unrealized forex gain.

**Net Income Attributable to Non-controlling Interests**

*(23% decrease from ₱3.73 bn to ₱2.86 bn)*

The decrease was due to a decline in the operating results of GMEC combined with a reduction in the Company's non-controlling ownership in GMEC after the acquisition of non-controlling interests in May 2019.

**Changes in Registrant's Resources, Liabilities and Shareholders' Equity**

**Assets**

Total assets (as of 31 December 2019 compared to 31 December 2018) increased by ₱20.81 bn, or 5% YoY. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents decreased by 19% during 2019. This was due to cash flows used for: (i) acquisition of AA Thermal, (ii) investment in GNPD for its on-going power plant construction, (iii) funding of the Group's capital expenditures, and (iv) debt service. The decrease in cash and cash equivalents was partially offset by operating cash flows and proceeds from the Company's retail bonds issuance in 2019.
- b) Property held for sale of ₱676 mn as of 31 December 2018 pertains to transmission assets was sold to NGCP in February 2019.
- c) Other current assets were lower by 16% (from ₱13.21 bn in 2018 to ₱11.08 bn in 2019) mainly driven by the decrease of TSI's restricted cash. The maintenance of a cash reserve forms part of TSI's compliance with the covenants on its project debt.
- d) Investments and advances increased by ₱26.54 mainly as a result of capital infusions for the AA Thermal acquisition and GNPD plant construction.
- e) Property, plant and equipment (PPE) slightly increased by 1% (from ₱207.11 bn in 2018 to ₱209.52 bn in 2019) mainly due to the recognition of right-of-use assets on the Group's leases resulting from the adoption of PFRS 16, *Leases*.

- f) Derivatives assets were down by ₱211 mn in 2019, primarily due to fair value changes on GMEC's interest rate swaps.
- g) Financial assets at fair value through profit or loss went down to ₱4 mn in 2019 from ₱101 mn. This was mainly due to the sale of Parent' Company's financial assets at Fair Value through Profit and Loss (FVPL).
- h) Deferred income tax assets increased by 25% (from ₱2.23 bn in 2018 to ₱2.80 bn in 2019), driven by deferred tax benefits recognized by TMO on its net operating loss and TLI on its unrealized forex loss.
- i) Other noncurrent assets increased by ₱2.86 bn or 27% YoY. The increase was due to restricted cash of a Subsidiary that arose from its receipt of proceeds from a damage claim against its contractors, which claim is currently under dispute. This was partly offset by decrease in input VAT and reversal of prepaid rent against lease liabilities upon adoption of PFRS 16, *Leases*.

### **Liabilities**

Consolidated liabilities increased by 9% YoY, from ₱253.09 bn as of end-2018 to ₱276.83 bn as of end-2019. The major movements of the accounts leading to the increase were as follows:

- a) Derivatives liabilities (current and non-current portions) increased by ₱2.31 bn in 2019, due to fair value changes on the Group's foreign currency forward contracts and commodity swap contracts.
- b) Income tax payable increased by 16% YoY (from ₱439 mn in 2018 to ₱510 mn in 2019), mainly due to expiration of the income tax holidays enjoyed by certain Subsidiaries and a corresponding higher current income tax provision.
- c) Long-term debt (current and non-current portions) increased by 13% YoY (from ₱158.06 bn in 2018 to ₱177.97 bn in 2019), primarily due to new loan availments in April and November 2019 amounting to US\$300 mn and ₱5 bn, respectively, and the ₱7.25 bn bonds issuance in October 2019.
- d) Lease liabilities (current and noncurrent portions) decreased by ₱2.10 bn, since TLI made timely payments on its obligation with PSALM.
- e) Long-term obligation on power distribution system (PDS) decreased by 7% as regular annual payments were made.
- f) Customers' deposits increased by ₱513 mn or 9% primarily, driven by growth in customer base of the Distribution Utilities.
- g) Other noncurrent liabilities went up from ₱3.18 bn in 2018 to ₱6.81 bn in 2019, mainly due to receipt of proceeds from a damage claim against contractors, which claim is now under dispute.

### **Equity**

Equity attributable to equity shareholders of the Company decreased by 2% YoY (from ₱127.71 bn at year-end 2018 to ₱125.54 bn at year-end 2019), after the declaration of dividends in 2019, net of comprehensive income recognized.

- a) Cumulative translation adjustments decreased by ₱1.52 bn due to downward effect of changes in the fair value of foreign currency forward and commodity swap contracts designed as cash flow hedges; and translation effect of GMEC and LHC for the current period.
- b) Share in cumulative translation adjustments of associates and joint ventures decreased by ₱475 mn, mainly due to translation effect of GNPD.

- c) Acquisition of non-controlling interests for the period pertains to the difference between the purchase price and fair value of net assets acquired in the acquisition of additional partnership interest in GMEC.

### Material Changes in Liquidity and Cash Reserves of the Company

Cash generated from operations of ₱39.36 bn continued to provide a source of liquidity during 2019, growing by ₱2.07 bn as compared to 2018.

Net cash flows used in investing activities increased to ₱34 bn in 2019 from ₱7 bn in 2018, mainly due to funding for the AA Thermal acquisition.

Despite the cash used to fund acquisition of additional partnership interest in GMEC, the net cash outflows from financing activities amounting to ₱14.38bn in 2019 is still lower than 2018. This is due to higher debt availed in 2019.

As of 31 December 2019, the Group's cash and cash equivalents decreased to ₱37.43 bn, compared to ₱46.34 bn as of year-end 2018.

### Financial Ratios

Current assets decreased by 13% while current liabilities increased by 10%. The current ratio at year-end 2019 was at 1.50x, versus 1.89x at year-end 2018.

Consolidated debt to equity ratio at year-end of 2019 was at 2.07 versus 1.85 as of year-end 2018, as the Company's liabilities have been higher during the year.

### YEAR ENDED 31 DECEMBER 2018 VERSUS YEAR ENDED 31 DECEMBER 2017

The table below shows the comparative figures of the top five key performance indicators for 2018 and 2017.

Key Performance Indicators	2018	2017
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	<b>4,356,825</b>	4,697,864
<b>EBITDA</b>	<b>51,490,894</b>	47,650,408
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	<b>37,287,900</b>	30,235,931
Net cash flows used in investing activities	<b>(7,243,119)</b>	(9,452,925)
Net cash flows used in financing activities	<b>(19,155,753)</b>	(32,122,699)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>10,889,028</b>	(11,339,693)
Cash & Cash Equivalents, Beginning	<b>35,699,631</b>	47,094,741
Cash & Cash Equivalents, End	<b>46,343,041</b>	35,699,631
<b>CURRENT RATIO</b>	<b>1.89</b>	1.38
<b>DEBT-TO-EQUITY RATIO</b>	<b>1.85</b>	1.92

- Share in net earnings in associates and joint ventures declined by 7% in 2018 compared to 2017 due to decreases in contributions from WMPC, SPCC, RP Energy, SFELAPCO, and large hydropower plants, SNAP-Magat and SNAP-Benguet. Lower income contributions attributable to large hydropower plants were due to a lower hydrology in 2018 compared to the higher than usual hydrology levels during 2017.

- Consolidated EBITDA increased by 8% in 2018, primarily due to the fresh contributions from PEC and Hedcor Bukidnon, which commenced commercial operations in March 2018 and July 2018, respectively, and further augmented by higher contributions from GMEC due to higher availability factor in 2018 as compared to the previous year. These were largely offset by lower contributions arising from: (i) TSI due to higher operating costs; and (ii) TMO due to expiration of power supply contracts in 2018.
- During 2018, cash and cash equivalents increased by ₱10.64 bn, due to higher operating cash flows, proceeds from debt-raising activities at parent, and proceeds of the long-term debts of GMEC and TVI. In 2018, the Company also managed to return the same levels of cash dividends to its shareholders, and deploy financial resources to continue the construction of various greenfield projects.
- Current ratio at the end of 2018 was at 1.89x from the previous year's 1.38x, due to the 31% increase in current assets and 5% decrease in current liabilities.
- Debt-to-equity ratio as of 31 December 2018 was at 1.85, lower than the 1.92 recorded at the end of 2017.

## Results of Operations

Net income for 2018 increased 6% YoY, from ₱20.42 bn in 2017 to ₱21.71 bn in 2018. This translated to earnings per share of ₱2.95. During 2018, the Company recognized non-recurring losses of ₱2.08 bn (versus 2017's loss of ₱2.93 bn) mainly resulting from: (i) foreign exchange (forex) losses from revaluation of dollar-denominated liabilities; and (ii) asset impairment. Adjusting for these one-off losses, the Company's core net income for 2018 amounted to ₱23.78 bn, up by 2% YoY.

### Power Generation and RES

The power generation group and RES' income contribution for 2018 was ₱19.96 bn, up 12% YoY. The growth was largely driven by fresh income contributions from PEC and Hedcor Bukidnon. Netting out forex losses and impairment costs recognized in 2018, the generation group and RES' core net income contribution remained flat at ₱20.95 bn. Capacity sold during 2018 was flat YoY, from 3,167 MW in 2017 to 3,152 MW in 2018.

As of year-end 2018, AboitizPower's net sellable capacity stood at 3,111 MW.

### Power Distribution

The power distribution group's earnings contribution decreased by 5% YoY, from ₱4.27 bn in 2017 to ₱4.05 bn in 2018. Stripping out the impairment loss in 2018, its recurring earnings contribution grew 6% YoY from ₱4.11 bn in 2017 to ₱4.37 bn in 2018. This increase was mainly attributable to electricity sales which increased by 5% YoY, from 5,288 GWh in 2017 to 5,540 GWh in 2018 as energy sales grew across all customer segments.

## Material Changes in Line Items of Company's Statements of Income and Comprehensive Income

### Consolidated Statements of Income

Net income attributable to equity holders of the parent increased by 6% from ₱20.42 bn in 2017 to ₱21.71 bn in 2018. The various movements in line items are shown below to account for the increase:

Net Income Attributable to Equity Holders of the Parent for 2017	<b>₱20,416,442</b>
Increase in operating revenues	12,180,781
Increase in operating expenses	(9,857,828)
Decrease in interest income	(46,927)

Increase in interest expense	(834,378)
Decrease in share in net earnings of associates and joint ventures	(341,039)
Decrease in other expense	411,689
Lower provision for taxes	932,775
Increase in income attributable to non-controlling interests	(1,153,912)
Total	1,291,161
Net Income Attributable to Equity Holders of the Parent for 2018	<b>₱21,707,603</b>

### **Operating Revenues**

*(10% increase from ₱119.39 bn to ₱131.57 bn)*

The 10% increase in operating revenues was mainly attributable to the higher revenues recorded by the power generation and RES groups, which combined accounted for ₱10.59 bn of the ₱12.18 bn increase. The higher revenues were driven by: (i) fresh contributions from PEC and Hedcor Bukidnon; and (ii) higher sales at TLI. These were offset by lower revenues at some of the oil-fired power generation companies (Oil Group).

The increase in operating revenues was also attributable to higher electricity sales during 2018 by the Company's two largest distribution utilities. This segment of the Company's business experienced a ₱1.35 bn increase in operating revenues.

### **Operating Expenses**

*(12% increase from ₱85.22 bn to ₱95.08 bn)*

Operating expenses increased by 12% during 2018, driven by the 25% increase in cost of generated power as fuel costs rose during the year. Depreciation and amortization, general and administrative expenses also went up as power plants entered commercial operations during the year.

### **Interest Income**

*(5% decrease from ₱927 mn to ₱880 mn)*

The decrease in interest income during 2018 was mainly due to lower average cash and cash equivalent balances carried at the Company and at two of its intermediate holding companies, ARI and TPI, for most of the year.

### **Interest Expense and Other Financing Costs**

*(7% increase from ₱11.25 bn to ₱12.08 bn)*

Interest expense increased in 2018 as the Company issued a total of ₱10.20 bn in retail bonds in October 2018. PEC also started to recognize interest on its project loans during 2018. These new interest charges were offset by the lower interest expense taken up at TPI as it fully paid its dollar-denominated loan in 2018.

### **Share in Net Earnings of Associates and Joint Ventures**

*(7% decrease from ₱4.70 bn to ₱4.36 bn)*

Share in net earnings of associates and joint ventures declined by 7% in 2018, as lower contracted capacities at two associate oil companies operating in Mindanao, WMPC and SPPC, led to lower contributions. SFELAPCO also saw a decline in net profits during the year. Lastly, the effects of the El Niño in 2018 led to lower water levels, which adversely affected income contributions from SNAP-Magat and SNAP-Benguet.

### **Other Income (Expenses) – net**

*(Decrease from ₱1.70 bn other expense to ₱1.29 bn other expense)*

This account stayed in an expense position at year-end 2018 due to net unrealized forex loss in 2018, primarily due to the restatement of TLI's dollar-denominated debt on its monthly obligations to the PSALM. The decrease in this expense line item was from other income recognized on supplier settlements recognized at PEC.

### **Provision for Taxes**

*(24% decrease from ₱3.86 bn to ₱2.93 bn)*

The decrease was due to deferred tax benefits recognized in 2018 at Davao Light for the impairment of assets, and at TLI on unrealized forex losses.

### **Net Income Attributable to Non-controlling Interests**

*(45% increase from ₱2.57 bn to ₱3.73 bn)*

The increase in the contributions from GMEC during 2018 also led to the higher take-up of attributed income for GMEC minority shareholders.

### **Consolidated Statements of Comprehensive Income**

The movements in cumulative translation adjustments led to the increase in total net other comprehensive income for 2018 at ₱1.06 bn (versus ₱378 mn in 2017). Total consolidated comprehensive income was ₱26.49 bn for the year.

### **Changes in the Company's Resources, Liabilities and Shareholders' Equity**

#### **Assets**

Total assets (as of 31 December 2018 compared to 31 December 2017) increased by ₱28.19 bn, or 8% YOY. The major movements of the accounts leading to the increase were as follows:

- (a) Cash and cash equivalents increased by 30% during 2018. Cash generated from operations increased supplemented by the lower cash used in financing activities due to loan proceeds. The consolidated cash position of the Company increased by ₱10.64 bn.
- (b) Trade and other receivables increased by 25% (from ₱17.36 bn in 2017 to ₱21.72 bn in 2018) mainly due to advances to partners in GMEC and the take-up of the PSALM deferred adjustments at Davao Light and Visayan Electric. PSALM deferred adjustment pertains to Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment to be recovered from customers or to be collected from PSALM.
- (c) Net derivative assets went down by ₱161 mn during 2018 mainly due to mark-to-market losses on the Group's swap and forward contracts.
- (d) Inventories increased by 19% (from ₱5.64 bn in 2017 to ₱6.69 bn in 2018) as the Group recognized inventories held at TPVI, which took over the Naga Power Plant Complex in 2018, and due to higher inventory balances at GMEC, TSI and TVI. This was offset by lower inventory balances at the Oil Group.
- (e) Property held for sale of ₱676 mn as of 31 December 2018 pertains to transmission assets that will be transferred and sold to the NGCP. This account was nil in 2017.
- (f) Other current assets were higher by 46% (from ₱9.03 bn in 2017 to ₱13.21 bn in 2018) mainly driven by the increase of restricted cash at TSI. The maintenance of a cash reserve forms part of TSI's compliance with the covenants on its project debt. TVI's recognition of a receivable from NGCP on the construction of transmission line also contributed to the increase in this account.
- (g) Investments and advances increased mainly as a result of capital infusions into GNPD as it continues the construction of a 1x668 MW supercritical coal-fired power plant in Bataan. The account increased from ₱31.25 bn at the end of 2017 to ₱34.33 bn at the end of 2018.
- (h) Property, plant and equipment (PPE) slightly increased by 2% (from ₱204.03 bn in 2017 to ₱207.11 bn in 2018) mainly due to new additions during 2018 for the on-going construction of hydropower facilities

under Hedcor and Hedcor Bukidnon, and TVI's coal plant.

- (i) AFS investments went from ₱103 mn in 2017 to nil at the end of 2018 as these were reclassified to Financial Assets at fair value through profit or loss.
- (j) Financial assets at fair value through profit or loss went up to ₱101 mn in 2018 from nil as these were reclassified from Available-for-Sale investments.
- (k) Net pension assets increased by ₱71 mn in 2018 due to the increase in the fair value of plan assets for contributions made during 2018.
- (l) Deferred income tax assets increased by 59% (from ₱1.41 bn in 2017 to ₱2.23 bn in 2018). The increase was driven by the deferred tax benefits recognized by Davao Light in 2018 on the impairment of its assets and at TLI for unrealized forex losses.

### **Liabilities**

Consolidated liabilities increased by 7% YoY, from ₱237.50 bn at the end of 2017 to ₱253.09 bn at the end of 2018. The major movements of the accounts leading to the increase were as follows:

- (a) Short term loans were up 145%, or ₱6.83 bn, mainly due to new loans of the Company for working capital purposes.
- (b) Trade and other payables increased by 10% (from ₱19.85 bn in 2017 to ₱21.80 bn in 2018), primarily due to the take-up of the PSALM deferred adjustment at Davao Light and Visayan Electric. PSALM deferred adjustment refers to the amounts to be remitted to PSALM or refunded to customers.
- (c) Income tax payable decreased by 32% (from ₱646 mn in 2017 to ₱439 mn in 2018) primarily due to lower corporate taxes payable at the end of 2018.
- (d) Long-term debt (current and non-current portions) increased by 4% (from ₱152.05 bn in 2017 to ₱158.06 bn in 2018). The increase was mainly attributable to the net effect of the following:
  - (i) The Company's ₱10.20 bn new bonds issued in October 2018;
  - (ii) Net increase during 2018 of GMEC's project debt by ₱10.67 bn, which was a combination of new drawdowns and forex adjustment; and
  - (iii) TPI's loan payment of ₱15.15 bn.
- (e) Finance lease obligation (current and noncurrent portions) decreased by 5% from a total of ₱49.23 bn in 2017 to ₱46.89 bn at the end of 2018, as TLI made timely payments on its obligation to PSALM during 2018.
- (f) Long term obligation on power distribution system (PDS) decreased by 7% as regular annual payments were made.
- (g) Asset retirement obligation increased by 24% (₱2.96 bn in 2017 to ₱3.68 bn in 2018) due to an increase in the estimated future decommissioning costs on the Group's steam field assets.
- (h) Deferred income tax liabilities (DTL) decreased by 6% (₱913 mn in 2017 to ₱858 mn in 2018), mainly due to unrealized gain on forward contract in 2017 that was reversed in 2018.
- (i) Net pension liabilities decreased by 32% (₱361 mn in 2017 to ₱245 mn in 2018) on account of benefits paid to retired employees during the year.
- (j) Other noncurrent liabilities went from ₱403 mn in 2017 to ₱3.18 bn at the end of 2018 due to the recognition of the PSALM deferred adjustment.



## **Equity**

Equity attributable to equity shareholders of the parent company increased by 11% YOY (from ₱115.40 bn at the end of 2017 to ₱127.71 bn at the end of 2018), driven mainly by the recognition of income during 2018 of ₱21.71 bn, net of dividends declared and paid to the Company's shareholders.

## **Material Changes in Liquidity and Cash Reserves of the Company**

Cash generated from operations of ₱37.29 bn continued to provide a source of liquidity during 2018, growing by ₱7.05 bn as compared to 2017. Cash from the operations of fully-commissioned PEC augmented the cash streams from operations.

During 2018, the Group utilized ₱7.24 bn cash for investing activities. This was ₱2.21 bn more than during 2017, the largest portion of which was used to construct a coal plant in the Visayas for TVI. Meanwhile, the Company continued to deploy financial resources in the construction of other greenfield projects. Funds were also invested to infuse more capital to GNPD. The outflows were supported by dividends received during 2018.

In 2018, the Company availed of long-term debt through a bond issuance, fresh loans availed of by certain subsidiaries, and draw down on project finance facilities. In the first half of 2018, the Company declared ₱10.23 bn in dividends to its shareholders. These activities led to cash flow used in financing activities of ₱19.16 bn during 2018.

As of 31 December 2018, the Group's cash and cash equivalents increased to ₱46.34 bn, compared to ₱35.70 bn as of the end of 2017.

## **Financial Ratios**

Current assets increased by 31% while current liabilities decrease by 5%, the current ratio at the end of 2018 was at 1.89x, versus 1.38x at the end of 2017.

Consolidated debt to equity ratio at the end of 2018 was at 1.85 versus 1.92 as of end 2017, as the Company's increase in equity surpassed the increase in liabilities.

## **Outlook for the Upcoming Year/ Known Trends, Events, Uncertainties which may have Material Impact on the Company**

AboitizPower is focused on addressing the needs of its markets, namely: (1) reliable supply, at a (2) reasonable cost, and with (3) three minimal impact on the environment and communities. The Company believes that no single technology that can completely address the country's energy requirements and that a mix of power generation technologies is necessary to address the country's needs. 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 is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new projects. The Company is also currently on track with its target to reach 4,000 MW net attributable capacity. By the end of 2020, the Company will own 4,430 MW of attributable capacity.

AboitizPower's goal is to grow its capacity to more than 9,000 MW by 2029, which the Company expects will be sourced from a portfolio of renewables and selective baseload builds. In terms of renewable energy, the Company aims to maximize opportunities from the implementation of the RPS by DOE starting in 2020. In line with DOE's aspirational goal of a 35% increase in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and RES to source an agreed portion of their energy supply from renewable energy facilities. The Company will continue to pursue its international aspirations with focus on renewable energy projects in Vietnam, Indonesia, and Myanmar. With all of these combined, it is expected that the Company's portfolio ratio will be close to a 50:50 Cleanergy (renewable energy) and Thermal energy mix by the end of the current decade.



AboitizPower believes that it is well-positioned to take advantage of opportunities arising from developments in the power industry. Its sound financial condition is expected to give it the agility to create or acquire additional generating capacity over the next few years.

The Company expects that its existing distribution utilities will continue to realize modest growth. It continuously seeks efficiency and improvements in its distribution utilities' operations in order to maintain healthy margins.

AboitizPower has allotted over ₱50 bn for capital expenditures in 2019, about 80% of which is for thermal projects, and the remaining balance allocated mainly for exploratory and operating activities.

Other known trends, events, uncertainties which may have material impact on the Registrant have been discussed in previous sections of this Offer Supplement.

## MANAGEMENT

### BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

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. The Company currently has nine directors, three of whom are Independent Directors. Below are the profiles of the directors and officers for 2021-2022 with their corresponding positions, offices, and business experience held for the past five years. The directors were elected during AboitizPower’s Annual Stockholders’ Meeting held on 26 April 2021, to serve for a term of one year, and until their successors are duly elected and qualified.

Below are the profiles of each director and officer for 2021-2022 with their corresponding positions, offices, and business experience held for the past five years:

<p><b>SABIN M. ABOITIZ</b> Chairman of the Board</p> <p><u>Age</u>: 57 years old</p> <p><u>Citizenship</u>: Filipino</p> <p><u>Committee Memberships</u>: Chairman – Board Risk and Reputation Management Committee (since 26 April 2021) Member – Board Environmental, Social and Corporate Governance Committee (since 26 April 2021) – Board Executive Committee (since 26 April 2021) – Board Cybersecurity Committee (since 26 April 2021)</p> <p><u>Date of First Appointment</u>: 26 April 2021</p> <p><u>Tenure</u>: 4 months</p>	<p><b>Mr. Sabin M. Aboitiz</b> was appointed as AboitizPower’s Chairman of the Board on 26 April 2021. He is concurrently a Director and President and Chief Executive Officer of AEV, a publicly-listed company.</p> <p>Mr. Aboitiz is currently the Chairman of Aboitiz Foundation, Aboitiz InfraCapital, Inc, CRH Aboitiz Holdings, Inc. (CRH Aboitiz), Aboitiz Land, Inc. (AboitizLand), Filagri Holdings, Inc., MORE, Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, SN Aboitiz Power-Benguet, Inc., Republic Cement Services, Inc., and Gold Coin Management Holdings, Ltd.; Director and President of ACO, AEV CRH Holdings, Inc. (AEV CRH), AEV Aviation, Inc., and ARI; and Director of UnionBank, a publicly-listed company, ACO Capital Ltd., Republic Cement &amp; Building Materials, Inc. (RCBM), Apo Agua Infraestructura, Inc. (Apo Agua), Aboitiz Construction Inc. (ACI), Aboitiz Construction International, Inc. (ACII), Aboitiz Impact Ventures, Inc., Unity Digital Infrastructure Inc. (formerly: Aboitiz Airports Advisory Services Corporation), AboitizPower International, Archipelago Insurance Pte. Ltd. (Archipelago), and AEV International Pte. Ltd.</p> <p>Mr. Aboitiz is also a member of the Business Advisory Council of the Asia-Pacific Economic Cooperation.</p> <p>He holds a degree in Business Administration, Major in Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p><b>LUIS MIGUEL O. ABOITIZ</b> Vice Chairman of the Board</p> <p><u>Age</u>: 56 years old</p> <p><u>Citizenship</u>: Filipino</p>	<p><b>Mr. Luis Miguel O. Aboitiz</b> was appointed as Vice Chairman of the Board on 26 April 2021. He previously served as Director of AboitizPower from September 2018 to December 2019, and as Executive Vice President – Chief Strategy Officer from May 2018 until retirement on 30 April 2020. He was also Executive Vice President and Chief Operating Officer</p>

<p><u>Committee Memberships:</u> Member – Board Audit Committee (since 26 April 2021) – Board Risk and Reputation Management Committee (since 26 April 2021) – Board Executive Committee (since 26 April 2021) – Board Cybersecurity Committee (since 26 April 2021)</p> <p><u>Date of First Appointment:</u> 2018</p> <p><u>Tenure:</u> 1 year and 4 months</p>	<p>– Corporate Business Group of AboitizPower from 2016 to 2018, and Senior Vice President-Power Marketing and Trading from 2009 to 2015.</p> <p>Mr. Aboitiz is currently a Director of ACO, and a member of its Board Strategy and Board Talent Management Committees. Mr. Aboitiz also serves as a Director of DDLS Aboitiz Inc. and Trustee of Philippine Business for Social Progress. As of September 2022, he is also a director of AB Capital Securities, Inc.</p> <p>Mr. Aboitiz graduated from Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering, and earned his Master’s degree in Business Administration from the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality. He is not a Director of any other publicly-listed company.</p>
<p><b>MIKEL A. ABOITIZ</b> Director</p> <p><u>Age:</u> 67</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Member – Board Environmental, Social and Corporate Governance Committee (since 11 December 2019) – Board Executive Committee (since 21 May 2018)</p> <p><u>Date of First Appointment:</u> 13 February 1998</p> <p><u>Tenure:</u> 23 years</p>	<p><b>Mr. Mikel A. Aboitiz</b> was appointed Vice Chairman of AboitizPower effective 1 January 2020. He has been a Director since 13 February 1998, and was the Company’s Chairman of the Board from September 2018 to December 2019.</p> <p>Mr. Aboitiz was formerly Vice Chairman of City Savings Bank, Inc. from 2015 to 2016, and its President and Chief Executive Officer from 2001 to 2014. He is currently Chairman of the Board of ACO; Vice Chairman of AEV, a publicly-listed company, since December 2018; and Chairman of the Board of Trustees of Ramon Aboitiz Foundation, Inc.</p> <p>Mr. Aboitiz holds a degree in Bachelor of Science in Business Administration from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p><b>EMMANUEL V. RUBIO</b> Director President and Chief Executive Officer</p> <p><u>Age:</u> 57</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman – Board Executive Committee (since 1 January 2020) Member – Board Risk and Reputation Management Committee (since 26 April 2021) <i>Ex-Officio</i> Member – Board Cybersecurity Committee (since 29 July 2021)</p> <p><u>Date of First Appointment:</u> 1 January 2020</p>	<p><b>Mr. Emmanuel V. Rubio</b> was appointed as President and Chief Executive Officer and Director of AboitizPower effective 1 January 2020. He previously served as the Company’s Executive Vice President and Chief Operating Officer – Power Generation Group from 2014 to July 2018, and as Executive Vice President - Chief Operating Officer from June 2018 to December 2019.</p> <p>Mr. Rubio is currently Chairman of AA Thermal, Inc. (AA Thermal), the SN Aboitiz Power Group, Therma South, Inc. (TSI), and Therma Visayas, Inc. (TVI); Alternate Director of AboitizPower International Pte. Ltd. (AboitizPower International); and Director of Aboitiz Power Distributed Energy, Inc. (APX1), Aboitiz Power Distributed Renewables Inc. (APX2), ARI, Abovant Holdings, Inc. (Abovant), the Hedcor Group, Cotabato Light and Power Company (Cotabato Light),</p>

<p><u>Tenure:</u> 1 year and 8 months</p>	<p>Davao Light &amp; Power Co., Inc. (Davao Light), Cebu Private Power Corporation (CPPC), Maaraw Holdings San Carlos, San Carlos Sun Power, and various companies under the Coal Business Units, including Cebu Energy Development Corporation (Cebu Energy), STEAG State Power, Inc. (STEAG Power), and Redondo Peninsula Energy, Inc. (RP Energy). He holds directorship and management positions in GNPowder Mariveles Energy Center Ltd. Co. (GMEC) and GNPowder Dinginin Ltd. Co. (GNPD) and their holding companies. He is also a Trustee of Aboitiz Foundation, Inc. (Aboitiz Foundation).</p> <p>Mr. Rubio is a graduate of Bachelor of Science in Industrial Management Engineering with a minor in Mechanical Engineering from De La Salle University, where he also completed his postgraduate studies. He is also a certificate course graduate of the University of Michigan Executive Education Program, the LEAD program of Columbia University, and the Strategic Management Course of the Nanyang Technological University in Singapore. He recently completed the Advanced Management Program of Columbia University. Mr. Rubio is a holder of the Executive Certificate in Directorship from the Singapore Management University-Singapore Institute of Directors (SMU-SID). He is not connected with any government agency or instrumentality. He is not a Director of any other publicly-listed company.</p>
<p><b>DANEL C. ABOITIZ</b>  Director  Chief Commercial and Stakeholder Engagement Officer</p> <p><u>Age:</u> 40</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u>  Member – Board Audit Committee (since 28 January 2020)  – Board Executive Committee (since 26 April 2021)</p> <p><u>Date of First Appointment:</u> 11 December 2018</p> <p><u>Tenure:</u> 2 years</p>	<p><i>Mr. Danel C. Aboitiz</i> was appointed as Director of AboitizPower on 11 December 2018, and as Chief Commercial and Stakeholder Engagement Officer of AboitizPower effective 1 December 2020.</p> <p>Mr. Aboitiz is also Director of PEC, STEAG Power, and RP Energy. He holds directorship and management positions in GMEC and GNPD and their holding companies.</p> <p>Mr. Aboitiz is also Director of various companies under AboitizPower’s Oil Business Units, such as TMO, Therma Power-Visayas, Inc. (TPVI), East Asia Utilities Corporation (EAUC), and Therma Marine, Inc. (TMI), Coal Business Units, such as AA Thermal, Therma Luzon, Inc. (TLI), TSI, and TVI. He also holds Directorship positions in the Company’s Large Hydros under the SN AboitizPower Group and MORE. Mr. Aboitiz also serves as a Member of the Board of Advisers of ACO and as Director of RCBM, AEV CRH CRH Aboitiz Holdings, Inc. (CRH Aboitiz), and TPI. He serves as Vice Chairman and member of the Board of Trustees of the Philippine Independent Power Producers Association (PIPPA) and member of the Board of Directors of the Philippine Electricity Market Corporation (PEMC) as Generator Sector Representative.</p>

	<p>Mr. Aboitiz obtained his Master of Arts (MA) in Philosophy and Politics degree from the University of Edinburgh, where he graduated with honors. He also studied the Chinese language at the Beijing Language and Culture University.</p> <p>He is not connected with any government agency or instrumentality. He is not a Director of any other publicly-listed company.</p>
<p><b>EDWIN R. BAUTISTA</b> Director</p> <p><u>Age</u>: 61 years old</p> <p><u>Citizenship</u>: Filipino</p> <p><u>Date of First Appointment</u>: 26 April 2021</p> <p><u>Tenure</u>: 4 months</p>	<p><b>Mr. Edwin R. Bautista</b> was appointed as Director of AboitizPower on 26 April 2021. He was a Director of AEV, a publicly-listed company, from September 2018 to April 2021.</p> <p>Mr. Bautista is currently a Director and the President and Chief Executive Officer of UnionBank, a publicly-listed company; Chairman of the Board of Directors of CitySavings; and a Director of Union Properties, Inc. (now known as UBP Investments Corporation), First Union Plans, Inc., and First Union Direct Corp. Mr. Bautista has previously served UnionBank in various capacities: as Chief Operating Officer from January 2016 to December 2017, Senior Executive Vice President from 2011 to 2015, Executive Vice President from 2001 to 2011, and Senior Vice President from 1997 to 2001.</p> <p>Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advance Management Program from Harvard Business School in Massachusetts, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p><b>RAPHAEL P.M. LOTILLA</b> Lead Independent Director</p> <p><u>Age</u>: 63 years old</p> <p><u>Citizenship</u>: Filipino</p> <p><b>Committee Memberships:</b> Chairman – Board Environmental, Social and Corporate Governance Committee (since 26 April 2021) Member – Board Audit Committee (since 26 April 2021) – Board Risk and Reputation Management Committee (since 26 April 2021) – Board Related Party Transaction Committee (since 26 April 2021)</p> <p><u>Date of First Appointment</u>: 26 April 2021</p> <p><u>Tenure</u>: 4 months</p>	<p><b>Mr. Raphael P.M. Lotilla</b> was appointed as Lead Independent Director of AboitizPower on 26 April 2021. He was an Independent Director of AEV, a publicly-listed company, from May 2012 to April 2021.</p> <p>Mr. Lotilla is also an Independent Director of Petron Foundation, Inc., and two publicly-listed companies, ACE Enexor, Inc. and First Metro Investment Corporation. He is currently the Chairman of the Board of Trustees of The Asia-Pacific Pathways to Progress Foundation, Inc.</p> <p>Mr. Lotilla previously served the Philippine government in various capacities: (i) Secretary of Energy; (ii) President and Chief Executive Officer of Power Sector Assets and Liabilities Management (PSALM) Corporation; (iii) Deputy Director-General of the National Economic and Development Authority; (iv) Coordinator of the Philippine Council for Sustainable Development; (v) Chairman of the Philippine National Oil Company; (vi) Vice-Chairman of the National Power Corporation and the National</p>

	<p>Transmission Corporation, among others. He also served as Regional Programme Director of a Global Environment Facility regional project implemented by the UN Development Programme and concurrently Executive Director of Partnerships in Environmental Management for the Seas of East Asia.</p> <p>Mr. Lotilla obtained his Bachelor of Laws degree from the University of the Philippines where he later on became a Professor of Law. He also holds a Master of Laws degree from the University of Michigan Law School, USA. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies (PIDS) and the Advisory Committee for the Ateneo University Professional Schools.</p>
<p><b>CARLOS C. EJERCITO</b> Independent Director</p> <p><u>Age:</u> 75</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u></p> <p>Chairman – Board Audit Committee (since 19 May 2014)</p> <p>Member – Board Risk and Reputation Management Committee (since 19 May 2014)</p> <ul style="list-style-type: none"> <li>– Board Environmental, Social and Corporate Governance Committee (since 19 May 2014)</li> <li>– Board Related Party Transactions Committee (since 15 May 2017)</li> </ul> <p><u>Date of First Appointment:</u> 19 May 2014</p> <p><u>Tenure:</u> 7 years</p>	<p><b>Mr. Carlos C. Ejercito</b>, has been an Independent Director of AboitizPower since 19 May 2014.</p> <p>He is Independent Director and Chairman of the Board Audit Committee of Bloomberry Resorts Corporation and an Independent Director and member of the Audit Committee of Century Properties Group, Inc., both publicly-listed companies.</p> <p>Mr. Ejercito is President and Chief Executive Officer of Mount Grace Hospitals, Inc., and Chairman of Northern Access Mining, Inc. He is a Board Member of 18 hospitals, including Medical Center Manila, VR Potenciano Medical Center, Tagaytay Medical Center, Pinehurst Medical Services Inc., Grace General Hospital, Healthserv Medical Center, Lorma Medical Center, Mary Mediatrix Medical Center, Silvermed Corporation, Capitol Medical Center, Divine Grace Medical Center, and Good Samaritan Medical Center.</p> <p>He was formerly Chairman of the Board of United Coconut Planters Bank, and a former Director of National Grid Corporation of the Philippines (NGCP). He was also the President and Chief Executive Officer of Greenfield Development Corporation, and Vice President and Senior Country Operations Officer of Citibank, NA. Prior to Citibank, Mr. Ejercito was a Systems Engineer in IBM Philippines, and Accounting Unit Head in Procter &amp; Gamble Philippines, Inc. He was a member of the Board of Governors of Management Association of the Philippines.</p> <p>Mr. Ejercito graduated <i>cum laude</i> from the University of the East with a degree in Bachelor of Science in Business Administration. He also completed the Management Development Program of Harvard Business School in Massachusetts, USA in 1983, and has completed the coursework for Masters in</p>

	<p>Business Administration at Ateneo Graduate School of Business.</p> <p>Mr. Ejercito is a certified public accountant. He is not connected with any government agency or instrumentality.</p>
<p><b>ERIC RAMON O. RECTO</b> Independent Director</p> <p><u>Age:</u> 58</p> <p><u>Citizenship:</u> Filipino</p> <p>Committee Memberships: Chairman – Board Related Party Transaction Committee (since 21 May 2018) - Board Cyber Security Committee (since 26 April 2021) Member – Board Audit Committee (since 21 May 2018) – Board Environmental, Social and Corporate Governance Committee (since 21 May 2018) – Board Risk and Reputation Management Committee (since 21 May 2018)</p> <p><u>Date of First Appointment:</u> 21 May 2018</p> <p><u>Tenure:</u> 3 years</p>	<p><b>Mr. Eric Ramon O. Recto</b> was elected as Independent Director of AboitizPower on 21 May 2018.</p> <p>He currently holds positions in the following publicly-listed companies: Chairman of the Philippine Bank of Communications; President and Chief Executive Officer of Atok-Big Wedge Co., Inc.; Director of DITO CME Holdings Corp. (formerly: ISM Communications Corporation); and Independent Director in PH Resorts Group Holdings, Inc. He is also the Chairman of the Board and President of Bedfordbury Development Corporation; Vice Chairman of Alphaland Corporation; President/Director of Q-Tech Alliance Holdings, Inc.; and Supervisory Board Member of Acentic GmbH and Ltd.</p> <p>Mr. Recto held various positions in Philweb Corporation from 2005 to 2015. He was also the Vice Chairman of Alphaland Corporation from 2007 to 2014; Director of San Miguel Corporation from 2010 to 2014, and of Manila Electric Company (Meralco) from 2010 to 2013; and President of Top Frontier Investment Holdings, Inc. from 2010 to 2013. Mr. Recto was formerly the Undersecretary of the Philippine Department of Finance from 2002 to 2005.</p> <p>Mr. Recto earned his Bachelor of Science degree in Industrial Engineering from the University of the Philippines-Diliman. He completed his Masters in Business Administration, with concentration in Finance and Operation Management, from the Johnson Graduate School of Management at the Cornell University in Ithaca, New York, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p><b>JAIME JOSE Y. ABOITIZ</b> Executive Vice President and Chief Operating Officer</p> <p><u>Age:</u> 59</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Date of First Appointment:</u> 18 May 2009</p> <p><u>Tenure:</u> 11 years</p>	<p><b>Mr. Jaime Jose Y. Aboitiz</b> was appointed as the Company's Executive Vice President – Chief Operating Officer on 1 January 2020. He was previously the AboitizPower's Director from 2004 to April 2007, and was re-elected on May 18, 2009 until April 2021. He also served as the Company's Executive Vice President and Chief Operating Officer-Power Distribution Group, a position which he held from August 2008 to December 2019.</p> <p>Mr. Aboitiz is a member of the Board of Advisers of ACO; Chairman of the Board of, Luzon Hydro Corporation (LHC), the Hedcor Group, the Oil Group, TPI, and SFELAPCO. He is Director of Cotabato Light, Davao Light, Cebu Energy, the Enerzone Group,</p>



	<p>AboitizLand, SacaSun, TPI, Tsuneishi Heavy Industries (Cebu), Inc. (THICI), Visayan Electric Company, Inc. (Visayan Electric), and Apo Agua. He holds directorship and management positions in GMEC and its holding company.</p> <p>Mr. Aboitiz holds a degree in Mechanical Engineering from Loyola Marymount University in California, U.S.A., and a Master’s Degree in Management from the Asian Institute of Management. He is not connected with any government agency or instrumentality. He is not a Director of any other publicly-listed company.</p>
<p><b>LIZA LUV T. MONTELIBANO</b> Senior Vice President – Chief Financial Officer/Corporate Information Officer</p> <p><u>Age:</u> 46</p> <p><u>Citizenship:</u> Filipino</p> <p><i>Ex-Officio Member</i> – Board Risk and Reputation Management Committee <i>Ex-Officio Member</i> – Board Executive Committee</p>	<p><b>Ms. Liza Luv T. Montelibano</b> was appointed as Senior Vice President/Chief Financial Officer/Corporate Information Officer on 16 May 2016.</p> <p>She joined the Company as Chief Financial Officer-Power Generation Group on 2 January 2014 until she was promoted as First Vice President/ Chief Financial Officer/ Corporate Information Officer on 18 May 2015.</p> <p>Ms. Montelibano is Director and Senior Vice President-Finance of ARI, and Director of Cotabato Light, Davao Light, TPI, TSI, Visayan Electric, the Hedcor Group, LHC, Subic Enerzone, AboitizPower International, and Archipelago.</p> <p>Prior to joining AboitizPower, Ms. Montelibano was the Country Controller of NXP Semiconductors. Her background is in finance, risk assessment, and internal audit, arising from her previous experience with various multinational companies. She also served as Chief Financial Officer of SteelAsia Manufacturing Corporation from September 2012 to March 2013, and as General Manager for Finance and Administration at L’Oreal Philippines, Inc. from March 2006 to August 2012.</p> <p>Ms. Montelibano graduated <i>cum laude</i> from Ateneo de Manila University with a degree in Bachelor of Science in Management, Minor in Finance. She is also a Certified Internal Auditor under the Institute of Internal Auditors. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.</p>
<p><b>MA. CONSOLACION C. MERCADO</b> Compliance Officer</p> <p><u>Age:</u> 42</p> <p><u>Citizenship:</u> Filipino</p> <p><i>Ex-Officio Member</i> – Board Environmental, Social, and Corporate Governance Committee</p>	<p><b>Ms. Ma. Consolacion C. Mercado</b> was appointed Compliance Officer on 1 January 2021. She is concurrently Vice President for Legal – Energy Affairs of AboitizPower since September 2019. She previously served as the Company’s Vice President for Regulatory Affairs, Distribution Utility Group from July 2018 to August 2019 and Assistant Vice-President for Legal – Energy Affairs from July 2015 to June 2018.</p>



	<p>Ms. Mercado first joined the Aboitiz Group in 2009 as a Regulatory Lawyer. In her current role under the Energy Affairs and Compliance Team, Ms. Mercado is responsible for developing and cascading governance and legal policies to the Company and its various subsidiaries. She also ensures that the legal and compliance issues and risks of the power generation, power distribution, and supplier businesses across the group are managed and addressed.</p> <p>Ms. Mercado earned her Bachelor of Science in Business Administration and Accountancy and Bachelor of Laws degrees from the University of the Philippines-Diliman. She is a Certified Public Accountant and a member in good standing with the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.</p>
<p><b>MARIA VERONICA C. SO</b> Group Treasurer</p> <p><u>Age:</u> 49</p> <p><u>Citizenship:</u> Filipino</p>	<p><b>Ms. Maria Veronica C. So</b> was appointed as AboitizPower’s Group Treasurer effective 1 January 2020. She is also First Vice President – Group Treasurer of AEV, a publicly listed company.</p> <p>She joined the Aboitiz Group as AEV’s Vice President – Treasury Services in 2017 and was promoted to First Vice President - Deputy Group Treasurer under AEV’s Treasury Services Group on 1 April 2019.</p> <p>Prior to joining the Aboitiz Group, Ms. So held various treasury and finance positions at Globe Telecom from 2001 to 2017.</p> <p>Ms. So holds a Bachelor of Science degree in Business Management from Ateneo de Manila University and a Masters degree in Business Management from the Asian Institute of Management. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.</p>
<p><b>MANUEL ALBERTO R. COLAYCO</b> Corporate Secretary</p> <p><u>Age:</u> 51</p> <p><u>Citizenship:</u> Filipino</p>	<p><b>Mr. Manuel Alberto R. Colayco</b> has been Corporate Secretary of AboitizPower since 1 March 2018. He is concurrently Senior Vice President - Chief Legal and Compliance Officer/Corporate Secretary of AEV, a publicly listed company. He first joined the Aboitiz Group as AEV’s First Vice President and Chief Legal Officer on 11 July 2016 and was appointed as AEV’s Corporate Secretary and Compliance Officer on 1 March 2018.</p> <p>Mr. Colayco has practiced in various areas of corporate law, including mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as independent</p>

	<p>legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf &amp; Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher &amp; Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc &amp; de los Angeles from 1996 to 2000.</p> <p>Mr. Colayco earned his undergraduate and Juris Doctor degrees from Ateneo de Manila University, and a Master of Laws degree from New York University School of Law in New York, U.S.A. He is a member in good standing of the Integrated Bar of the Philippines and the New York State Bar. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.</p>
<p><b>MAILENE M. DE LA TORRE</b> Assistant Corporate Secretary</p> <p><u>Age:</u> 39</p> <p><u>Citizenship:</u> Filipino</p>	<p><b><i>Ms. Mailene M. de la Torre</i></b> was appointed Assistant Corporate Secretary of AboitizPower on 24 November 2016. She is concurrently Assistant Vice President - Governance and Compliance and Assistant Corporate Secretary of AEV, a publicly-listed company. She was previously Senior Associate General Counsel for Governance and Compliance of AEV until November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014.</p> <p>Ms. de la Torre is also the Corporate Secretary and Assistant Corporate Secretary of various Subsidiaries of the Aboitiz Group.</p> <p>Ms. de la Torre has practice in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra &amp; Blanco Law Office from 2007 to 2010. She graduated <i>cum laude</i> with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member in good standing of the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.</p>

<p><b>SAMMY DAVE A. SANTOS</b> Assistant Corporate Secretary</p> <p><u>Age:</u> 37</p> <p><u>Citizenship:</u> Filipino</p>	<p><b>Mr. Sammy Dave A. Santos</b> was appointed Assistant Corporate Secretary of AboitizPower on 5 November 2019. He is currently an Associate General Counsel for Governance and Compliance of AEV since July 2017.</p> <p>Mr. Santos currently serves as Corporate Secretary of various Subsidiaries of the Aboitiz Group, and Assistant Corporate Secretary of the Good Governance Advocates and Practitioners of the Philippines (GGAPP).</p> <p>Mr. Santos has experience in practice areas of corporate law, corporate structuring, special projects, corporate housekeeping, corporate governance, and compliance for non-listed and publicly-listed companies. Prior to joining the Aboitiz Group, he was Legal Counsel for Alliance Select Foods International, Inc. from 2016 to 2017. He was also Counsel for the Privatization Group and Office of Special Concerns of the Department of Finance in 2016. He was a Junior Associate at the Law Firm of Quiason Makalinta Barot Torres Ibarra Sison &amp; Damaso from 2014 to 2016.</p> <p>Mr. Santos earned his Juris Doctor degree from the Ateneo Law School in 2013 and was admitted to the Philippine Roll of Attorneys in 2014. He also holds a degree of Master of Science in Industrial Economics from the University of Asia and the Pacific. He is a member in good standing of the Integrated Bar of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.</p>

<p><b>SATURNINO E. NICANOR, JR.</b> Group Internal Audit Head</p> <p><u>Age:</u> 58</p> <p><u>Citizenship:</u> Filipino</p>	<p><i>Mr. Saturnino E. Nicanor, Jr.</i> was appointed as Group Internal Audit Head of AboitizPower on 26 July 2018. He is concurrently the Company’s Assistant Vice President for Internal Audit, a position which he has held since July 2017. Mr. Nicanor has extensive experience in internal audit and controllership in various industries. He also served as Internal Audit Head for the Company’s Generation Group from August 2012 to July 2018, and held various audit-related positions in the Aboitiz Group from 1983 to 2005.</p> <p>Mr. Nicanor earned his Bachelor of Science in Commerce, Major in Accounting (<i>magna cum laude</i>) degree from the University of San Jose Recoletos, Cebu City. He is an Accredited Training Facilitator of the Institute of Internal Auditors Philippines. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.</p>
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*\* Ms. Arazeli L. Malapad was replaced by Mr. Mark Louie L. Gomez as the Company’s Data Privacy Officer on 06 September 2021. Mr. Gomez, 40 years old, has extensive background in legal and regulatory compliance, real estate laws, commercial negotiations, contracts management, and enterprise risk and business continuity management. Prior to his appointment, he has previously held various positions within the AboitizPower Group as Assistant Vice President – Enterprise Risk Management for Therma Luzon and Compliance Manager for APRI. Mr. Gomez earned his Bachelor of Arts in Political Science degree from the University of the Philippines – Diliman and Bachelor of Laws degree from San Beda College of Law.*

**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 Amended By-Laws of AboitizPower, the directors are elected at each annual stockholders’ meeting 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. The director so chosen shall serve for the unexpired term of his predecessor in office.

**Significant Employees**

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

**Family Relationships**

Mr. Sabin M. Aboitiz is an uncle of Mr. Danel C. Aboitiz. Mr. Luis Miguel O. Aboitiz is a first cousin of Mr. Jaime Jose Y. Aboitiz.

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

**Involvement in Certain Legal Proceedings as of 31 August 2021**

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, is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has

violated the securities or commodities law in any court or government agency in the Philippines or elsewhere, for the past five years until 31 August 2021, which would put to question his/her ability and integrity to serve AboitizPower and its stockholders.

#### **Parent Company**

AboitizPower's parent company is AEV. As of 31 August 2021, AEV owns 76.88% of the voting shares of AboitizPower. In turn, ACO owns, as of 31 August 2021, 48.04% of the voting shares of AEV.

#### **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 Annual Stockholders' Meeting because of a disagreement with AboitizPower on matters relating to its operations, policies and practices.

## CORPORATE GOVERNANCE

In 2020, the Aboitiz Group celebrated the 100<sup>th</sup> anniversary of the incorporation of its parent company, Aboitiz & Company, Inc. (ACO). This historic milestone in the Group's history is a confirmation of its unwavering commitment to the highest standards of corporate governance for over five generations. Beginning from the time-honored philosophy of Don Ramon Aboitiz of Palabra de Honor, the Group now aspires to become a leader in environmental stewardship, social responsibility, good governance, and corporate citizenship. Committed to live by the Aboitiz core values of Integrity, Teamwork, Innovation, and Responsibility, the Group looks toward new horizons to expand in the next 100 years, and to continue to drive change for a better world by advancing businesses and communities.

Notable accomplishments of the AboitizPower Board for 2020 are as follows:

- Reviewed and affirmed the appropriateness of the Group's purpose and brand promise in addressing the challenges of a global pandemic.
- Reviewed and aligned the Group's short-term and long-term business strategies in response to the impact of COVID-19.
- Reviewed and ensured the sufficiency of the internal controls system and enterprise risk management framework of AboitizPower.
- Reviewed and approved the key amendments to the Articles of Incorporation and By-Laws of AboitizPower.
- Authorized and held the first Virtual Annual Stockholders' Meeting for AboitizPower.
- Approved amendments to the Revised Manual, Board and Committee Charters, and to the Group-wide Data Privacy Policy.
- Established an integrated governance structure to strengthen, promote, monitor, implement, and communicate the Group's ESCG-related programs and initiatives.
- Conducted regular virtual learning sessions to strengthen the continuous learning program for the Company's directors and officers.
- Conducted the Board Assessment with the assistance of a third-party facilitator.

### ***Shareholders Rights and Equitable Treatment***

The rights of shareholders are of paramount importance to the Company's By-laws, Codes, and Revised Manuals. The goal is to ensure the protection of shareholder interests and concerns through the free exercise of shareholder rights. Among the rights of these shareholders, regardless of the number of shares they own, are to receive notices of and to attend shareholders' meetings; to participate and vote on the basis of the one-share, one-vote policy; nominate and elect Board members (including via cumulative voting); inspect corporate books and records; vote in person, *in absentia*, or through proxy; receive dividends; and ratify corporate action.

In the conduct of its annual 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.

In addition, AboitizPower ensures timely disclosure to shareholders regarding their respective businesses, and that shareholders receive dividends in accordance with established dividend policies.

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 2020 Consolidated Annual and Sustainability Report and the 2020 Integrated Annual Corporate Governance Report (IACGR), which will be available at [www.aboitizpower.com](http://www.aboitizpower.com).

## 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. In 2020, the members of the Board approved the amendments to the Revised Manuals to include the principles of ESG and defined each of the company's governance structure intended to identify, promote, monitor, and communicate their respective ESG commitments.

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 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 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 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 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 Corporate Governance Committee and, if necessary, escalated to the entire Board.

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 2020.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2020 Consolidated Annual and Sustainability Report and the 2020 IACGR, which will be available at [www.aboitzpower.com](http://www.aboitzpower.com).

## 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 is 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 in 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 2020, the AboitizPower Board had three Independent Directors, three Non-Executive Directors, and three Executive Director. The Chairman of the AboitizPower Board, Mr. Erramon I. 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. The AboitizPower Board appointed Mr. Romeo L. Bernardo as Lead Independent Director, a highly qualified professional who is familiar with the operations of AboitizPower and the industries it does business in. Mr. Bernardo is the Chairman of the ESCG Committee (the functions as the Nomination and Selection Committee) to ensure an independent and transparent nomination, selection, election, and performance assessment process of the Board.

### Board's Participation

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from the Directors. Attendance during board meetings is closely monitored and reported by the Compliance Officer to SEC and PSE, as well as in the Company's IACGR.

In 2020, the Board held nine meetings (Board and Annual Stockholders' Meeting). The Board and Board Committees also met on various occasions in the performance of their mandate as indicated in the Revised Manual and relevant Board Charters. Below is a summary of the attendance of the Directors:

ABOITIZ POWER CORPORATION							
	ASM	BOD/ ORG	Executive Committee	ESCG	Risk & Reputation Management	Audit Committee	RPT Committee
<b>Number of Meetings</b>	<b>1</b>	<b>8</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>2</b>
Erramon I. Aboitiz	C 1/1	C 8/8	M 5/5	M 2/2	-	M 5/5	-
Mikel A. Aboitiz	VC 1/1	VC 8/8	M 3/5	M 2/2	-	-	-
Enrique M. Aboitiz	M 1/1	M 8/8	M 5/5	-	C 2/2	-	-
Emmanuel V. Rubio	M 1/1	M 8/8	C 5/5	-	M 2/2	-	-
Jaime Jose Y. Aboitiz	M 1/1	M 8/8	M 5/5	-	M 2/2	-	-
Danel C. Aboitiz	M 1/1	M 7/8	-	-	-	M 5/5	-
Romeo L. Bernardo	M 1/1	M 8/8	-	C 1/2	M 2/2	M 5/5	M 1/2
Carlos C. Ejercito	M 1/1	M 8/8	-	M 2/2	M 2/2	C 5/5	M 2/2
Eric Ramon O. Recto	M 1/1	M 8/8	-	M 2/2	M 2/2	M 5/5	C 2/2

Legend:

C- Chairman; VC – Vice Chairman; M – Member



## Board Committees

The different Board committees - Audit, Corporate Governance, Risk and Reputation Management, Related Party Transactions, and Executive 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 2020, are described below:

- a. The **Board Environmental, Social, and Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors, including the Committee Chairman, comprise the majority of the voting members of the ESCG Committee.

In 2020, the ESCG Committee continued to (1) review and monitor AboitizPower's compliance with new laws and regulations (the Revised Corporation Code, various SEC and BIR issuances, among others); (2) review and update the Revised Manual to align with the best practices in the Integrated Annual Corporate Governance Report and the ASEAN Corporate Governance Scorecard; and (3) ensure that the nomination, selection, election, remuneration, and assessment of the Company's directors and officers are aligned with the Revised Manual. In the same year, the ESCG Committee amended the Manual and Charters to establish a Board oversight and governance framework to promote and integrate the sustainability and corporate governance initiatives of AboitizPower.

- 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. In 2020, the Audit Committee updated its Charter to improve Company's control performance by having an adequate and effective control system. The Audit Committee also assessed (1) the performance of the Company's external auditor, and (2) the sufficiency of the Company's internal control and compliance systems.
- c. The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk and reputation management related matters for the Group. In 2020, the Board Risk and Reputation Committees updated its charter to continually identify, monitor, and manage the Group's top risks.
- d. The **Board Related Party Transaction Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliates, directors and officers. In 2020, AboitizPower updated the RPT Certification for Directors and Officers in compliance with 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 and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval. Except for the presence of the AboitizPower Chief Financial Officer as resource person, management is not invited to, and has no participation, in the RPT Committee.
- 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.

For more details on the AboitizPower Board and Board Committees matters, please refer to the 2020 Consolidated Annual and Sustainability Report and the 2020 Integrated Annual Corporate Governance Report, which will be available at [www.aboitzpower.com](http://www.aboitzpower.com).

## **Disclosure and Transparency**

Pursuant to its commitment to transparency and accountability, AP's website, [www.aboitizpower.com](http://www.aboitizpower.com) has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. The Company also submitted an Integrated Annual Corporate Governance Report (IACGR) to the SEC the PSE. A copy of the Company's 2020 IACGR is available for download at the Company's website [www.aboitizpower.com](http://www.aboitizpower.com)

## **SUSTAINABILITY AND ENVIRONMENT, SOCIAL, AND GOVERNANCE PRACTICES**

Sustainable business practices have enabled the Aboitiz Group to operate commercially for 100 years. A key component of AboitizPower's ESG strategy is to find a balance between business expansion with sustainability initiatives. It looks at a triple-bottom line to measure the impact of its activities not only on profit but also on people and the planet. In line with this, the Company continues to strengthen its commitment to ESG practices.

### **Indices and Ratings**

AboitizPower continues to be recognized as a constituent company in the FTSE4Good Index Series. The company has sustained its rating in the FTSE4Good Index Series since 2018. 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 improved by 74% compared to last year's rating, while percentile ranking in our global peer group improved from 25<sup>th</sup> to 54<sup>th</sup> percentile.

AboitizPower also earned a Sustainalytics ESG Risk Rating of 33.9, a 3.5 decrease of risk exposure from last year. Meanwhile, the Company retained its BB rating from the MSCI ESG Rating and D- in CDP Climate Change Report.

### **Focus Areas**

AboitizPower is driven by its Sustainability Vision which is to contribute to the OneAboitiz Sustainability goals through the 1AP Sustainability Culture. The Company manages its economic, environmental, and social impact through strong governance to deliver value to its stakeholders. AboitizPower will continue to focus on addressing gaps on various issues and areas of ESG, including governance improvements, addressing climate-related risk, and a long-term plan to transition to more renewable energy in its generation portfolio.

AboitizPower's growth strategy for the next ten years is to significantly grow its renewables portfolio, Cleanergy. The Company ensures its balance strategy is well-aligned with the government's efforts to address the energy trilemma of energy security, energy equity, and environmental sustainability. It remains committed to its goal of a more balanced energy mix, or an almost 50:50 Cleanergy and thermal capacities, by 2030.

The Company's focus areas on its ESG reports are team member engagement, talent development, Occupational Health and Safety (OHS), diversity and inclusion, corporate governance, Corporate Social Responsibility (CSR), customer focus, disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, biodiversity and conservation, financial growth, financial returns, risk management, and ISO certification.

The Company 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 (SDG).

## **United Nations Sustainable Development Goals**

The Aboitiz Group is one of the first Philippine businesses to support the United Nations' 17 SDG and in 2020, became a participant in the United Nations Global Compact. AboitizPower, has, or expects to have, direct, significant, and profitable contributions to UN SDG 7 or Affordable and Clean Energy, through its total net sellable capacity of 1,248 MW as of 2020.

AboitizPower is submitting its Sustainability Report through the consolidated report that its parent company, AEV publishes annually. AEV began publishing its first 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 SEC.

## **Sustainable Finance**

In February 2016, Asian Development Bank ("ADB") provided a credit enhancement to its Subsidiary, APRI, for its Tiwi-MakBan geothermal energy facilities. The issuance by APRI of the ₱10.7 bn (U.S.\$225 mn) local currency bond was in addition to a direct loan from ADB of ₱1.8 bn (U.S.\$37.7 mn). ADB's credit enhancement was in the form of a guarantee of 75% of the principal and interest on the bond. The Climate Bond, which was certified by the Climate Bonds Initiative, was the first issuance of its kind in Asia.

## **Corporate Social Responsibility**

AboitizPower and its Business Units contribute to social development programs in education, enterprise development, and environment implemented by the Aboitiz Group through its social development arm, Aboitiz Foundation. These CSR program projects are also aligned with the Aboitiz Group's core competencies and are made scalable nationwide to deliver long-term benefits to targeted communities and beneficiaries. The Aboitiz Group, through Aboitiz Foundation, invested a total of ₱423 mn in CSR projects and initiatives to support its communities in 2020, of which ₱266 mn was committed for its environmental programs, ₱106 mn for education, ₱8 mn for enterprise or livelihood programs, and ₱43 mn for other initiatives. All these are consistent with the Group's commitment to protecting and enriching our planet and uplifting the well-being of its communities. Through responsible operations and the implementation of various sustainability and CSR projects, the Company is constantly advancing business and communities by exploring opportunities to create shared value whenever possible.

Moreover, the Company provides additional funds for the communities through its compliance with the ER 1-94. This program is a policy under the DOE Act of 1992 and the EPIRA, which stipulates that host communities will get a share of ₱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. Due to the COVID-19 pandemic in 2020, the DOE released a new circular which repurposed the ER 1-94 funds for projects that would help alleviate the COVID-19 situation in the host community. The Company has successfully downloaded about ₱153 mn worth of ER 1-94 funds to about 150 host beneficiaries. About ₱504 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. The Company continues to extend assistance to its communities to ensure the full utilization of the available ER 1-94 funds.

## **Beyond Compliance**

The Aboitiz Group's brand promise of advancing business and communities extends beyond compliance with government laws and regulations. The Aboitiz Group is committed to stakeholder-focused environmental management projects, such as the A-Park nationwide reforestation program, the Aboitiz Cleanergy Park in Davao City, the Cleanergy Center in Laguna, and the Energy Education Center (EEC) in TSI.

(a) A-Park Program

The A-Park Program is the Aboitiz Group's partnership with DENR's Expanded National Greening Program. The program targets to plant 9 mn trees by 2020 to promote reforestation and forest protection. In 2020, the Aboitiz Group has already planted about 11 mn seedlings across the country under the said program. AboitizPower supports the A-Park Program through the watershed management and carbon sink programs of its Subsidiaries.

(b) Aboitiz Cleanergy Park

The Aboitiz Cleanergy Park is an eight-hectare ecological preserve located in Sitio Punta Dumalag, Matina Aplaya, Davao City. The park showcases a mangrove reforestation site, nursery, botanical garden for the propagation of 29 native tree species and is also home to 100 species of birds. Aside from helping reduce carbon emissions, the park is also actively promoting habitat conservation and biodiversity management in an urban setting. Most importantly, it serves as a sanctuary and safe nesting ground for the hawksbill sea turtles, commonly called *pawikan*. Since 2014, the park has already released more than 4,939 hawksbill hatchlings to the sea, planted 13,992 mangroves, and rescued 16 *pawikans*.

(c) Cleanergy Center and Energy Education Resource Center

The Cleanergy Center, located within the compound of the Tiwi-Makban geothermal power plant, showcases interactive displays and learning materials devoted to sustainable ways of generating and consuming energy. To date, the center has welcomed more than 56,000 visitors, mostly students, government officials, and representatives of foreign institutions.

The Cleanergy Center is the first energy education facility of AboitizPower, which focuses on environmental awareness and renewable energy education through the use of audio-visual presentations, interactive displays, and a tour of a working geothermal power plant. Through AboitizPower, the Aboitiz Group aims to provide energy solutions that leave a lighter impact on the Earth's climate and its limited resources.

The Company also opened the Energy Education Center (EEC) in 2016 located at TSI's Davao baseload power plant. The center features interactive and informative displays on the Philippine energy sector and various power-generating technologies. As of 2020, the center has already accommodated around 3,500 visitors.

## EXECUTIVE COMPENSATION

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 Officers:</b>				
1. <b>EMMANUEL V. RUBIO</b> - President and Chief Executive Officer				
2. <b>ERRAMON I. ABOITIZ</b> - Chairman of the Board				
3. <b>LIZA LUV T. MONTELIBANO</b> - Senior Vice President - Chief Financial Officer/Corporate Information Officer				
4. <b>LUIS MIGUEL O. ABOITIZ*</b> - Executive Vice President & Chief Strategy Officer				
5. <b>JOSEPH TRILLANA T. GONZALES*</b> - First Vice President - General Counsel and Compliance Officer				
<b>All above named officers as a group</b>	<b>Actual 2020</b>	₱100,840,000.00	₱4,960,000.00	₱43,340,000.00
	Actual 2019	₱98,270,000.00	₱14,110,000.00	₱8,180,000.00
	Projected 2021	₱106,900,000.00	₱5,300,000.00	₱45,900,000.00
<b>All other officers and directors as a group</b>	<b>Actual 2020</b>	₱25,010,000.00	₱1,660,000.00	₱43,650,000.00
	Actual 2019	₱17,200,000.00	₱1,130,000.00	₱26,270,000.00
	Projected 2021	₱26,500,000.00	₱1,800,000.00	₱46,300,000.00

\* Mr. Luis Miguel O. Aboitiz retired on 30 April 2020. Mr. Joseph Trillana T. Gonzales was separated on 31 December, 2020.

The 2020 Amended By-Laws of the Company, as approved by the SEC on 1 October 2020, defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer; the Chief Operating Officer; 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 2020, 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.

### COMPENSATION OF DIRECTORS

#### Standard Arrangements

Following the 22 April 2019 ASM, the 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	₱200,000.00

Type of Meeting	Members	Chairman of the Committee
Board Committee Meeting	₱100,000.00	₱130,000.00

During its 16 February 2021 meeting, the Board ESCG Committee, which performs the function of the Nomination and Compensation Committee, upon the recommendation of the Company's management proposed an increase the per diem of the Board and Board Committee Chairmen for every meeting as follows:

Type of Meeting	Chairman of the Board	
	From	To
Board Meeting	₱200,000.00	<b>₱225,000.00</b>

Type of Meeting	Chairman of the Committee	
	From	To
Committee Meeting (except Audit Committee)	₱130,000.00	<b>₱150,000.00</b>
Audit Committee	₱130,000.00	<b>₱200,000.00</b>

The per diems for the Board and Committee chairpersons were last increased in 2019. Since then, the Company's businesses have expanded in scope and became more complicated in nature, particularly taking into account the challenges caused by the COVID-19 pandemic. As a matter of effective corporate governance, these challenges have led to an increase in the responsibilities of the Board and Committee chairpersons. The proposal by management to increase the per diems of the Board and Board Committee Chairmen was made after a review of the Board compensation structures of comparable companies with the same Board size, revenue, assets, and market capitalization.

During its Board Meeting last 5 March 2021, the Board of Directors reviewed the proposed increases in the per diems for the Board and Committee chairpersons, and, having considered the rationale provided for the proposed increases and greater responsibilities of the chairpersons, endorsed the same for stockholders' approval.

There are no proposed changes to the directors' monthly allowance and the per diem of other members of the Board.

A resolution approving the proposed increase in the per diem of the Board and Board Committee Chairmen will be presented to the stockholders for approval at the 2021 ASM.

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of 31 December 2020 is as follows:

Name of Director	Total Compensation Received as a Director <sup>19</sup>
<b>ERRAMON I. ABOITIZ</b> <i>Chairman of the Board of the Board</i>	₱6,360,000.00
<b>MIKEL A. ABOITIZ</b> <i>Vice Chairman of the Board of the Board</i>	₱2,750,000.00

<sup>19</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 01 January to 31 December 2021.

<b>ENRIQUE M. ABOITIZ</b> <i>Director</i>	₱3,710,000.00
<b>EMMANUEL V. RUBIO</b> <i>Director</i> <i>President and Chief Executive Officer</i>	₱3,370,000.00
<b>JAIME JOSE Y. ABOITIZ</b> <i>Director</i> <i>Executive Vice President and Chief Operating Officer</i>	₱3,650,000.00
<b>DANEL C. ABOITIZ</b> <i>Director</i> <i>Chief Commercial and Stakeholder Engagement Officer</i>	₱3,200,000.00
<b>ROMEO L. BERNARDO</b> <i>Lead Independent Director</i>	₱3,630,000.00
<b>CARLOS C. EJERCITO</b> <i>Independent Director</i>	₱4,200,000.00
<b>ERIC RAMON O. RECTO</b> <i>Independent Director</i>	₱4,610,000.00

### **Other Arrangements**

Other than payment of the directors' per diem and monthly allowance as 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.

### **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.

### **Warrants and Options Outstanding**

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



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of 31 August 2021

Title of Class of Shares	Name and Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	<b>1. Aboitiz Equity Ventures Inc. (AEV)</b> 32nd Street, Bonifacio Global City, Taguig City (Stockholder)	Aboitiz Equity Ventures Inc.	Filipino	5,657,530,774 (Record and Beneficial)	76.88%
Common	<b>2. PCD Nominee Corporation (Filipino)<sup>20</sup></b> 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers <sup>21</sup>	Filipino	1,230,698,883 (Record)	16.72%

On 27 September 2021, Jera entered into Share Purchase Agreements with each of AEV and ACO, which subject to customary closing conditions, would result in Jera holding a total of 27% stake in AboitizPower. See the section entitled "Recent Developments" on page [48] of this Offer Supplement.

As of 31 August 2021, the following entities own 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)	48.04%
Common	<b>2. PCD Nominee Corporation (Filipino)</b> 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati (Stockholder)	PCD participants acting for themselves or for their customers	Filipino	979,966,175 (Record)	17.21%
Common	<b>3. Ramon Aboitiz Foundation, Inc.</b> 35 Lopez Jaena St., Cebu City (Stockholder)	Ramon Aboitiz Foundation, Inc.	Filipino	426,804,093 (Record and Beneficial)	7.49%
Common	<b>4. PCD Nominee Corporation (Foreign)</b> 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Non-Filipino	347,330,971 (Record)	6.10%

<sup>20</sup> PCD Nominee Corporation (Filipino and Foreign) 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>21</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.

**Security Ownership of Management as of 31 August 2021(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%
		15,280,079	Indirect		0.21%
Common	<b>Luis Miguel O. Aboitiz</b> Vice Chairman of the Board	11,167,081	Direct	Filipino	0.15%
		21,238,323	Indirect		0.29%
Common	<b>Mikel A. Aboitiz</b> Director	1	Direct	Filipino	0.00%
		27,844,759	Indirect		0.38%
Common	<b>Emmanuel V. Rubio</b> Director/President and Chief Executive Officer	89,130	Direct	Filipino	0.00%
		78,000	Indirect		0.00%
Common	<b>Danel C. Aboitiz</b> Director	4,081,636	Direct	Filipino	0.06%
		459,160	Indirect		0.01%
Common	<b>Edwin R. Bautista</b> Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Raphael P.M. Lotilla</b> Lead Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Carlos C. Ejercito</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Eric Ramon O. Recto</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Jaime Jose Y. Aboitiz</b> Executive Vice President and Chief Operating Officer	5,367,397	Direct	Filipino	0.07%
		4,719,302	Indirect		0.06%
Common	<b>Liza Luv T. Montelibano</b> Senior Vice President/Chief Financial Officer/Corporate Information Officer	19,600	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Maria Consolacion C. Mercado</b> Compliance Officer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Maria Veronica C. So</b> Group Treasurer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Manuel Alberto R. Colayco</b> Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Mailene M. de la Torre</b> Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		5,000	Indirect		0.00%
Common	<b>Sammy Dave A. Santos</b> Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Arazeli L. Malapad*</b>	7,000	Direct	Filipino	0.00%

<b>Title of Class of Shares</b>	<b>Name of Owner and Position</b>	<b>No. of Shares and Nature of Ownership (Direct and/or Indirect)</b>		<b>Citizenship</b>	<b>Percentage of Ownership</b>
	Data Privacy Officer and Vice President for Risk and Organizational Performance Management	1,000	Indirect		0.00%
Common	Saturnino E. Nicanor, Jr Group Internal Audit Head	26,896	Direct	Filipino	0.00%
		0	Indirect		0.00%
	<b>TOTAL</b>	<b>96,055,770</b>			<b>1.31%</b>

*\* Ms. Arazeli L. Malapad was replaced by Mr. Mark Louie L. Gomez as the Company's Data Privacy Officer on 06 September 2021. As of August 26, 2021, Mr. Gomez does not own shares in the Company.*

### **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 per centum (5%) of AboitizPower's common equity.

### **Changes in Control**

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

## 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 Related Party Transactions Committee of the Board.

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 2020 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 2020, 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 Note 32 or page 98 of the Consolidated Financial Statements.

## DESCRIPTION OF DEBT

*This section discusses additional debt incurred after the date of the Prospectus. The following section is qualified in its entirety by, and should be read in conjunction with, the more detailed information found in the Prospectus.*

As of the date of this Offer Supplement, AboitizPower has the following outstanding indebtedness since the date of the Prospectus:

### **AboitizPower ₱8 bn Fixed Rate Bonds due 2026**

On 16 March 2021, AboitizPower issued fixed-rate bonds (the “2021 First Tranche Bonds”), with an aggregate amount of ₱4 bn and an oversubscription option ₱4 bn which was fully exercised. The 2021 First Tranche Bonds have an interest rate of 3.8224% per annum and are maturing on 16 March 2026. Interest shall be paid quarterly in arrear on March 16, June 16, September 16, and December 16 of each year, commencing on June 16, 2021, until and including the maturity date. The 2021 First Tranche Bonds were issued in scripless form in minimum denominations of ₱50,000 each, and in multiples of ₱10,000 thereafter. The 2021 First Tranche Bonds earlier received the highest possible rating of “PRS Aaa” from the Philippine Rating Services Corporation and AboitizPower intends to list them with the Philippine Dealing & Exchange Corporation (PDEX).

Remaining tranches of debt securities under AboitizPower’s shelf registration may be issued from time to time over the next three years, subject to market conditions and AboitizPower’s funding requirements.

AboitizPower appointed BDO Capital & Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation and First Metro Investment Corporation as Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners; and BDO - Unibank, Inc. – Trust and Investments Group as the Trustee. Philippine Depository & Trust Corp. (PDTC) is the Registrar and Paying Agent of the 2021 First Tranche Bonds.

The 2021 First Tranche Bonds constitute the direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by AboitizPower pursuant to Section 4.1 (k) of the trust agreement for the 2020 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2021 First Tranche Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2020 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:
  - (i) any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset; or (y) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
  - (ii) Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

- (iii) any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
- (iv) any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction
- (v) any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
- (vi) any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
- (vii) any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness;
- (viii) any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (y) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
- (ix) any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty-Five percent (35%) of the Issuer's total assets;
- (x) any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million (US\$40,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
- (xi) other Liens: (x) created solely by operation of law; and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the trust agreement; and
- (xii) any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

Provided that for purposes of "affiliate" as used in Section 5.2 (a) (iii), (iv), (v), and (xii) of the trust agreement, it shall refer to any Person in which AboitizPower has an investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2021 First Tranche Bonds are current and updated; and
3. Maintenance of Financial Ratios. Under the 2021 First Tranche Bonds, AboitizPower is not required to maintain any financial ratios. However, the Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the transaction date, after giving effect to the incurrence of such loan obligation and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt to Consolidated Equity Ratio, as at the last day of the Relevant Period immediately preceding the transaction date (and giving effect to the incurrence of such loan obligation and any other such cumulative obligations), will exceed 3:1.

## INDEPENDENT AUDITORS AND COUNSEL

### LEGAL MATTERS

All legal opinions/matters in connection with the issuance of the Second Tranche Bonds will be passed upon by the Legal Management Services of AEV, the parent company of the Company, and Romulo Mabanta Buenaventura Sayoc & de los Angeles (“Romulo”) for the Company; and Picazo Buyco Tan Fider & Santos (“Picazo”), for the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. Neither Romulo nor Picazo have any direct interest in the Company.

Romulo and Picazo may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Romulo and Picazo provide such services to its other clients.

### INDEPENDENT AUDITORS

The consolidated financial statements of the Company as at 31 December 2019 and 2018 and for each of the three years in the period ended 31 December 2019 have been audited by SyCip Gorres Velayo & Co., a member firm of Ernst & Young, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Offer Supplement.

The partner-in-charge is Maria Veronica Andresa R. Pore.

### EXTERNAL AUDIT FEES AND NON-AUDIT RELATED SERVICES

The following table sets out the aggregate fees billed for each of the last two (2) fiscal years for the professional services rendered by the Company’s external auditors:

Fee Type	Year ended 31 December 2020	Year ended 31 December 2019
<b>Audit Fees</b>		
Audit Fees	₱502,000.00	₱500,000.00
Audit Related Fees – Bond issuance	8,200,000.00	6,600,000.00
<b>Total</b>	<b>8,702,000.00</b>	<b>7,100,000.00</b>
<b>Non-Audit Fees</b>		
Financial and Tax Due Diligence Fees	–	4,000,000.00
<b>Total</b>	<b>–</b>	<b>4,000,000.00</b>
<b>Total Audit and Non-Audit Fees</b>	<b>₱8,702,000.00</b>	<b>₱11,100,000.00</b>

AboitizPower engaged SGV to audit its 2020 and 2019 annual financial statements. SGV was also engaged to conduct post reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the ₱9.6 bn bonds in 2020 and ₱7.3 bn bonds in 2019. In 2019, the Company also engaged SGV to provide financial and tax due diligence in relation to the Company's participation in biddings, acquisitions, and other projects.

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 2020 and 2019 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.



## **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.

## **BOARD AUDIT COMMITTEE**

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.

The chairperson of the Board Audit Committee is Mr. Carlos C. Ejercito. The members are Raphael P.M.Lotilla, Eric Ramon O. Recto, Danel C. Aboitiz and Luis Miguel O. Aboitiz.

As part of this process, SyCip Gorres Velayo & Co. reports to the Board Audit Committee. The Board Audit Committee is required to ensure that corporate accounting and reporting practices of the Company are in accordance with all legal requirements and are of the highest quality.

## TAXATION

*The statements herein regarding taxation are based on the laws in force as of the date of this Offer Supplement and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Second Tranche Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Second Tranche Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Second Tranche Bonds.*

*As used in this section, the term “resident” alien” refers to an individual whose residence is within the Philippines and who is not a citizen thereof. On the other hand, a “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien engaged in trade or business in the Philippines”; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year may be considered a “non-resident alien not engaged in trade or business within the Philippines”. A “domestic corporation” is created or organized under the laws of the Philippines while a “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines. A “non-resident foreign corporation” is a foreign corporation not engaged in trade or business within the Philippines.*

### TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident alien individuals from the Second Tranche Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Second Tranche Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Second Tranche Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Second Tranche Bonds is subject to a 25% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

### TAX-EXEMPT STATUS OR ENTITLEMENT TO PREFERENTIAL TAX RATE

Bondholders who are exempt from or are not subject to final withholding tax on interest income or entitled to be taxed at a preferential rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements:

1. Proof of Tax Exemption or Entitlement to Preferential Tax Rates
  - i. For (a) tax-exempt corporations and associations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose,

a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof, and has not been revoked, amended or modified;

- ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336);
- iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) GOCC; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; and
- iv. For entities claiming tax treaty relief – original or certified true copies of the following documents:

General requirements:

- A. Original Tax Residency Certificate (TRC) duly issued by the tax authority of the foreign country in which the Bondholder is a resident;
- B. Original and duly notarized Special Power of Attorney (SPA) issued by the Bondholder to the Issuer, expressly stating the Issuer’s authority to sign the Application Form for Treaty Purposes (BIR Form No. 0901-I) and to file a request for confirmation with the BIR on behalf of the Bondholder;

Additional requirements for legal persons and arrangements, and individuals:

- C. Authenticated copy of the Bondholder’s Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language;
- D. For legal persons and arrangements – original Certificate of Non-Registration or certified true copy of License to Do Business in the Philippines duly issued by the Securities and Exchange Commission (SEC) to the Bondholder;
- E. For individuals – original Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry (DTI) to the Bondholder;

Additional requirements for entities:

- F. Certified true copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the Bondholder;
- G. List of owners/beneficiaries of the Bondholder;
- H. Proof of ownership of the Bondholder; and
- I. TRC duly issued by the concerned foreign tax authority to the owners or beneficiaries of the Bondholder.

All documents executed in a foreign country must either be authenticated by the Philippine Embassy stationed therein or apostilled if the said foreign country is a signatory to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (HCCH 1961 Apostille Convention) in order to be acceptable to the Issuer.

In addition, for subsequent interests due and subject to the requirements of new or amendatory regulations, the Bondholder shall submit to the Issuer an updated Application Form, a new TRC (if the validity period of the previously submitted TRC has already lapsed),

and other relevant documents no later than the last day of the first month of the year when such subsequent interest payment/s shall fall due.

2. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose, or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer, the Registrar, and the Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer, the Registrar, and the Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding or reduced withholding of the required tax; and
3. Such other documentary requirements as may be reasonably required by the Issuer or the Registrar and Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Failure to submit any of the documents provided under (1), (2) and (3) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

The foregoing notwithstanding, the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Second Tranche Bonds, to the Joint Issue Managers, Joint Lead Underwriter, and Joint Bookrunners or Selling Agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

#### **VALUE-ADDED TAX**

Gross receipts derived by dealers in securities from the sale of the Second Tranche Bonds in the Philippines equivalent to the gross selling price less acquisition cost of the Second Tranche Bonds sold, shall be subject to a 12% value-added tax. "Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

#### **GROSS RECEIPTS TAX**

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less: 5%

Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less: 5%  
Maturity period is more than five years: 1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Second Tranche Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

**DOCUMENTARY STAMP TAX**

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Second Tranche Bonds, at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

**TAXATION ON SALE OR OTHER DISPOSITION OF THE SECOND TRANCHE BONDS**

**Income Tax**

Ordinary asset – The gain is included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens or resident foreign individuals, or non-resident alien engaged in trade or business in the Philippines effective 01 January 2018 until 31 December 2022:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

and effective 01 January 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000

Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident alien not engaged in trade or business, the gain shall be subject to the 25% final withholding tax.

Capital asset – Gains shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than twelve (12) months prior to the sale, only 50% of gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of twelve (12) months or less, 100% of gain is included.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Bonds are subject to a 25% income tax. Gross income derived by non-resident foreign corporations on the sale or other disposition of the Bonds is subject to a 25% income tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with a maturity of more than five (5) years are not subject to income tax.

### **Estate and Donor's Tax**

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Second Tranche Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at 6%. For transfers through donation, a Bondholder shall be subject to donor's tax of 6% computed on the basis of the total gifts in excess of ₱250,000.00 exempt gift.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Second Tranche Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Second Tranche Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Second Tranche Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes unless it can be proven that the transfer of property is made in the ordinary course of business (*i.e.*, a transaction which is *bona fide*, at arm's length, and free from any donative intent), in which case, it will be considered as made for an adequate and full consideration in money.

### **Documentary Stamp Tax**

No documentary stamp tax is imposed on the subsequent sale or disposition of the Second Tranche Bonds, trading the Second Tranche Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the Second Tranche Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the Second Tranche Bonds, documentary stamp tax is payable anew.

## **REGULATORY FRAMEWORK**

For a further discussion of the laws and regulations applicable to the Issuer, please refer to pages 247 to 264 of the Prospectus.



## **FINANCIAL AND OTHER INFORMATION**

1. Interim Financial Statements for the period ended 30 June 2021, Annex A
2. Audited Financial Statements for the fiscal year ended 31 December 2020, Annex B
3. Unaudited Interim Condensed Consolidated Financial Statements As of June 30, 2021 (with Comparative Figures as of December 31, 2020) and For the Six-Month Periods Ended June 30, 2021 and 2020

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